A study of cultural differences in cross-border Mergers & Acquisitions

Case studies review in Swedish companies

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ABSTRACT

Among the challenges that companies may face during the post M&A phase, cultural integration can be seen as one of the trickiest tasks. Cultural differences which are inevitable in any deal are always there. The link between how people from autonomous groups live together and the deal result is an interesting topic that needs to be investigated. Since we have an interest in developing the understanding of cultural differences during integration process in cross-border M&As, the research question “How do cultural differences arise in cross-border M&As during the integration process and do they impact the deal result?” is formulated.

This thesis presents a model that demonstrates elements of cultural differences from three levels, national, organizational and personal. In this model, these levels can be seen as interrelated to each other in which the inner layer is impacted by the outer one. As a result, personal culture, as the most inner layer, is doubly impacted by the other two, national and organizational levels. Given that the scope of our thesis is for cross-border M&As, after investigating these three levels of culture, we found that organizational and personal differences are real in any M&As no matter domestic or cross-border deals. Differences at national level, on the contrary, are the first element that should be mentioned as a root of cultural differences in companies from different nationalities.

From the understanding about emergence of cultural differences, we further study to see if they leave any effect on the deal result. In the empirical section, from the cultural gap analysis of each case, it was surprising to see that the relationship between cultural gap and deal result of two of four cases, are opposite to Rankine’s theory. At this point, we can see that M&As between companies similar in culture is not always successful or that failure between organizations having significantly different cultures is not always true, and then the empirical study on the acculturation dynamics made the further explanation that cultural differences are not the critical factor leading to success or failure, but rather how participants in integration perceive and respond to the cultural differences will impact the deal result.

Key words: Cross-border M&As, Integration process, Cultural integration, Cultural differences.
We would like to express the most sincere gratefulness to our supervisor, Mr. Nils Wåhlin, Associate Professor who led and followed us during the last fifteen weeks at Umeå School of Business although the required time is much shorter. During the thesis writing period, all of his guidance and encouragement is truly engraved. Moreover, we also would like to show all of our gratitude for his time spending on reading our weekly reports with full of mistakes at the beginning, as well as providing feedbacks to enable us get on the right track.

Secondly, we would like to show special thanks to the original authors who contributed cases through archival resources that we used for the empirical section. Moreover, contribution of Mr. Tommy Nöhr Jensen, Associate Professor and Mr. Kiflemariam Hamde, Assistant Professor at Umeå School of Business are really appreciated. They are people who raised our interest in this thesis as well as providing understanding about Social Identity Theory which can be considered as one of the basic theories used in this research.

We also would like to express our gratitude to Umeå University, especially Umeå School of Business, for initially sowing and further developing our knowledge to complete this thesis in management. Furthermore, we would like to thank people who have contributed to our thesis, either in direct or indirect aids, either with physical or moral support. It cannot be denied that our families and friends who always encouraged us in the hardest time were also extremely helpful. And lastly, special thanks should be given to our classmates who cooperated with us during the time studying at Umeå School of Business.
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CHAPTER 1

INTRODUCTION

The Introductory Chapter is used to introduce the reader to the background of the chosen research problem and explain why the thesis is in need for the chosen topic. Research question is then indicated together with research aims as well as scope of research. In the last part, thesis structure is drawn to provide a framework of our thesis.

1.1 Research Background

“Culture is more often a source of conflict than of synergy. Cultural differences are a nuisance at best and often a disaster” (Hofstede G.)

As the advantages of M&As, mainly creating synergies and diversification (Kim & Nofsinger, 2007, p. 106), are strongly recognized, the need of better combinations of separate companies has risen. In order to obtain the benefits and opportunities that M&A deals may bring, is there a straightforward way that should be considered? Moreover, according to some statistic figures, not all of the deals will reach the expected results, i.e. 44% of the merged companies has been with the lower premium price in the long term (Kaplan & Weisbach, 1992) or the desired objective was not delivered in around 70% of the M&A cases (Sirower, 1997). Consequently, the need of exploring the reasons impacting the deal result has emerged. According to Lees, besides the need of financial or market knowledge, understanding about human related issues, for example organizational and cultural, plays the main role leading to success of M&A deals (2003, cited in Nummela 2004, p. 84). Moreover, in another study of Buono, Bowditch & Lewis (1985), it was raised that there is dominance of studies of strategic, financial and operational consequences of merger activity, while there are fewer studies in “human side” of M&As (Buono, Bowditch & Lewis, 1985, p. 477). In companies studied after M&As, the organizational change is always considered as a root of cultural changes in terms of employees’ perception, organizational culture as well as national culture. Consequently, cultural differences arise in either positive or negative direction as a result of M&As or are sometimes considered as inevitable differences in a marriage between companies.

As we may know, cross-border M&As have become more and more popular in recent years, besides the benefits that domestic deals may provide, they further brings additional advantages far beyond the national borders. However, new hindrances will obviously come, “Expansion overseas helps some firms follow clients overseas, but cross-border transactions can be tricky” (Davis, 2010, p. 20). The cultural difference in companies after M&As is much more enhanced in cross-border cases when more challenging integration is required for companies from different national cultures. Differences in companies involved in M&As always occur even in those sharing common features, furthermore, in cross-border M&As, differently embedded cultures keep companies away from successes. In another word, cultural differences in companies after cross-border M&As are considered as much more intense due to the fact that cross-border M&As experienced less adaptability to the
new business environment. Furthermore, in cross-border M&As, culture is usually regarded as the inevitable reason of any success or failure (Jansen, 2002, p. 381). Another significant problem that cross-border M&As may bring to integration process is ambiguities when international interaction happens (Risberg, 2001, p. 64). This ambiguity is considered as rooted in other problems arising from staff's self-interpretation about M&As. Since a cultural gap can easily hinder the cooperation, especially in case of cross-border M&As, their negative impacts often arise as a result. Pribilla considered the cultural clash as “the hidden costs of mergers” (cited in Picot 2002, p. 312).

1.2 Research problem

The existing researches present quite well issues related to M&As in cross-border deals including some common interests, e.g. elements leading to the successes and failures in M&As, relationship between M&As and human sides in those deals, difficulties in managing M&A deals as well as increasing interests in issues during integration process. However, those issues are presented separately and perceived from different perspectives with a variety of authors writing about M&A topics. On the contrary, there are a limited number of studies about Swedish companies in this field, especially in the relationship with other companies during the integration process after cross-border M&As. For this reason, the comparison with other national cultures when Swedish companies engage in multinational deals are actually necessary to make the expected benefits happen and avoid disadvantages from cultural issues. This topic absolutely appealed us to conduct this thesis. From the existing literature and the results to be found, our research is aiming to investigate how cultural differences arise in cross-border M&As during the integration process and if they impact the deal result. We, after that, use case studies about Swedish companies which acquired or merged with foreign companies to consider issues related to cultural differences to come up with some ideas about the issues stated in the cases. For the reasons stated above, the thesis will be combined from existing theories, and then be analyzed from archival case studies to draw the conclusions and propose knowledge gap for further studies.

1.3 Research purpose

Thanks to the growing presence of books and scientific articles related to M&As, the literature review for existing theories is feasible; consequently the nature of such an issue is identified and analyzed in depth. This thesis is valuable for the sense that more and more companies are pursuing M&As although there is a high percentage of a failure in companies related to human issues or related to cultural differences in particular. Besides our interest in discovering why there are cultural differences during the integration process, we further investigated to see if cultural differences actually play an important in the deal result. “Resistance to change, often subliminal and therefore more dangerous, easily leads to cultural and organizational incompatibilities, decreasing productivity and even mass exodus of high caliber experts and managers to the competition.” (Pribilla, 2002, p. 309). Or cultural integration can be seen as a critical success factor during post-M&A phase for the fact that only when employees perceive positively the decision to merge and are willing to cooperate with their new colleagues (Pribilla, 2002, p. 309).
As acknowledging that we will review the existing theories from reliable sources, the need of empirical evidences come which are seen as inevitable. The question is raised here as what kind of empirical resouces should be utilized as well as how scope of recources is limited. Since this topic has attracted a huge number of interests which can be appoached from many perspectives, we found there is not many studies about Swedish companies, as a result, in order to review cultural integration and cultural gap forming processes, we decided to:

- **Narrow down and focus on Swedish companies** to differentiate the culture gap between Swedish companies and different foreign companies during the integration phase, instead of looking at the issues from a large multidimensional and multinational project with too many dimensions to consider.

In the discussion part, after analyzing archival cases, we would like to

- Connect the existing theories and archival cases to answer the research question and to suggest further studies to provide better knowledge.

### 1.4 Research question:

The research question raised by the authors is:

“How do cultural differences arise in cross-border M&As during the integration process and do they impact the deal result?” Case studies are reviewed in Swedish companies to collect evidences and then answer the research question.

### 1.5 Delimitation

- Our thesis is based on theories from books and scientific articles gathered from Umeå University Library Resource and its connected scientific databases.

- Moreover, archival cases about Swedish companies involved in cross-border M&As were gathered from Umeå University Library Resource and other scientific databases to provide additional information to our thesis. As a result, they are selected cases and our findings cannot be generalized for the global business environment.

- Furthermore, our thesis is a qualitative study based on secondary data of archival cases in selected Swedish companies involved in cross-border M&As, thus the results may not be applicable to other Swedish companies which are not in this context, i.e. companies with other nationalities, Swedish companies not involved in M&As or Swedish companies involved in domestic M&As.

- Since our thesis is a qualitative study which depends on word interpretations, we rely on the evidences quoted from cases reviewed. In other words, our empirical section is based on what is provided in the cases, however, since we acknowledge that the quality criterion of data is extremely important, the research method takes into consideration this criterion.
• For the reason that there are various definitions and measurements of the deal results, we determine successes in the deal result as positive performance, in terms of either financial or non financial, e.g. knowledge transfer, sales, marketing. The opposite determination is applicable for the failures in the deal result. Moreover, the deal result is determined at the end of the reviewed period and we do not consider how it will be after the reviewed period.

• Given that we use archival cases as secondary evidences to support our theoretical part, there are no perfect cases which can be bridged to our proposed theories. We collect and combine data from several cases to conduct discussions and indicate findings, as a result, information which is from one case may not be valid for other cases. Moreover, since articles were written from different perspectives of the authors, we put our neutral view and have our own perspective to analyze the data collected.

• Since we acknowledge that M&A processes are impacted by many elements and that the cultural issue is just one of them that we are interested in, it is not the only factor affecting the deal. Please consider other factors when investigating M&As and its related topics.

• In our thesis, we use abductive method which is a combination of deductive and inductive methods. Following this method, we will not have a hypothesis as a starting point, we will rather outline a knowledge gap and propose further studies instead.

• Our study aim is to answer the research question and not to provide universal conclusions.

• In order to answer the second Research question “Do cultural differences impact the deal result?” there is a need to limit the number of the various factors that likely impact the deal result. Under our scope, we just focus on cultural differences as the factor impact the deal result.
1.6 Thesis structure

This thesis is structured in five chapters which will be presented in detail from basic knowledge about essential terms to the discussion after reviewing theories and case studies (Figure 1).

The **Introductory Chapter** is used to introduce background of the chosen research problem and to explain why thesis is in need for the chosen topic. Research question is then indicated together with research aims as well as scope of research.

The following part explains how we deal with **Research method**, including determining research strategy for the research question, research philosophy, and research approach.

The next chapter will present a **Literature Review** where Research question will be answered from existing theories from general knowledge to specific explanations. The main content will comprise of three sections: 1. Mergers, Acquisitions and related issues; 2. Integration of companies after M&As; 3. Cultural differences analyzed from personal, organizational and national level.

After reviewing existing theories, practical knowledge is combined in **Empirical section** with archival cases reviewed. Specific case studies of Swedish companies are used as the authors’ intention is to consider the cultural differences in various foreign companies involved in M&As with Swedish companies. To be more critical, cases of both successful and failed M&As are chosen to avoid any bias which may arise during the case studies review.

In chapter 5, the results are presented in two parts: (i) **discussions** and (ii) **recommendations**. The discussion section will be a part of bridging existing theories and archival cases which will create the following recommendations section. Research gap will appear at this point and further studies will be suggested to provide additional knowledge.

At the end of our thesis, **conclusion** chapter will wrap up in explaining the process of cultural differences forming in post M&As in cases of Swedish companies involved in cross-border M&As, then go further to indicate the research gap that we will find out at the end of the research as well as propose the solutions to fill up that gap. Challenges in integration coming from cultural differences will be the heart of the whole thesis; moreover, the contrasts and comparisons of cultural differences of foreign companies in cross-border M&As with Swedish companies will be highlighted to illustrate evidences concerning these issues.
CHAPTER 2

RESEARCH METHOD

This part explains how we chose the research strategy for the research question. The decision on research strategy in business studies is affected by researcher’s view on both the reality and relationship between research and the social scientific theories (Bryman & Bell, 2007, p. 4). How does the researcher view the reality in the research is called research philosophy, additionally, how does the researcher relate the social scientific theories and research is named research approach (Bryman & Bell, 2007, p. 4). This chapter is developed from the research philosophy, research approach, and then ended in the research strategy.

2.1 Theoretical methodology

2.1.1 Research philosophy

Research philosophy indicates the ways that the researcher perceives the reality for doing the research and translates the facts of the research into reality (Bryman & Bell, 2007, p. 15). It includes two main methodologies which are epistemology that answers how the research could be studied in the reality and ontology that answers what the reality is in the research from the researcher’s point of view. Deciding the philosophy is the foundation of the research since it points out the general research framework. Additionally, it directly influences what type of theories that should be chosen and what kind of methods that should be used in the empirical part (Saunders, Lewis & Thornhill, 2007, p. 101).

Social science does not have the same research principles, procedures and ethos like natural science does, however some researchers propose that the natural scientific research methodologies could be applied in some social scientific researches. But, should we use the same way as the natural science does? This is answered by Epistemology (Bryman & Bell, 2007, p. 16). The epistemological position which advocates the methods of natural science is called Positivism (Bryman & Bell, 2007, p. 16). The research outcome under this position relies on the phenomenon observation and it could be applied generally, it usually relates to the quantitative methods such as statistics. There is also another position called interpretivism (Bryman & Bell, 2007, p. 17). It is the opposite of the positivism and with assumption that the methods of natural science are not appropriate under the business context since the business research is affected by the unique individual and organizations. In addition, Saunders Saunders, Lewis and Thornhill (2007) argue that the interpretivist stance is more usual taken in the business research, because that it is impossible to generalize the research outcome in the same way as the natural science does. In this sense the interpretivism is the philosophy where the reality is interpreted by human beings and is developing along with the time (Bryman & Bell, 2007, p. 18).

Ontology is concerned as the nature of reality. The ontological position is the way that the researcher views the reality (Bryman & Bell, 2007, p. 22). The two main positions are objectivism and subjectivism. Objectivism means that society entities exist in reality external to social actors. The reality is out there no matter we figure it out or
not. On the other hand, subjectivism discuss that social reality is constructed and affected by the social actors. Each researcher could have his own view of the social reality and will base on it to do the study (Bryman & Bell, 2007, p. 23-24).

Back to our research question “How do cultural differences arise in cross-border M&As during integration process and do they impact the deal result?” the aim is to develop the understanding of emergence of the culture differences and the relationship between cultural distance and the deal result in the Swedish cross-border merger cases. Therefore, the authors decide to prefer the interpretivist perspective as the epistemological view since the findings of this research cannot be generalized as the natural scientific theory, the most reasonable way to establish these findings should be interpreted with the authors’ understanding.

Furthermore, it is universally known that the processes and outcomes of each M&A cases are completely different due to the different context, and the highly diverse cultural problems are faced by the acquiring and target firms, in another word, it is better to consider that the related knowledge of M&As is constructed and affected by social actors, it does not exist as independently as natural science. Therefore, the authors think the background of this M&A research topic is not stable and fixed comparing with the natural science which can be generalized objectively. Consequently, the subjective position has been chosen as the ontological view of this study.

2.1.2 Research approach

After defining the relationship between the research and the reality, it is time to consider the approach of conducting the research which means the nature between theory and research. In general, the researcher chooses one scientific approach from deductive and inductive ways (Bryman & Bell, 2007, p. 11). Deductive research is used when we are going to test the hypothesis, firstly, we will create the hypothesis based on the previous study, and then it will be tested by the empirical observation (Saunders et al., 2007, p. 117). The research is the revision of the theory around the topic. This approach is often used by the natural science and under the positivism position. The Inductive one, on the other hand, is to generate the theory from the observation and analysis of empirical reality (Saunders et al., 2007, p. 118). According to “business research methods”, the inductive approach more relates to the subjective research and qualitative strategy.

Just as Saunders, Lewis and Thornhill (2007) wrote the nature of the research topic is a key factor influencing which approach that should be chosen. Bryman and Bell also said “to think the relationship between research and theories in terms of deductive and inductive strategies is not as cut-up as they are sometimes presented” (Bryman & Bell, 2007, p. 14). Therefore, some researchers combine two approaches together due to the topic. There are two types of combination which are (1) to have one more observation based on the theories generated from the previous observation and (2) to make a detailed literature review before to apply the inductive approach (Bryman & Bell, 2007, p. 14). This mixed approach is called abduction.

In this specific study, the authors will firstly address the relevant theoretical framework, and then develop the first observation. The result will be applied
compare with the existing theory. If the finding is not fit in the previous theory, another observation will be carried out. That means the research approach is the abductive approach. The two main reasons for this decision are; firstly, since the cross-border M&As and culture studies contain a wide body of knowledge that has interpreted from various perspectives by many other researchers, it is much better to design the empirical part based on the appropriate theoretical framework. Secondly, M&A environment is changing so fast and each M&A case is unique, usually the previous theories only can be applied in some certain contexts. Therefore, it is tricky to just validate the hypothesis in this filed. The better method is to take the relevant previous theories as the study background to observe and generate the finding.

2.1.3 Research strategy

Research strategy is the direction of the research, which points out the way to answer the research question (Bryman & Bell, 2007, p. 28). To decide the appropriate one is influenced by the previous epistemological consideration, ontological consideration and the nature of theory and research. According to the research philosophies and research approaches, there are two major alternatives in research strategy that are called qualitative and quantitative strategies (Bryman & Bell, 2007, p. 28).

Qualitative strategy usually follows the inductive approach, subjectivism and interpretivism. If the researcher decides to take the qualitative strategy, that means the research will be studied under the unique context, the collection and analysis of data will be mainly focused on the words and the findings will be interpreted subjectively (Bryman & Bell, 2007, p. 28). On the contrary, quantitative strategy is in line with the positivism philosophy and entail with the deductive approach. The researcher taken this strategy seeks to prove the hypothesis from the general view that relates to the answer the research question through the collecting and analyzing the numerical data (Bryman & Bell, 2007, p. 28).

Table 1: Fundamental Differences between Quantitative and Qualitative Research Strategies (Bryman & Bell, 2007, p. 28)

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<td>Deductive; testing of theory</td>
<td>Inductive; generation of theory</td>
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<tr>
<td>Epistemological orientation</td>
<td>Natural science model; in particular positivism</td>
<td>Interpretivism</td>
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<td>Ontological orientation</td>
<td>Objectivism</td>
<td>Constructionism</td>
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In this study, the authors thought under the complexly dynamic M&A environment the better way is to interpret their understanding of cultural knowledge in M&A subjectively rather than to generalize it objectively though statistic analysis. Consequently, compared with quantitative strategy the qualitative strategy is more appropriate.
The main steps developed from previous parts and used in this thesis are below.

1. General research question

2. Selecting relevant site(s) and subject(s)

3. Conceptual and theoretical framework

4. Collection of data

5. Interpretation of data

6. Writing up findings and conclusions

When researchers are taking a qualitative strategy into research design, they have to determine which kind of data that should be selected and how to collect it. There are eight types of qualitative data collecting strategies which are experiment, ethnography, action research, survey, case study, grounded theory, archival research (Saunders et al., 2007, p. 135). Although some of these clearly belong to deductive approach or inductive approach, the researcher has to define it finally based on the research question and objective, the extent of existing knowledge, the amount of time and other resource such as budget (Saunders et al., 2007, p. 135).

Case studies and archival research are the most relevant strategies for our research. Case studies emphasize a specific study area, which means it could be used for the research in a single organization or a single event (Bryman & Bell, 2007, p. 63). Archival research is the secondary data research; it means that the researcher collects the data from previous study such as administrative records, documents, newspapers, journals, books to conduct the empirical study (Saunders et al., 2007, p. 143).

This research is constrained by time and money. In addition, it is highly possible to bring bias to the interview process, since the authors are not experienced in this field and this is their first time to do research about M&As. Therefore, considering the research condition, the archival research is chosen as the strategy of data collecting and selecting. The authors will find out the relevant published thesis, journals, books to select the previous relevant interviews for constructing the empirical part, which will help us save lots of time and money; furthermore, the published resources are already audited, that means there are more trustworthy results.
2.2 Empirical methodology

2.2.1 Choice of subject

There are three main reasons for choosing this subject.

- Firstly, many companies expand their market from domestic to worldwide relation along with the development of economic globalization, thus Cross-border M&As as one of the entry strategies becomes more and more popular. Most companies prefer it because of its quick efficiency, however, more than half fail after a period of time as they just focus on how to choose the right acquired company in pre-M&As rather than how to manage the company well in post M&As. Therefore, the authors think it is quite worthy to study the post phase.

- Secondly, the acquiring company faces one problem in the post phase, which is to integrate two totally different companies together, in another word to combine two cultures into one. Apparently, the integration is much harder than deciding the target companies since these two groups have their own stereotypes which arise from national culture, organizational culture and in-group culture and are shared for a long time. These stereotypes generally are the culture differences that will cost a long run to convert or even become the failure cause. Therefore, the authors think that it is necessary to develop the understanding on emergence of culture differences in cross-border M&As.

- Thirdly, Sweden came into our notice, because it is one of the most significant countries in Nordic arena and has several world-known cross-border M&A cases in recent years, for example the Volvo case. We are wondering how culture differences arise in the Swedish context. On the other hand, the authors believe there is an increasing trend in then Swedish cross-border M&A field, therefore we hope our finding could help these companies to understand and manage the integration easier than before.

2.2.2 Sampling method

Probabilistic sampling and non-probabilistic sampling are the two main categorizations of sampling techniques. Using probabilistic sampling indicates that researchers select representative cases equally. On the other hand, non-probabilistic sampling means that researchers select the representative cases purposively (Saunders et al., 2007).

As mentioned previously, the purpose of this study is to develop the understanding of cultural differences and the relationship between cultural distance and the deal result in Swedish cross-border M&A cases, obviously the authors ought to select the relevant cases in this field so that the non-probabilistic sampling method fits in this research purpose.

There are three approaches of the non-probabilistic sampling which are quota sampling, Convenience sampling and snowball sampling. Quota sampling means that
researchers define the representative characteristics or limit the number to select the cases (Bryman & Bell, 2007, p. 201). Convenience sampling is the way that researchers select the cases by the accessibility. Applying this method, the chosen sampling may not be the representative one (Bryman & Bell, 2007, p. 197). The last one is snowball sampling that researchers gather the samples through exploring the potential samples from the initial one (Bryman & Bell 2007, p. 200).

The paragraphs discussed above help to answer two questions to conduct the empirical section. “How do we select the cases?” and “Why do we interpret four cases in the thesis?”

In order to answer the second part of the research question “Do cultural distances impact the deal result?” in Swedish cross-border M&As, these final cases must have three representative characteristics which are the huge / small cultural distance, the successful / failed deal result and Swedish cross-border M&As. Based on these three representative characteristics, there are four combinations which are the successful Swedish cross-border M&A case with huge cultural gap, the successful Swedish cross-border M&A case with small cultural gap, the failed Swedish cross-border M&A case with huge cultural gap and the successful Swedish cross-border M&A case with small cultural gap. Attached to our limitations, here we consider that examining just one case in each combination is sufficient to investigate the four cases to reach our research purpose.

In the beginning of the practical process, actually we only can take the successful / failed deal result and Swedish cross-border M&As as the representative characteristics since the huge / small cultural distance of the case is the first part of research question that we are going to fill through the empirical study based on the relevant theoretical framework. Therefore, we will collect some successful Swedish cross-border M&A cases and failed Swedish cross-border M&A cases firstly, and then analyze the extent of cultural distance in each case roughly until finish the collection of the above four combinations. But, in the thesis we only present and analyze the final four cases which are Volvo-Carrus, Volvo-Ford, Telia-Telenor and Pharmacia-Upjohn.

Furthermore, these M&A cases must be happened in the stable economical and political situation in order to avoid the deal result of the chosen cases being impacted by some other inestimable force. Above all, quota sampling is the appropriate method of this study.
2.2.3 Data collection method

Which type of data should be selected and how to collect it are the questions that will be answered in this part. Generally speaking, Data could be categorized into primary data and secondary data. Primary data is collected by researchers from the originator directly and secondary data is the one which is published previously in newspaper, journals, books and documents (Remenyi, Williams, Money & Swaetz, 2009, p. 141). Furthermore, there are four usual methods for data collecting which are questionnaire, observation, documentary analysis and interview.

When researchers decide the data type and methods, they must take account of the research design. The research design of this thesis is archival research which is the secondary data research. Consequently, the authors are going to collect secondary data. To explain why we chose archival research instead of conducting interviews to obtain primary data, there are several reasons that we find reasonable and suitable for our research which do not impact the quality of our thesis.

- Firstly, we tried to arrange interviews with the relevant people in the cross-border cases to enrich the data, however, during the research process, the workers in the failed M&A cases usually had their own misgiving and some did not hold the positive attitude to corporate with us for investigating. Acknowledging that it is an extremely sensitive issue when mentioning about the “pain” which people experienced from the failed cases, moreover, our study is limited in terms of time and budget so that we could not spend more time negotiating with them., The interviews could not be conducted, due to the unfeasibility of carrying out an ethnographic study or interview suitable people within the companies, alternatively, secondary data review is chosen.

- Moreover, since this topic is attention-grabbing and there is a variety of existing studies in this field, we found relevant data not only in theories but also in case studies that original authors have written about. As a result, we believe that from sources of information that we can access, we can obtain sufficient information for our thesis.

- One more thing has to be mentioned is that writers of the archival articles collect and explain the data for their research purpose which may be totally different from this study’s perspective, that means there are no perfect archival case to answer our research question, the authors thus found interesting to review and combine data from many relevant sources to answer the research question.

- Additionally, in order to minimize the bias by using secondary data the authors will not construct the empirical part through the interpretation from the previous archival articles but mainly based on the original contents of interview which did by other researchers.

- Furthermore, all the archival cases that will be used are selected based on the theoretical framework and must be a typical cross-border M&As in Sweden. It is found as a novel idea to study cross-border M&A cases of Swedish companies based on a combined set of existing theories.
Last but not least, time and money limitations are other difficulties that we faced to conduct the study.

From the reasons mentioned above, authors determine that the alternative way for this research is to collect archival cases about Swedish cross-border M&As from previous studies which is still valuable in contributing to existing industry knowledge.

In order to collect data, the authors focused on the scientific articles which are about cross-border M&A cases involved the Swedish companies. Several professional online databases which corporate with Umeå University, the books from the University’s library and Google scholar are the main resources for researching data.

2.2.4 Data analysis

Data analysis is the process to form the finding after analyzing the applicable data based on theoretical background. The data analysis methodologies could be categorized by the research strategy. The quantitative data analysis usually focuses on the statistical significance from numerical data and the qualitative data analysis is to interpret the meaning of words (Saunders et al., 2007, p. 472). Because our research is based on the qualitative strategy, the following part is mainly about the qualitative data analysis.

The qualitative research usually contents a large number of verbal data, from which researchers have to select the applicable one for the analysis. No doubt this is a complicated phase. In order to simplify this phase, Saunders proposed a common process of analyzing the qualitative data (Saunders et al., 2007, p. 478-484).

- **Categorization**: to categorize data according to the theoretical framework or maybe from data itself.

- **Unitizing data**: to reduce the irrelevant data and to rearrange the data into more related categorizes.

- **Recognizing relationships among categories**: to figure out the pattern and relationship between each category.

- **Drawing conclusion**: to explain the relationship among categories and to draw the conclusion.

This process is available for all types of qualitative data, but it is not omnipotent. Sometimes, the researcher must use some auxiliary tools such as discourse analysis to get the meaning under the conversation, or narrative analysis to get the data from narrative story (Bryman & Bell, 2007, pp. 578 -599). But in our research, we will only take the general process mentioned above. The main reason is that our empirical part will be constructed by the existing interviews from the previous researches, that means we do not need to use any sub-tool to explore the implication of data, we just follow the process to find the relevant existing findings, to categorize them by our theoretical framework and to draw our conclusion subsequently.
2.2.5 Quality criteria

The quality of qualitative research results usually is criticized since the author’s own interpretation on facts more or less will affect the research. The reason is the subjective nature of the qualitative strategy that this kind of research usually concern with understanding from the author’s perspective. In order to ensure the research quality in qualitative studies, Guba and Lincoln (1994, cited in Bryman and Bell 2007, p. 411) propose two assessing criteria, namely Trustworthiness and Authenticity. These include:

“Credibility, which parallels internal validity” means that the research process and results are accepted by other people. There are two criteria to get the credibility, which are to conduct the research according to good methodological practices and assessed the result by the professional auditors (Bryman & Bell, 2007, p. 411).

The archival research is applied to conduct the empirical part, the available archival information is found from the previous published scientific articles. Consequently these data has high credibility and are already assessed and reviewed.

“Transferability, which parallels external validity” means that the possibility of applying the research findings in other contexts or the same context but different time period. The quantitative research usually has high transferability because of its nature of objectivism. However, it is quite difficult to ensure high transferability in the qualitative study as the dynamic and complex business environment, but as it is implemented in a complex background the detail of the research context is still required in case of future transferring (Bryman & Bell, 2007, p. 411).

The archival information used mainly arises from the previous studies, these researches are all about that the Swedish companies merge with the foreign firms and are merged by foreign ones. In order to increase the transferability of the final findings, the authors has not only tried to find the resources as many as possible, but also selected the resources which have detailed and clear context description. Relaying on valid data and existing theories, the authors believe the finding of present research should be available in the similar cross-border context.

“Dependability, which parallels reliability” means that the result could be trusted and the research is done in the designed way. Guba and Lincoln argued that in order to establish the high dependability of qualitative research, the researcher should record and keep all the research stages for peer auditing. In fact, this approach has not been widely used since this method is extremely time-consuming (Bryman & Bell, 2007, p. 411).

Even though the present study has no records for peer auditing, the whole empirical study is built up by the use of peer reviewed articles, just as mentioned above, only the published resources are selected. Hence this thesis has been reviewed and guided by the supervisor. In the whole writing process, almost every week there was a one hour meeting with the supervisor to check and discuss the contents and situation. In short, this research has monitored in the whole process that the authors believe this study satisfied the average level of trustworthiness.
“Conformability, which parallels objectivity” means that the researcher must think and act in the neutral position in order to avoid the inclination on the research findings. Obviously, conformability is the quite important in the qualitative study for reduce the doubt on the quality. But the corresponding ontology is subjectivism, so it is difficult to achieve the complete objectivity (Bryman & Bell, 2007, p. 411).

In the qualitative study, it is impossible to have no inclination. But we hope that any possible inclination could be minimized in the research through three methods. Firstly, the authors will stay in the neutral position to select and explain the archival information. In another word, try to find the published archival data which reflects the fact and contents less writers’ opinion. The second one is the regular auditing from the supervisor, finally the frequent cross-checks by the authors themselves during the whole process.
In this chapter, we collected the existing theories relevant to our topic which are divided into three parts (Figure 2).

1. The first section is to provide brief information about M&As including basic concepts about M&As, phases during M&A processes as well as information about cross-border M&As. Cultural integration will then be introduced to have a good ground for further presentation in the following sections.

2. In the second section, cultural differences are presented in detail to see how they arise during the integration process to answer the first part of our Research question “How do cultural differences arise during the integration process?” In this section, levels of cultural differences in cross-border M&As are symbolized as “onion” layers of national culture, organizational culture and personal culture.

3. After investigating cultural differences layer by layer, the next section contributes to answer the second part of our Research question “Do cultural differences impact the deal result?” In this section, elements impacting the deal result will be identified mainly as cultural differences. Differences are there, the issue is how we deal with the differences, and then how mode of acculturation will impact the deal result.

Figure 2: Literature structure
3.1 Mergers, Acquisitions and Cultural integration

3.1.1 M&As definition and process

From the corporate strategic perspective, Mergers and Acquisitions is a shortcut to expand the company rapidly which desires a sharp growth instead of taken many years of hard working (Krendl, 2000, p. 3). Generally, both mergers and acquisitions are the converting process of companies. However, there is a distinction between each other. The merger means two relative and almost same size companies combine into one organization. On the other hand, acquisition means that the bigger company takes over a smaller one (Epstein, 2005, p. 38). The merger and acquisition could be characterized by couples of variables such as the relationship between two companies, the payment way, or the motives. Take the motives for example, the objectives includes the increase of market share, reduction or elimination of competition, quick and economical entry into a business, impulse purchase of a bargain-priced business, reduction of overdependence on geographical presence, acquisition of new technology, exploiting multiple synergies, desire to grow rapidly, even the desire for the prestige associated with the acquired business (Kim & Nofsinger, 2007, p. 105). All these motives can be summarized into three categories which are to improve operational or financial synergies, to diversify by expanding into new business, and to be both synergistic and diversifying (Kim & Nofsinger, 2007, p. 106). Although every merger and acquisition does not have the same starting point, the final results are quite similar which are to eliminate the conflicts and integrate the two companies (Elsass & Veiga, 1994).

In order to manage the M&A process more effective, the researchers divide it into three stages which are pre-merger stage, during-merger stage and post-merger stage. Some gave them different names, as Picot (2002) named these three phases as planning, implementation, and integration. However, they all talked about the same thing that the organization has to make the study and analysis on its external and internal environments in the pre-merger phase, the outcome of this phase is the merger plan which seeks to answer the question whether, when and how to merge or acquire another company. Then the plan will be implemented in the during-merger phase. This stage includes lots of negotiation, due diligence and evaluation of the company. It will end until both sides sign the mergers or acquiring contract. Finally, the mainly integration will start in the post merger phase (Picot, 2002, p. 16-21).

3.1.2 The post-merger phase

According to the previous research, the acquiring firms’ stock price increases sharply in the short term, but 44% of them has been with the lower premium price in the long term (Kaplan & Weisbach, 1992). Sirower (1997) also found that the desired objective was not delivered in around 70% of the M&A cases. Many researchers have started to explore the reasons of these M&A failures. Some proposed that the failure is caused by the ambiguous guidance in the pre-merger phase. Epstein (2005) argued that the poor execution of post-merger integration phase is the main cause of failure as it not only affects the organization’s long-term performance directly, but also is unpredictable and complicated to manage. As a result, the post-merger phase is paid more and more attention in M&A study.
Process of post merger phase

The post merger integrating process includes two stages which are *design integration* and *execute integration* (Koch, 2000). The detailed approach is shown in Figure 3 below. In the design phase acquiring firms would define merger aspiration and create shared performance culture. This process usually lasts two to three months. Firstly, the acquiring firm needs to point out the future organizational direction from three perspectives that are vision, value creation and opportunities, functionality, these are already considered from the beginning of the M&As.

Secondly, in order to ensure that the new organization is going to follow the new strategy, a shared perspective of the new firm will be developed based on the deep understanding of each individual’s attitude on the corporate value. Once the integrating framework draws out, the integration will be executed. In general, this process will take one to two years. (Koch, 2000, p. 277-285)

![Integration Approach Diagram](image_url)

**Figure 3: Integration approach** (McKinsey Handbook of international mergers and acquisitions, Gerhard Picot, p. 277)

Types of post merger integration

In the designing stage of integration approach, the acquiring company has to decide its own integration type. In order to direct the execution efficiently, the integration type should fit with the external conditions, companies’ capacity and the objective of M&As. After studied sufficient cases, Shrivastava addressed that the types of post merger integration can be categorized into (1) procedural integration, (2) physical integration and (3) managerial and sociocultural integration in terms of (a) motivation of mergers and (b) size and form of the companies (Shrivastava, 1986, p. 65-71).

**Procedural integration:** it relates to the integration in the systems and procedures of the companies at the operating, management control, and strategic planning levels (Shrivastava, 1986, p.68).
**Physical integration**: it involves the consolidation of product lines, production technologies, R&D projects, plant and equipment, and real estate assets (Shrivastava, 1986, p.69).

**Managerial and socio-cultural integration**: it is about the changes in organizational structure, the corporate culture and management style (Shrivastava, 1986, p.70).

Due to the particularity of each case, the integration type varies in the implementation that means in one post merger process there could emerge two or three integration types.

![Figure 4: Post-acquisition integration](Nummela 2004, 101)

Nummela compared the main three types from complexity and duration perspectives (Figure 4), suggesting that companies, which involves the managerial integration, will face more complicated challenges as the cultural change is a long and difficult process, which means it is much easier to fail in the post-merger phase (2004, cited in Nummela 2005, p. 86). Of course, there are lots of other reasons to the failure in the post merger integration such as ignoring the customer during the integration, lack of knowledge about the industry or the acquired company, etc (cited in Callontes 2007, p. 14), however, considering the role of the cultural change that the culture tension will fatally hinder the success of integration, we decide this study will focus on the culture study between the two main participated companies.
3.1.3 Cross border M&As

Cross-border M&A is defined as the undertaken between companies of different national origin or home country (Kang, OECD & Sakai, 2001, p. 14). Along with the growing globalization, the number of cross-border M&As is increasing, which account for more than 85% foreign direct investment (Kang & Johansson, 2000, p. 4). Although firms could enter the foreign market or enhance the market share more efficiently through cross-border merger, new challenges come out as well. The question here is raised whether cross-border M&As always bring benefits that participants expect to earn, provided with more challenges and threats from a foreign business environment. To illustrate the situation, Davis (2010, p. 20) considers acquirer and merging companies getting involved in cross-border M&As without sufficient understanding as “innocents” going abroad. In his paper, he believes “Expansion overseas helps some firms follow clients overseas, but cross-border transactions can be tricky” (Davis, 2010, p. 20).

Although domestic and cross-border M&As share the common features, creating alliances in a foreign market is always considered as more complicated. The key barriers for integration processes in cross-border M&As are identified by Zaheer as “liability of foreignness” (1995, cited in Shimizu, Hitt, Vaidyanath and Pisano 2004, p. 310) and by Barkema as “double-layered acculturation” (1996, cited in Shimizu, Hitt, Vaidyanath and Pisano 2004, p. 310) which arise from the difference in national, organizational and personnel culture. According to the merger motivation, the cross-border acquirer and merging companies will design its own integration type. If it is going to involve the managerial integration such as to change the organization structure, then the post integration become more complex compared to the domestic M&As because the additional national culture gap will bring the extra conflicts.

Problems in cross-border M&As are far beyond the cultural differences, moreover, with issues in geographical distance and different market structures. In detail, misunderstanding and misinterpretations may arise due to lack of face to face communication. Operating in a foreign market may create difficulties in understanding different market structures. In addition, matter of foreign language is another factor impeding integration process (Risberg, 2001, p. 59). Moreover, from this paper, cultural differences in cross-border M&As during the integration process are mentioned as predictable, thus being aware of the expected differences can help employees in the participated companies avoid being shocked from the cultural clash.

For the selected reasons mentioned above, investigating integration process in cross-border M&As seems to be an interesting topic, especially in terms of cultural integration which is received more attention in recent years. Therefore, the topic of the research finally is about the cultural gap between acquiring and target companies in the cross-border case, and we try to answer the question “how do the culture differences arise?” to let these cross-border M&A companies have a more comprehensive understanding on the culture differences.
3.1.4 Cultural integration

For the fact that differences always exist in a new environment that require either changes or adaptation, the question of what the management should do to fit merged/acquired companies to merging/acquiring companies has attracted much attention. Moreover, in recent years, the need of cultural integration as the inevitable process during the post M&A phase has always been put into focus. To help M&As be well handled, Marks & Mirvis (1986, p. 152) believe that when there are compatible cultures, integration happens right after M&As. The other way happens when cultures collide; companies should be aware of the slow speed and try the best to respect the differences.

As cultural integration plays an important role in M&As during the integration process, additionally, among the organizational problems, behavioral and human resource issues can be seen as the likely reason for failures in M&As, there is a need of investigating how the cultural integration process works and leads to acculturation as a result.

Cultural integration process

When M&A deals are finalized, the rest of work in M&A process is to facilitate the co-operation of two previously autonomous companies referred as the integration process (Risberg, 2006, p. 73). In Haspeslagh and Jemison (1991), integration is believed as the critical factor leading to successes in companies after M&As (cited in Risberg 2006, p. 73). Since integration plays an important role in M&A deals, it should be put on top of consideration to enhance the benefits that it can bring as well as eliminate some risks that integration may cause due to the inevitable differences. Operating in a new environment is always a tricky task as can be explained from the perceived differences in many aspects. As a result, Legare argues that the need of integration arises to help M&As succeed (1998, cited in Nummela 2004, p. 85).

From the point of view of Nummela (2004, p. 85), level of integration varies significantly and is illustrated as the two polarized situations when either the acquired companies remain their own identities and total independence or the acquired companies fully merge to the acquirer. Looking at level of integration from another angle, as visualized in Figure 4, starting from physical integration with less time consuming and complexity to managerial integration which is the most complex and time consuming task. Within the two extreme levels, there are various levels of integration during post M&A phase ranging in terms of complexity and time consumed. In the series of studies that have been done, it is supposed that “the higher degree of integration, the greater the risk for cultural clashes and eventually breakdown” (cited in Nummela 2004, p. 85). According to Nummela (2004, p. 86) assumption, the managerial dimension is the critical factor in the process of post-integration.

The need of integration is more enhanced in cross-border environments when differences are found more due to the difference in nationalities. Besides the attribute of difference in nationalities, in Nummela (2004, p. 87), cross-border acquisition is believed to bring additional obstacles for post-acquisition integration with different institutional contexts between countries.
In the ranges of integration levels, difficulties in organizational and human resource integration are considered as the crucial issues that acquiring companies should consider after M&A deals to gain success in the newly acquired company (Legare, p. 33). In the study of Nummela in 2004, cultural perspectives of post-acquisition integration are cited to highlight its importance. In another study conducted by Birkinshaw, Bresman & Hakanson (2000), human integration is concluded as an element for successful implementation together with task integration. As an example, staff’s positive attitudes towards the integration are considered as a crucial attribute for realization of M&As’ benefits. In their conceptual framework, integration in companies after M&As can be measured in two dimensions, level of task integration and that of human integration. In their theories, task integration process is considered as objective of acquisition including identification and realization of operational synergies, while human integration process aims to gain a shared identity within staff in both the acquiring companies and acquired companies (Figure 5).

![Figure 5: Framework of integration management (Birkinshaw et al., 2000, p. 400)](image)

Birkinshaw, Bresman & Hakanson (2000) also theorize relations between levels of completion of human integration and that of task integration. As indicated in Figure 6, any emphasis on either one of the two dimensions over the other can leave a negative impact on M&A integration.

- An over emphasis on human integration will create staff satisfaction but no synergies achievement. Acknowledging that human resource is one of the critical success factors in company, however, letting human integration moving ahead of task integration may decrease M&A effectiveness with more efforts on pleasing employees.

- The other way round happens when task integration is focused more than human integration, as a result, operational synergies are created at the expense of staff satisfaction (Birkinshaw, Bresman & Hakanson, 2000, p. 399). At the end of the deal, although organization may improve, organization may likely have negative working environment. As illustrated in the text, (Birkinshaw et al., 2000, p. 399), employees in acquired companies may see their colleagues...
in acquiring companies as “invading enemy” and even, in the worst case, willingly leave the organization when there is a drop in their spirit and commitment.

- Moreover, the acquisition may fail if neither human integration nor task integration is received high consideration or even is not paid attention. So the optimal solution is found when both of the integrations should be conducted at the same and at a relevant level.

- They, furthermore, come to the conclusion that human integration can be considered as mediation from the relationship between task integration and success in M&As. A low level of human integration will impede the effectiveness of task integration. It is further supported by advices of professional consultants, in Rankine (2001, p. 210), management in acquiring companies need balance cultural issues and task integration. It can be interpreted that integration process sometimes needs to be slowed down to guarantee the target reached.

![Figure 6: Impact of task and human integration processes on acquisition outcome (Birkinshaw et al., 2000, p. 399)](image)

Although cultural integration is an essential part of integration process, it requires changes in culture. As a result, it impacts organization which can be in positive or negative manner. In the following section, the deal result will be put into the relationship with elements of the cultural integration to see how they are correlated.
3.2 Culture differences and culture layers in cross-border M&As

In the previous part in which we explained about M&As, cultural integration emerges as a must to bring people from different groups embedded with distinct cultures into a common identity. This task can be seen as much more difficult in cross-border M&As when companies from different nationalities bring their national culture into working style. Moreover, national culture can even play an important role in impacting culture at organizational and personal level. Consequently, interconnection between different levels of cultures in companies during the integration process is put into a need of investigation. And thus, in our thesis, this relationship can be seen as a flow of ideas that we structure to answer the first part of our research question “How do cultural differences arise in cross-border M&As during integration process?” In this part, we aim to investigate where cultural differences come from rooted in the acknowledgement that there are layers of differences. The following part will present in detail how one culture is different from the others in national, organizational and personal levels to understand fully all levels of cultural elements.

“Culture is defined here as those values, beliefs, and knowledge acquired through social interaction which serve to define and predict acceptable organizational behavior” (Elsass & Veiga, 1994, p. 93).

Although levels of culture can be distinguished in different ways, in our opinion, cultural differences based on separate layers are thoroughly suitable to investigate in the vertical relationship among these levels. There are some popular theories that can be found, and among them, cultural layers presented by Teerikangas & Laamanen (2002) is worth mentioning which can be differentiated based on national culture (power distance, uncertainty avoidance, context of communication), corporate culture (power, network, task and person culture) and functional culture (unit culture, professional culture) (Nummela, 2004, p. 88). However, among the theories that we reviewed, we found cultural differences which are analyzed in layers including personal culture as one of the main layers is most thoroughly explained in Lees, 2003 and as a consequence, is seen as more suitable for our need. In this theory, “onion” layers are used to indicate cultural layers with assumption that integration in culture occurs at all of levels (2003, cited in Nummela 2004, p. 88) (see Figure 7). To provide an outline of these levels, we briefly introduce in the following paragraphs:

- **The national level** is the outermost layer which indicates the impacts caused by the distance between two national cultures in the post merger phase of cross-border M&As (Nummela, 2004, p. 89). National culture is mirrored in individuals’ ordinary life and the collective activities. Without doubt organizations’ cultures are influenced by their national cultures. In some sense, the integration of cross-border M&As is the integration of two distinct national cultures. In order to understand the national cultural distance among countries, Hofstede set up the five cultural dimensions which are considered as the measurement system of national cultural differences in this thesis and will be explained later in the chapter.

- The second layer is the **organizational level** which represents the organizational cultural changes in the target firm in terms of values, self images, work-related norms, organizational practices and power structure etc
The culture of organization is set up by the members of organization for a long time. It not only has its own specific cultural characteristics, but also signifies its national cultures. In order to explain the mainly differences systematically in the organizational level, the cultural web is the major theory used in the case analysis. The cultural web is a system which embraces and categorizes almost all of cultural factors at the organizational level.

- The most inner layer is the personal level which is understood as personal reactions of staff at target companies to M&As. It is further rooted in how staff perceives M&As in relation to the matters of identity, or the fear, uncertainty and stress of job relocations or loss as stated in Lees (2003, cited in Nummela 2004, p. 89). Differences in personal culture are impacted by the other two layers, one is at national level with implanted stereotype for a certain country, and the other is organizational culture which is formed by management, history of that company and impacted by national culture. As a result, located at the inner layer, differences at personal level can be seen as a mixture of national, organizational cultures and its own culture.

![Figure 7: Layers of culture in cross-border M&As](Nummela, 2004, p. 88)

### 3.2.1 Culture differences from national level

Culture shapes a group of people’s values, beliefs, attitudes, behaviors and perceptions of priority (Beamer & Varner, 2001; Hofstede, 1980). The common set of these factors is their collective characteristic which are built up after a long history of developing (Hofstede, 1991, p. 5). National culture is likely to be the shared values and beliefs in the national group. It is penetrated in the daily life (Hofstede, 1980; Newman & Nollen, 1996), and obviously impacts the individuals’ personal perception deeply. Since organizations are constructed by individuals, the national culture naturally blends in the organizations (Nummela, 2004, p. 100). The cross-border M&As normally involves firms that belong to different national cultures, therefore,
many scholars such as Weber, Shenkar and Raveh (1996), Terrikanias and Laamanen (2002) and Lee (2003) have taken the national culture as the essential research subject in cross-border M&A study.

Many researchers pointed out that the differences in national culture will hinder the foreign personnel from integrating into the new organization (Hofstede, 1980; Kogut & Singh, 1988; Erramilli, 1991). Baarkema, Bell and Penning (1996) also suggested that shorter national cultural distance gives longer operating life. On the other hand, some researchers argued that national cultural distance could bring the positive effects to M&As. Ghoshal (1987) and Mayrhofer (2004) proposed that the acquiring company could gain distinctive competence based on the national cultural distance and the acquired firm’s performance would be enhances as well (Mardas, Pournarakis, & Varsakelis, 1996; Morosini, Shane & Singh, 1998). In 1998, Morosini, Shane and Singh addressed that cultural differences can bring significant learning benefits for the post acquisition performance. So far it is clear that the integration of different national cultures brings negative and positive effects in certain context, but how far the culture distance causes the corresponding influence have not been standardized yet (Jansen, 2002, p. 381).

The measurement method of cultural distance that we used here is based on Hofstede’s cultural dimensions. Hofstede (1980, 2001) proposed the five culture dimensions to explain the essence of around 70 countries’ cultures which are individualism & collectivism, power distance, uncertainty avoidance, masculinity & femininity and long term orientation. Because this study focuses on cross-border M&A cases in the western world, the long term orientation which relates to the Confucian dynamism in Chinese culture will not be discussed here; furthermore, the explanations of each dimension below are limited to the management context.

A. The individualism-collectivism dimension

This dimension indicates “the relationship between individuals and their fellows in the society” (Hofstede, 1983, p. 79). Individualism means that people prefer work independently and collectivism means that people would like to work interdependently.

- Individual-oriented culture

Typical employees in individual-oriented culture usually put “I” at the first position (Brock, 2004, p. 4), which means that they consider themselves’ benefit before organizations’. Furthermore, they prefer the independent working style since they believe that to achieve the goal is mainly relied on personal ability not from others’ help. Moreover, the typical leader thinks that the quality of tasks decides the business’ final result rather than the relationship with fellows. Consequently, people embedded in this culture have the opinion that it is not necessary to have the fixed and extensive relationships with others (Ferraro, 2002; Hofstede, 1991; Tayeb, 1988).

- Collective-oriented culture

Typical employees in the collective-oriented culture think in terms of “We” instead of “I” (Brock, 2004, p. 4). In their mind group’s goal comes first and personal aim is the
second since they believe that the personal success is constructed on organizations’ success. Furthermore, they favor the interdependent working style since they think that the success cannot be reached without the help from others. In addition, typical leaders consider that a good business relationship sometimes is more useful than individual’s ability. Consequently, they get used to set up closer relationships with their fellows (Ferraro, 2002; Hofstede, 1991; Very, Lubatkin & Calori, 1996).

B. The power distance dimension

This dimension describes the equality among the people within various levels of power, prestige and status (Hofstede, 1983, p. 81). The low power distance reflects the high equality among workers and the high power distance shows the low equality among workers. Moreover, the level of power distance relates to organizational structure and management style (Hofstede, 1983, p. 81).

- **Low power distance culture**

In the low power distance culture, people usually share the equal and informal relationships, for example, the decision from leader can be questioned by the subordinates and there is no need to call the superiors with their formal title (Ferraro, 2002, P. 105-106). Furthermore, the organizations which are impacted by the low power distance generally have the horizontal structure and bottom-up management style. The horizontal structure is that “subordinates depend on their superiors to a limited degree” and everyone in the company has the relatively equal power and right to influence the companies’ next step (Hofstede, 1983; Ferraro, 2002). The bottom-up management is that leaders could receive suggestions from the workers at the lower levels (Hofstede, 1983; Ferraro, 2002).

- **High power distance culture**

People in the high power distance culture usually have the unequal and formal relationships, for example, subordinates cannot question their leaders and it is better to call superiors with their title (Ferraro, 2002, P. 105-106). Under such culture, organizations are built in the hierarchy structure and are managed by top-down style. The hierarchy structure is that the power of the organization normally is concentrated by few people and “subordinates depend more on their boss” (Hofstede, 1983; Ferraro, 2002). The top-down management is that leaders deliver messages from the top to lower levels and the organization is lack of communication with workers at the lower level (Hofstede, 1983; Ferraro, 2002).

C. The Femininity & masculinity dimension

This dimension reflects roles of female and male in the society and also some other relative issues (Hofstede, 1983, p. 83). The femininity culture indicates that females have almost equal status as males, in some countries even higher. In the masculinity culture females have not been treated like males, those men always dominant more significant roles in the society.
• The femininity culture

Workers living in the femininity culture consider that life quality and personnel relationship are more important than money and career. They have the idea that working is for living so that they like vocations and family activities rather than works. In some cases they even will mix the family life with their ordinary works. In this culture, from others’ point of view the male who does not eager to create his own career can be understood. On the other hand, females have almost equal opportunities to compete with males for higher positions in organizations. Moreover, organizations in femininity culture usually have the cooperative characteristic (Ferraro, 2002; Hofstede, 1983; McSweeney, 2002).

• The masculinity culture

Workers in the masculinity culture focus more on assertiveness, success, competition and career. They rank the work first rather than the pleasure life since their belief is “living for working”. Of course when they are working, there is a clear border between works and their family lives. In addition, Females have the lower status comparing to males in masculinity culture. On the other side, the male is mandatory to have his own career and the powerful positions in organizations are usually taken by men. What’s more, the business environment under this culture is relatively high competitive (Ferraro, 2002; Hofstede, 1983; McSweeney, 2002).

D. The high/low uncertainty avoidance dimension

This dimension reflects the individuals´ reaction on uncertainty and ambiguity in the society (Hofstede, 1983, p. 81). The individual in the high uncertainty avoidance culture has strong needs to avoid the uncertainty and the ambiguity in organizations. The individual in the low uncertainty avoidance dimension has relatively high acceptance of uncertain and ambiguous organizational environment.

• The high uncertainty avoidance culture

Workers in this dimension cannot tolerate the high level of uncertainty such as the reconstruction of the organizational structure, in another word, their bottom-line to face uncertainty or ambiguity is low and they quite often become anxious and emotional. In order to avoid the uncertainty, they will create the atmosphere that makes them feel safe, for example, rules, laws and religions etc. this is one of the reasons that they have relatively high loyalty to their employers. In addition, they try to avoid the conflicts and objection at the work place. Generally speaking, they do not like the changes and prefer work under the formal organizational structure (Ferraro, 2002; Hofstede, 1983; McSweeney, 2002).

• The low uncertainty avoidance culture

The low uncertainty avoidance culture gives people another attitude to the changes in the organizational context. Workers can accept high level of uncertainty, “they usually are tolerant of behaviors and opinions different from them since they do not fell threaten by the differences”. Obviously they are willing to make changes in the working condition, which means that they have lower loyalty to their boss. Moreover,
they think that rules sometimes could be broken and conflicts between each other are acceptable as well (Ferraro, 2002; Hofstede, 1983; McSweeney, 2002).

The above four dimensions will be used in the national level analysis of four cross-border M&A cases which are one acquisition of Swedish-Finish companies, one merger of Swedish-Norwegian companies, one acquisition of Swedish-American companies and one merger of Swedish-American companies. The all relevant countries in these cases are Sweden, Finland, Norway and the United States. Table two which are referenced from Geert Hofstede’s cultural dimension study states the four cultural dimension scores of the four countries. These scores are analyzed by Hofstede based on the collection of employee value scores in IBM between 1967 and 1973 covering more than 70 countries. Furthermore, in this table the world average scores will not be the only criteria to define the orientation in each four dimensions of the four countries but also the scores of Sweden since in the empirical study the study focus on the comparison between Sweden and one of the three other countries.

Table 2: Classification of Swedish, Finnish, Norwegian and American cultures (Cultural dimensions, 2009)

<table>
<thead>
<tr>
<th>Country</th>
<th>Individualism &amp; Collectivism</th>
<th>Power distance</th>
<th>Masculinity &amp; Femininity</th>
<th>Uncertainty avoidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>71 (Individualism)</td>
<td>31</td>
<td>5 (Femininity)</td>
<td>29</td>
</tr>
<tr>
<td>Finland</td>
<td>63 (Individualism)</td>
<td>33</td>
<td>26 (Femininity)</td>
<td>59</td>
</tr>
<tr>
<td>Norway</td>
<td>69 (Individualism)</td>
<td>31</td>
<td>8 (Femininity)</td>
<td>50</td>
</tr>
<tr>
<td>United States</td>
<td>91 (Individualism)</td>
<td>40</td>
<td>62 (Masculinity)</td>
<td>46</td>
</tr>
<tr>
<td>The world averages</td>
<td>43 (Individualism)</td>
<td>55</td>
<td>50 (Masculinity)</td>
<td>64</td>
</tr>
</tbody>
</table>

According to the table 2, the detailed cultural dimensions of the four countries are:

- Sweden has 71 points in the individualism-collectivism dimension which is higher than the world averages 43, that means it is in the individualism culture. Secondly, its 31 points in the power distance dimension is lower than average score, 55, so that it belongs to low power distance culture. Moreover, it has femininity oriented culture with 5 points in the femininity & masculinity dimension which is lower than average score 50. Finally, Sweden is at the low uncertainty avoidance position with 29 points in the uncertainty avoidance dimension which is much lower than 64 average score.
* Taken the world averages as the criteria, Finland is in the **individualism, low power distance, femininity** and **low uncertainty avoidance**. Comparing with Sweden, the degree of Finns’ individualism is lower. All the scores in other dimensions are higher than Swedes’, especially in the uncertainty avoidance and femininity dimensions.

* Taken the world averages as the criteria, Norway is in the **individualism, low power distance, femininity** and **low uncertainty avoidance**. Comparing with Sweden, the degree of Norwegians’ individualism is lower. The degrees of power distance are same, and the other two scores are higher than Swedes’, especially in the uncertainty avoidance dimensions.

* Taken the world averages as the criteria, America is in the **individualism, low power distance, Masculinity** and **low uncertainty avoidance**. Comparing with Sweden, all the degree of Americans’ four dimensions is higher, especially in the individualism and uncertainty avoidance dimensions.

### 3.2.2 Culture differences from organizational level

As we mentioned before, there is a high rate of performance failure in mergers and acquisition field. One of the most vital factors caused failure is the lack of ability to integrate the organizational cultures in a reconciliatory way (Styhre, Borjesson & Wicicenberg, 2006, p. 1295). Therefore, the organizational culture is always taken into account in the M&A culture research naturally, such as Weber, Shenkar and Raveh (1996), Cartwright and Cooper (1993), Chatterjee, Lubatkin, Schweiger and Weber (1992), Empson, (2001) and Olie (1994) etc.

Elliot Jaques (1951) defined the organizational culture as “the customary and traditional way of thinking and doing things” and “Culture is part of second nature to those who have been with the firm for some time”. Later other researchers have enriched this definition from practice, value, norms, gender perspectives etc (Smircich, 1983; Willmott, 1993; Gherardi, 1995). Depending on these previous studies, the organizational culture used in this thesis is “the shared pattern of beliefs, assumptions and expectations held by organizational members that has invented, discovered, or developed in learning to cope with its problems of external adaptation and internal integration, the group’s characteristic way of perceiving the organization’s environment and its norms, roles, and values as they exist outside the individual, and the expression on material resources allocation” (Schwartz & Davis, 1981; Schein, 1984; Triandis, Vassilou, Vassilou, Tanka & Shanmugan, 1972; Triandis, 1977 ). It includes corporate heroes, taboos, organizational rites and rituals, perceptions of “Mecca”, leadership style and orientations, mental frameworks, ways of behaving and solving problems, the resources arrangement among the classes (Deal & Kennedy, 1982, 1983; Pettigrew, 1979; Smircich, 1983; Wilkins, 1984; Litterer, 1978; Peters, 1980).

In every cross-border M&A case, target and acquiring firms both has their own organizational cultures and there is organizational cultural distance in values, norms and activities. But in the later organizational level analysis we only discuss the culture differences that arise from acquisition related changes in organizational cultures (Nummela, 2004, p. 89), which is highly possible experienced in values, self images,
work-related norms, organizational practices and power structure in the firm (2003&1998, cited in Nummela 2004, p. 89). Here we use the cultural web to illuminate the potential changes in organizational culture. The cultural web is a summary which “shows the behavioral, physical and symbolic manifestations of a culture that inform and are informed by the taken-for-granted assumptions, or paradigm, of an organization” (Johnson, Scholes & Whittington, 2008, p. 197). It includes seven elements which are paradigm, routines, the rituals, the stories, symbols, power structures, organizational structure, control systems.

**Paradigm:** The paradigm is the prototype of what people say and do in the organization. Usually it is shown that employees apply the collective experience to a certain situation, for example, workers always do tasks conscientiously and carefully which is one paradigm of their organization. In another word, it is the simplest way to express the organizational culture. Moreover, it locates at the core of cultural web and is reinforced by rest six aspects (Johnson et al, 2008, p. 198).

**Organizational structure:** The organizational structure shows the allocation of the power, types of important roles and styles of the relationship among workers (Johnson et al, 2008, p. 199). Generally, there are two kinds of organizational structures which are hierarchy structure and horizontal structure. In hierarchy structure there is an apparent distance between top manager and other workers (top-down management) and usually they work on the formal communication style. Horizontal structure is the opposite assuming that everyone has relatively equal status in organizations (bottom-up management) and communicates in an informal way. Although, there is causality among the organizational structure, the management style and the communication style, we here classify both the management style and communication style into the routine.

**Routines:** The routine of one organization is the taken-for-granted working style in the organization. Employees follow the model to do the work on a day-to-day basis, such as the management style and the communication style. Routines of one organization are established within a so long history that is difficult to be changed (Johnson et al, 2008, p. 198).

**Rituals:** The ritual of one organization is the activities or events that are considered as extremely significant from the organization’s perspective. The rituals could be the formal one, such as the training program, sales conference and promotion procedures. It also can be in the informal style, for example, spend night time in pub after work and hold the party in the end of every project etc (Johnson et al, 2008, p. 198).

**Stories:** Stories are the legends about the organization such as big events which are the turning point in the organization’s history or important personalities who made the feat for the group. Most of these stories are spread by current workers to the outsiders or new staff, which is another way to understand the organization’s nature (Johnson et al, 2008, p. 198).

**Symbols:** Symbols of one organization consist of objects, event, acts and people etc which are recognized by employees. The common characteristic of symbols is that they do not only work like their original meaning, but also deliver the additional value
such as an ordinary employee who is also the “hard-working” symbol in the whole organization (Johnson et al, 2008, p. 199).

**Power structures:** The power structure is the structure of most powerful groups in the organization which closely relate to the core decisions and beliefs such as the board and top management, etc (Johnson et al, 2008, p. 199). In fact, it indicates the role of members in the powerful groups that relates to the organizational structure.

**Control systems:** The control system means the measurement system of accomplishments and the corresponding reward system in the organization. It shows which department is more important to be monitored and controlled, for instance, the sales department as the pillar of the organization usually has the higher reward level than other departments, and the sales men could receive much more bonus than others (Johnson et al, 2008, p. 199). In other words, the control system indirectly represents the statuses of various levels of workers in the organization.

### 3.2.3 Culture differences from personal level

During the integration the way that employees react to the new structure, environment and corporate mission is influenced by the culture a lot (Bijlsma-Frankema, 1997). Generally, the negative reaction of employees relates to culture clash (Buono & Bowditch, 1989; Chatterjee, Lubatkin, Schweiger & Weber, 1992; Nahavandi & Malekzadeh, 1993; Cartwright & Cooper, 1995; Brock et al., 2000). If the acquired employees had the negative employee reaction, generally lower corporation and commitment among them will emerge (Sales & Mirvis, 1984; Buono et al., 1985), and then the shareholder value of the acquiring company will decrease (Chatterjee et al., 1992), finally the deterioration of the whole company’s operation will happen. Moreover, Carey (2000) proposed that some mergers of certain culture type will cause the cultural ambiguity, confusion and hopelessness in the employees. As the result, many scholars such as Cartwright & Cooper (1992), Lubatkin & Lane (1996) considered “the human factor” as a focus in integration of M&A study.

In order to explain why there are culture differences from personal level, Elsass and Veiga (1994) mentioned that the *forces of cultural differentiation* mean maintaining separate cultural identities. Cultural differentiation is mainly explained by the conceptual framework which is detailed by **Social Identity Theory (SIT)** as developed by Tajfel and Turner as well as Organizational behavior literature by Ashforth and Mael (Elsass & Veiga, 1994, p. 96). Elsass and Veiga cited SIT comprising four integral processes: categorization, identity, comparison and distinctiveness (Brown & Ross, 1982). As first, individuals will categorize their world into groups with identities attached. By comparison the groups to which individuals belong with another group, social identities emerge with respective distinctiveness.

The factors affecting the outcome of social identification of inter groups are social categorization and social comparison, based on which Elsass and Veiga developed that the two main factors that influence the extent of forces of cultural differentiation are the Perceptions of in and out group differences and Structure of intergroup relations.
The perception of in and out group differences: The individuals will be categorized naturally into different groups based on their favorable distinctiveness. That is quite same in the relationship between the groups. During the social identification process, the group will accept the one which have similar culturally-dictated behavior within organization, such as modes of decision making, reporting system and grooming expectation (Elsass & Veiga, 1994, p. 98).

Structure of intergroup relations: In some cases, even acquiring and acquired firms have low level of organizational distinctiveness, but they have competition or conflict before, that apparently will hinder the successful post merger integration. In general, the best relationship is the cooperation (Elsass & Veiga, 1994, p. 98).

In Nummela (2004), culture is analyzed at personal level based on the impact of M&As on employees. Employees’ interpretation about consequences of M&As is mentioned as the fear, uncertainty and stress of job relocations or loss as stated in Lees (2003, cited in Nummela 2004, p. 89). In this paper, personal culture from manager level is considered as being suffer intense stress in case of M&As, compared to at staff level (Nummela, 2004, p. 89). It is explained as managers, besides the negative perception that staff have, may be scared of authority loss for sharing the decision making power. Moreover, different management style, structure of organization, organizational relationships, etc are some main factors hindering the cultural integration process after M&A deals which may cause negative attitudes.

Besides the matter of SIT, ambiguities in employees’ interpretation during the integration process should be taken into account. In the study of Risberg, 2001, an ambiguity approach is used to investigate how employees perceive their roles after M&As. In this paper, human side of M&As is considered at both of the top-down and bottom-up perspective. In contrast with the paper of Nummela, 2004, not only managers’ points of view are focused, interpretations of M&As are examined at all levels (Risberg, 2001, p. 60). The paper is useful in the way that people sometimes ignore or underestimate M&A perception from staff level. Moreover, ambiguities need to be always taken into consideration to help companies avoid being shocked when cultural clash arises due to ambiguity. In case of cross-border M&As, another matter is, additionally, raised as the judgment of people on the other cultures and societal platform. Consequently, those kinds of judgment on culture can lead to significant cultural clash (Risberg, 2001, p. 78).

Another issue discussed in this paper is related to the matter of being scared of changes in organization and lack of communication. As discussed earlier, staff always feels unsecured when they interpret changes in organizations as creating job loss, job relocation. In Risberg (2001) lack of communication is considered as a factor creating or facilitating this issue.

Ambiguities and lack of communication may cause the so-called “merger syndrome”. As stated in Marks & Mirvis (1986, p. 149) based on the survey, there are nearly 50 percent of executives that look for other jobs within one year, and another 25 percent intend to leave the new organization within three years after M&As. It is explained as the “sense of disaster, uncertainty and disbelief” when staff think about M&A deals.
“Merger syndrome” as a defensive and fear-the-worst response can be determined as usual reaction to uncertainty situation and stress caused by M&As (Marks & Mirvis, 1986, p. 150). Marks & Mirvis (1986) indicate 12 signs of trouble which arise in companies after M&As as signals of “merger syndrome” (see Figure 8). As a result, people normally are divided and isolated between companies involved in M&As.

<table>
<thead>
<tr>
<th>1. Preoccupation</th>
<th>2. Imagining the Worst</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Constricted Communication</td>
<td>6. Illusion of Central</td>
</tr>
<tr>
<td>7. Clash of Cultures</td>
<td>8. We vs. They</td>
</tr>
<tr>
<td>9. Superior vs. Inferior</td>
<td>10. Attack or Defend</td>
</tr>
<tr>
<td>11. Win vs. Lose</td>
<td>12. Miscellaneous</td>
</tr>
</tbody>
</table>

Figure 8: 12 Signs of trouble (Marks & Mirvis, 1986, p. 150)

Although some symptoms of trouble were discussed earlier, Marks & Mirvis personally think that clash of cultures is the most important cause leading to conflicts in new organizations (Marks & Mirvis, 1986, p. 152).

In the context of the whole organization, it is made up of many groups of individuals with different cultural identities (Elsass & Veiga, 1994, p. 93). Consequently, the organization culture can be seen as the top with many subcultures underneath for relevant groups of individuals. Since different groups have different unique cultures which might conflict to the others, the need of acculturation arises to solve the possible conflicts in culture. In another word, the connection is established here to link the cultural layers which are considered as the basement for cultural differences and the need of cultural integration process in post M&A phase.

3.3 Cultural differences vs. the integration:

After explaining the emergence of cultural distance, we aim to provide the theoretical foundation for the second research question “Do cultural differences impact the deal result?” The first theory addressed the relationship between extents of cultural distance with the success/ failure possibility of M&As. And then the effects of cultural differences on the deal result will be dig into details through the analysis of acculturative mode which reveal how the integration develops in the way that companies decide to “live together”.

3.3.1 Cultural differences and the deal result

In terms of level of cultural gap, Rankine states that the greater the gap in operating environment of the acquired and acquiring companies, the trickier the long-term cultural integration is (Rankine, 2001, p. 106). And consequently, there is a smaller chance of success (Figure 9, from AMR International - a market-based strategy consulting company)
Acknowledging the relationship between cultural differences and chances of success, cultural differences are considered as a need to investigate which has already been explained in the Section 3.2.

3.3.2 Acculturation mode and the deal result

The acculturation is a dynamic process that is described in Figure 10. In the execute integration stage of post-merger phase, the organization performance is the input into the forces of cultural differentiation and organizational integration. The acquiring firm tries to decline the negative internal and external forces. On one hand, it affects reducing the cultural group-based distinctiveness between the groups, however, if the performance is not suitable, the conflicts will increase and this will lead to the negative acculturative type. On the other hand, after considering the present organizational performance, the organization also will decide to reduce or increase the forces of integration such as the autonomy in the acquired company. These two forces will influence the performance of the group members, which will lead the organization into one of the four archetypal modes. After integration, the outcome will be shown through the organizational performance. And then, the organization will continue to modify the two forces. Thus, the relationship between acculturation and organization performance is cyclical (Elsass & Veiga, 1994, p. 101).
Figure 10: A model of acculturative dynamics (Elsass & Veiga, 1994, p. 97).

Acculturation in relation with cultural integration

Mergers and Acquisitions are considered as turning points activating building processes of organizational culture and identity building. During M&As, there are two processes occurring at the same time, one is to re-construct one’s own identity in a new organization (images of US and THEM) and the other is to construct a shared identity in a new organization (images of COMMON FEATURE) (2003, cited in Nummela 2004, p. 93).

“Acculturation describes a process or a reaction to the imposition of one culture onto another” (Elsass & Veiga, 1994, p. 93). Even though acculturation is assumed that it can lead to the balanced merging of two groups, it hardly happens in practice. One group will tend to dominate and leave the impact on the other group’s culture. Consequently, the members in the organization who experienced the social acculturation may choose not to be acculturated or to leave the organization if they found the extremely acculturation stressful or unpleasant (Elsass & Veiga, 1994, p. 93).

For the fact that behavior is the result of interaction among separate cultures or opposing forces, organizational acculturation can be described in terms of cultural differentiation - the desire of groups to maintain their separate cultural identity and organizational integration – the organizational need for cultural groups to work together (Elsass & Veiga, 1994, p. 93).

After M&As, the force-field analysis of acculturation can be illustrated by the Figure11 (Elsass & Veiga, 1994, p. 95) based on Lewin’s (1951) theory that is mainly explained by the restraining forces and driving forces. Restraining forces can be seen as forces preventing the blending of two separate cultural groups, while driving forces play to create an integrated whole from the two groups. The restraining forces and
driving forces are determined from direction of forces - one integral component affecting the forces and strength of forces which is explained as the degree of influence that forces may have. Equilibrium is made of forces at which behaviors level will be established. The strength of forces leads to the level of tension system that later leads to conflict level in a positive relation (Elsass & Veiga, 1994, p. 94).

Although there are various ways to categorize acculturation with different degree of acculturation, they lead to the similar result (Nummela, 2004, p. 93). In Lewin’s (1951) theory (cited in Elsass & Veiga 1994, p. 94), the forces of cultural differentiation can be seen as restraining forces since it prevents the mixing up two separate cultures while forces of organizational integration can be seen as driving forces to enable the integration of two separate groups. As a result of direction and strength of forces based on Lewin’s (1951) theory, the four typical modes of acculturation are drawn by Elsass & Veiga (1994) based on how people are satisfied with their culture and the need of changing the other party’s culture. Consequently, each mode will represent different amount of acculturative conflict:

a) **Deculturation**: The tension of acculturation can be considered as weak for the fact that there are weak forces of both of the restraining ones and driving ones. Members in neither the target firm nor the acquiring firm are deeply impacted by the other culture, and deculturation arises. The acquiring company has no wishes to oppose their identity to the acquired company. Similarly, employees at the target company does not have a desire to maintain their own identity but do not replace their identity with the new identity. As a result, they identify with neither culture.

b) **Assimilation**: This mode is a result of strong driving forces of organizational integration and weak restraining forces of cultural differentiation. Accordingly, the organization with highly differentiation oriented perception needs to adapt to the organization integration under slight tension of conflicts. In other words, employees who identify themselves with the other group need to relinquish their previous cultures and are assimilated to the new culture imposed. Obviously, groups with slight cultural differentiation perception need to work under slight pressures for purpose of organizational integration.

c) **Separation**: In contrast to assimilation, in cases that there are strong restraining forces of cultural differentiation and the weak driving forces of organizational integration. In this case, employees in the acquired companies insist on maintaining their own culture while imposing acquiring companies’ culture is not a must for them. Therefore, the most likely situation happens in the new organization is the separation of distinct cultures. The tension is insignificant and the companies can maintain their original cultures independently.

d) **Acculturative tension**: Both of the companies incur the extreme acculturative tension when there are equal strong restraining forces of cultural differentiation and strong driving forces of organizational integration. Employees, in this case, normally work under “high levels of stress, tension, and/ or anger” (Elsass & Veiga, 1994, p. 95). The likely consequence of this mode is the resistance or conflict coming from the individuals in both companies.
Figure 11: The four archetypal modes of acculturation (Elsass & Veiga, 1994, p. 95)

Besides the two forces of cultural differentiation and organizational integration, there are some other factors leading to determining acculturation, e.g. autonomy retrieval, merger relatedness, relative size of parties, etc. (2001, cited in Nummela 2004, p. 93).

During the post mergers integration, both acquiring and acquired companies develop toward one of the four acculturation types which are formulated by different degrees of the forces of cultural differentiation and organizational integration. These two forces exist in both two companies and impact on group members more or less. There will be an acculturative conflict between each other. Finally, the organizational performance will be affected (Elsass & Veiga, 1994, p. 96). In this thesis, our scope is limited to acculturative tension due to its intensively negative effects leading to cultural clash harming organization performance. This extreme tension is not considered as the final outcome, it is more about the process to the final acculturation which likely lead to the conflicts in companies. Looking at this issue from a broader view, acquisition is not the end of an existing culture, but is an important turning point in the development of corporate culture (Nummela, 2004, p. 94), and forms of cultural development are described above as four types.
CHAPTER 4

EMPIRICAL SECTION

After reviewing existing theories, practical knowledge is investigated in this **Empirical section** with archival cases reviewed. Specific case studies of Swedish companies are used as the authors’ intention is to consider the cultural differences in various foreign companies involved in M&As with Swedish companies. Specifically, we chose secondary data from archival cases comprising of four cases of companies involved in M&As with Swedish companies. The cases aim to illustrate the explicit cultural distance (two are similar, two are different to Swedish culture) and the deal result (two are failed, two are successful). To a certain extent, the sample of four cases can be considered as sufficient to cover our intention to answer the research question. At the end of empirical section, to help the readers recap, the brief information of the four cases is summarized in Table 8.

**The analysis of each case** includes 4 parts (Figure12).

1. **The first part** provides the **general understanding** of each case which includes the information of companies, its M&A process and introduction of archival articles etc.

2. In the second part, **cultural distance** between the companies in each cross-border M&A case is defined from **national, organizational and personal level** which provides the empirical data to answer the first research question “**How do cultural differences arise during the integration process?**”

3. Based on the analysis of cultural distance, we defined the **extent of cultural difference** in every case to figure out its relationship with the **deal result**. Moreover, the **acculturation mode** is analyzed to explore further the second part of our Research question “**Do cultural differences impact the deal result?**”

4. At the end of each case, we provide tables to give details of **knowledge points**. In these tables, there are some points highlighted in red and underlined that **EITHER exist in theories but are not mentioned in the cases OR the cases mention the points that we have not discussed in our theories.**

![Figure 12: Structure of the case review](image-url)
4.1 Volvo Bus Corporation and Carrus

4.1.1 Background

The selected case is for the cross-border acquisition of Carrus (Finnish company) by Volvo Bus Corporation (Swedish company) in 1998, which is a typical integration of dramatic difference in size of two companies. Carrus was a family firm that played a key role in Scandinavia market at the time of acquisition, Volvo Bus Corporation is known as the leading bus manufacturer in the whole Europe and the second player in global market after Mercedes (Nummela, 2004, p. 95).

Volvo Bus acquired Carrus for two main reasons. Firstly, acquiring the significant actor in Scandinavia market like Carrus was a good option for Volvo bus’s growth in international market. Secondly, Carrus had experience not only in the bus body production, but also one kind of new stainless steel technology (Nummela, 2004, p. 99).

The acquiring negotiation began in 1997, and the deal was made in 1998, from then onwards, Carrus became one business unit of Volvo Bus which belongs to Volvo Corporation (Nummela, 2004, p. 98). In the integration phase, Carrus had to change its power structure, organizational structure, understand Volvo’s strategy and follow its management, which means the integration style of this case is a managerial one (Nummela, 2004, p. 100-102). Although Volvo faced a complex integration, it still succeeded if we look at Carrus’s positive financial reports from 1998 to 2001 (Nummela, 2004, p. 95).

This case analysis is mainly based on the chapter “Cultural integration in a Cross-border acquisition. A Case Study” written by the researcher Niina Nummela in 2004. This chapter is collected in the edited book which has title “Many faces of cross-border Mergers and Acquisitions” (Publication of the Turku School of Economics and Business Administration, 2005). There are three reasons to select this article: (1) the original author studied this case in three years of the acquisition announcement so that the acquisition’s consequences could be easily revealed, (2) this article mainly emphasized the cultural integration, (3) it indicates significant cultural differences from the national, organizational and personal levels.

The original source of information was gained from face-to-face interviews with six employees who have been worked at Carrus Turku unit before the acquisition and conducted by students of Turku School of Economics and Business Administration as scope of their assignments. The original author admitted that those students gave permission to re-use the data collected for further studies. Based on descriptions of the case, quality of the interview method is reasonably reliable for analysis purpose. Moreover, a variety of information from secondary data is collected and utilized by the author to add more value to this case.
4.1.2 Case analysis on cultural difference

A. From national level

Both of Sweden and Finland are under sphere of Nordic culture. Although they have some identical cultures, there are still some differences in national cultural between each other, which are identified by Hofstede’s cultural dimension study. Sweden and Finland have similar degree in the individualism and power distance dimensions. Sweden scores 71 and 31 in individualism and power distance, Finland scores 63 and 33, respectively. Their mainly differences are in the uncertainty avoidance and femininity-masculinity dimensions (Nummela, 2004, p. 91). Sweden scores 29 and 5 in the uncertainty avoidance and femininity-masculinity dimensions, whereas Finland scores 59 and 26 respectively. If we take uncertainty avoidance and femininity-masculinity as the variables at the same time to cluster countries, Sweden and Finland belong to the same group that proves their national cultural similarity. But when the variables change to uncertainty avoidance and power distance, they are in different clusters (Nummela, 2004, p. 91). In short, Sweden and Finland have high similarity but also big differences. Their key cultural distance is the uncertainty avoidance dimension, Finns have high uncertainty avoidance orientation comparing to Swedes so that they tend “to use diverse norms and rules more than Swedes in order to avoid the uncertainty related to decision-making” (Nummela, 2004, p. 91).

In Carrus case, the difference in the uncertainty avoidance dimension caused the major culture shock at national layer. Finns and Swedes have varied attitudes on uncertainty, which leads to the apparently different behaviors. In order to avoid the uncertainty in the working routine, Finns get used to the deeper communication, faster action and quicker decision making. This is totally opposite to the Swedish style which is to be extremely polite during the meeting and to make decision after the long time planning and calculation (Nummela, 2004, p. 91). This can be proved by one interviewee’s description “Swedish corporate culture means that we are discussion partners, they do nothing but discuss. Responsibilities are divided to full, so that actually nobody is responsible of anything. It is extremely slow, because it requires managing a hell of an orchestra and negotiations which seldom lead anywhere. In Finland in a similar factory there is one patron and it’s his factory and he says that this is how we are doing it. The decision is there and made” (Nummela, 2004, p. 106).

Furthermore, Swedes and Finns speak different languages. The need of language skills is enhanced after the acquisition, especially for some managers involved in decision making (Nummela, 2004, p. 106).

B. From organizational level

In this case the culture fit was not reached since the distance between the organizational cultures of Volvo Bus and Carrus Turku was quite high (Nummela, 2004, p. 105). There were many differences between the two companies. The first aspect is that they were the paradigms of Swedish organizational culture and Finnish organizational culture respectively. That means organizational culture of Volvo was “participative, planning-oriented and conflict avoiding” (Nummela, 2004, p. 92), whereas Carrus Turku was “individual responsibility and decision making,

Secondly, Carrus Turku was a family organization with a hierarchical structure (Nummela, 2004, p. 104). Volvo Bus operates worldwide under the horizontally organizational structure (Nummela, 2004, p. 105). As the result, the power structure of Carrus would be changed during the integration. The most visible distance was mainly shown in working routines. Firstly the management style was changed since in Carrus, the management was top-down and Volvo bus focused more on the group consensus. Secondly Carrus Turku was used to working on informal interaction (grapevine) so that top management of Carrus made fast centralized decision-making and employees could receive the order soon from the informal channel and acted immediately, but Volvo Bus got used to the formal communication style (meetings), the information is distributed through the formal channel and the decision-making process was slow because of the long time discussion for reaching consensus (Nummela, 2004, p. 105). Consequently, organizational culture of Carrus had to be changed from the informal but fast decision-making and information distributed process to the slow and formal one.

Furthermore, changes in working atmosphere were not significant since most of the employees who had been in Carrus for many years and already set up their own identity still have continued working in a new Carrus. Nevertheless, they thought the previous working atmosphere in the former Carrus was better due to the uncertainty caused by the acquisition and negative attitude brought from the Vantaa factory event, which will be mentioned below (Nummela, 2004, p. 104).

C. From personal level

The first issue raised in the case is the uncertainty feeling of employees. As promised by management in both the acquiring and acquired company, the acquisition will enhance the position of personnel. However, in practice, some restructuring processes were conducted due to needs of changes in operations. The feelings of employees were described as negative interpretations in both of people in Carrus and Volvo bus (Nummela, 2004, p. 99). In Carrus, such an uncertainty was mentioned as a fear for downsizing (Nummela, 2004, p. 99) first and then as a disappointed feeling when the acquiring company did not perform what they promised (Nummela, 2004, p. 100). Another problem that can be seen from this case is how reliable announcement of management, especially in terms of communication related to personnel issues. The point can be explained as firstly, the management introduced the deal to employees as a chance to enhance position of personnel. At that time, from the understanding and perception of the employees, the deal will not bring any job loss or in another word, their job will be secured or even they may get better offer from the new management. However, the management then did break their promise about Human resources issues, they changed the plan with restructuring process including closing manufacturing units in Austria, Germany, Scotland, Finland. Consequently, there was job loss and as perceived by employees, there is a disappointed feeling when the plan is suddenly changed that negatively impacts their job guarantee. Moreover, the management’s announcement from that time onwards were always put in doubt, as a result, uncertainty feeling among the staff has always existed due to unreliable promise that has not been kept. Uncertainty can be understood from another angle as job
descriptions changed (Nummela, 2004, p. 107) which may cause “blurred” position in the companies. For an example from the case, sales team who used to work for Carrus have more works to do in sense of scope of products. Earlier, they just have to sell bus bodies, now they have to sell the whole buses with little experience and technical competence.

Uncertainty feeling is pointed out again when there were changes in strategies when Carrus Turku’s operations were shifted from solely manufacturing to engineering and technology transfer. Such feeling is mentioned as more “aroused” among staff working for divisions related to manufacturing (Nummela, 2004, p. 100). Another issue related to uncertainty feeling is the fact that Carrus Turku is separated into two independent parts, manufacturing organization and commercial organization. Manufacturing organization is under control of Volvo bus while commercial organization is independent. However, staff hired by Currus may belong to either organization or both, as a result, some staffs employed by Currus Turku have to report to commercial organization (Nummela, 2004, p. 100). This fact may cause some ambiguities that staff sometimes have no ideas about who they are working for and who they should follow the instructions from.

Problems in interaction arise when Carrus, as a part of Volvo, becomes a bigger organization that requires more communication. However, from the issue that the new Carrus organizational structure is considered as “vast and changing” (Nummela, 2004, p. 107) due to acquisition, and more people are involved in the decision making process, interaction problems are more deepened. As quoted from the case, one of the interviewees express “There is always a room full of guys, totally new faces in each meeting. It is actually surprising where they all come from... They are so isolated; it is so different the whole organization. The person there who is responsible for [the same task], he does not have anything to do with the problems I am encountering here, unfortunately. ... Here I am holding the leads, I know what is happening. But sometimes I get a call from Sweden, and then we discuss, and then a bit later another guy from the other side of the room calls me and asks the same thing. It is so widespread [organization] that people do not know what the others do.” (Nummela, 2004, p. 108)

Lacking communication is another issue indicated in the case with limited information about organization or operations. As provided, some interviewees even declared that they have no idea about the Volvo organization chart (Nummela, 2004, p. 108). As a result, uncertainty feeling maybe enhanced due to inadequate interaction and then such a feeling was accumulated day by day. Lastly, staff of Carrus tended to contact people who they used to interact with. It is further explained as staff of Currus used to listen to their managers as the interpreter for the Company’s strategy (Nummela, 2004, p. 102).

Difficulties in adaptation to a new working environment are problems that Carrus staff faced. As explained in the case, working for Volvo is under stricter regulations compared to working for the former Currus since rules and norms in a family company is more flexible (Nummela, 2004, p. 108). Consequently, staff may perceive negatively the requirements of reporting system in a new company as compulsory procedures.
Power loss is perceived as one of the negative effects of acquisition since managers are under control of Volvo in decision making process. Furthermore, power loss can be seen as the reduced ability to impact the decision-making since less interaction with key-decision makers is created after acquisition (Nummela, 2004, p. 108). As explained, in the times of a family company, interviewees claim that they easily approach the decision makers to express their ideas.

4.1.3 Case analysis on the extent of culture gap, acculturation mode and the deal result

According to the previous cultural layer analysis, the national cultures which content Volvo and Carrus are similar in some aspects. In this case, the major integration problems were at organizational level since Carrus’s organizational culture was highly different from Volvo Bus’s. As mentioned in the personal level analysis, the organizational culture distance and the integrating style caused workers from both companies to feel the uncertainty of change in terms of power structure, organizational structure etc. As a combination of cultural differences in three layers, it is considered that the cultural distance between Volvo Bus and Carrus is relatively small. In this case, according to Rankine (2001), the insignificant cultural gap between these two companies may lead to the low possibility of failure in the integration process. As a perfect example to prove this theory, Volvo Bus was successful during the integration process and had satisfied performance.

The cultural distance was recognized by Carrus’s employees, one interview said “[I guess] we have to be moulded [into the same culture] as others. We have always found new managers a bit strange and they have also slightly wondered over the culture here, it is quite distinct. When one thinks that we have manufactured buses for 65 years, the history and the personnel have created their own culture and atmosphere and it is difficult to take in a global way of thinking” (Nummela, 2004, p. 106). Employees of Carrus knew there was a cultural distance between acquired and acquiring firms, but they also understood that Carrus had to be reshaped, furthermore in the beginning of integration they expressed that they look forward to become one part of the Volvo since Volvo is the world known multinational giant. In short employees of Carrus were willing to be integrated so that they hold a weak restraining force of cultural differentiation.

After the acquisition, Volvo Bus sought to convert Carrus into one business unit under the managerial integration type that the acquired firm has to follow the same corporation strategy, organizational structure and management style. That can be viewed as that Volvo applied the strong driving forces of organizational integration. Combining with a weak restraining force of cultural differentiation, this integration was driven to assimilation. Finally Volvo and Carrus integrated successfully in terms of the positive financial situation of Carrus (Nummela, 2004, p. 105).
Table 3: Case 1 summary

(The **factors** highlighted in red and underlined EITHER are explained in theories but are not mentioned in the cases OR exist in cases but have no corresponding theories in theoretical study)

<table>
<thead>
<tr>
<th>National level:</th>
<th>Provided in existing theories</th>
<th>Provided in cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualism -Collectivism</td>
<td>√</td>
<td>√ (with score analysis)</td>
</tr>
<tr>
<td>Power distance</td>
<td>√</td>
<td>√ (with score analysis)</td>
</tr>
<tr>
<td>Masculinity - Femininity</td>
<td>√</td>
<td>√ (with score analysis)</td>
</tr>
<tr>
<td>Uncertainty avoidance</td>
<td>√</td>
<td>√ (with score analysis)</td>
</tr>
<tr>
<td><strong>Language</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Organizational level: | | |
|-----------------------|-------------------|
| Paradigm | √ | √ |
| Routines | √ | √ |
| **Rituals** | | |
| **Stories** | | |
| **Symbols** | | |
| Power structures | √ | √ |
| Organizational structures | √ | √ |
| **Control systems** | | |
| **Working atmosphere** | | |

| Personal level: | | |
|-----------------|-------------------|
| Social identity theories | √ | |
| Uncertainty feelings | √ | √ |
| Power loss | √ | √ |
| **Ambiguities** | | |
| Lack of communication | √ | √ |
| Difficulties in adaptation to new environment | | |

| Acculturation mode: | | |
|---------------------|-------------------|
| Force of organizational integration | √ | √ |
| Force of cultural differentiation | √ | √ |
| Acculturation mode | √ | √ |
4.2 Volvo Corporation and Ford

4.2.1 Background

The case is chosen as providing empirical evidences for the impact of integration strategies on M&A’s result in cross-border acquisition of Volvo, a Swedish giant car maker by a global automotive industry leader, Ford Motor. In 1999, the Volvo Group sold Volvo Cars to the Ford Motor Company (Volvo Global Group official website). This event is considered as a turning point for Volvo Cars’ employees. This case is analyzed based on two articles: Salama, Holland & Vinten, 2003, p. 313-321 and Styhre, Borjesson & Wicicenberg, 2006, p. 1293-1306.

Two articles were selected to provide supplementary information that one case may lack. Both of the articles reveal concerns about cultural differences, but from different perspectives. In the article written by Salama, Holland and Vinten in 2003, cultural differences are looked from management perspective with efforts to solve the issue, in another word, mode of acculturation is taken into account while in the other article written by Styhre, Borjesson and Wicicenberg in 2006, cultural clash is analyzed based on viewpoints of the managers to understand the root of such cultural differences. We separate two articles in each section to differentiate and help the readers follow the articles easier.

a) In the first article, data is collected from semi-structured interviews with top directors involved directly in the integration process. This case is considered as relevant for three main reasons: it presents the difference in national and organizational cultures of Swedish and American companies, it provides more academic information, and professional advices from consulting companies are used. Moreover, written data from other sources are analyzed to provide extra information.

After considering the research method applied, this case can be reasonably reliable for analysis purpose. There are, however, some possible shortcomings that might affect the result, e.g. all of the interviewees are from top management who might not have a view that employees perceive, and time of the case reviewed is not indicated so we are not able to judge if the period of time is sufficient.

The case is used to answer the Research question of “What are the practical steps to be accomplished in order to minimize the feelings of uncertainty normally expected by employees, and also to facilitate the learning process to occur between the two groups of people in their process of cultural and behavioral integrations?” that is valuable in contributing evidences for our thesis (Salama et al., 2003, p. 315).

b) In Styhre, Borjesson & Wicicenberg, 2006, “cultural anxieties” are investigated as a problem of ambiguities. As briefly introduced, this paper draws a conclusion that M&A may bring some negative impacts that can be rooted from cultural changes or from the re-evaluation of existing elements of
culture as values, norms and beliefs. And from the perspective of managers, they make their own voices heard by showing experiences coping with changes in culture in their organization (Styhre et al., 2006, p. 1297).

Data is collected from qualitative interview-based method with 12 managers in a sample covering all functional groups in Volvo Car. Most of selected interviewees have more than 10-year experience that can be considered as a really good sample to reveal their feelings, emotion in the long period before the acquisition in comparison with the new working environment. Gender is also taken into consideration to guarantee relative equality. This paper contributes not only evidences for ambiguous issues in employees, but also practical experiences from practicing managers.

In the research methodology section, the original authors provide pros and cons of the selected interview method as well as support themselves with explanations. Similar to the previous case, there are, however, some possible limitations that might impact the quality of information, e.g. interviewees are conducted with managers who may have conflicting thoughts with employees’ perception. Moreover, information about when the study was done is not mentioned so we are not able to judge if it is a good point of time for interviewing purpose.

4.2.2 Case analysis on cultural difference

Since we reviewed case of Volvo and Ford from two articles, the findings are found interesting in sense that cultural differences in the two articles are perceived from two perspectives, one is from management level as a basement for their reactions and the other is from managers acting as representatives for employees.

A. From national level

a) The first article focused on answering the research question from the management’s viewpoint in three different cases between Deutsche Bank-Bankers Trust; British Petroleum-Amoco; and the last case is for Volvo – Ford. The writers addressed the organizational culture level really detailed. There is no exactly explanation about the national cultural distances between the two companies whose nationality are Swedish and American from Hofstede’s five dimension perspective. However, organizations exist under the sphere of national culture. So, the national cultural distance can be inferred from the organizational cultural distance, especially in this case. Volvo Company contents strong Swedish culture. The Swedish culture not only influences the units in Sweden, but also penetrates in the whole company “Volvo culture you will find in Japan, in South America. You find it where you go in Volvo around the world. The Volvo Japanese people are very Swedish” (Salama et al., 2003, p. 318). From the organizational culture part, the routines, rituals and organizational structures all reflected the different power distance in the two countries. Sweden prefers the horizontally organizational structure due to the low power distance. Americans are in the high power distance culture; therefore, their organizations are always hierarchically structured.
b) The national culture of Sweden is femininity and low power distance, which is in sharp contrast with American culture (Styhre et al., 2006, p. 1298). US culture is perceived as high power distance and masculinity. As the result, Swedes hold a belief that everyone is equal under any conditions including the work life (Styhre et al., 2006, p. 1298). The Swedish organization usually has the relatively informal and cooperated culture, but Americans favor competition, formal procedures and positions, and structured organizations (Styhre et al., 2006, p. 1298). This distinction between each other in power distance dimension actually is indicated clearly in the below organizational culture part. In addition, Americans are more competitive and ambitious since they are located in the masculinity dimension. Americans and Swedish people have their own opinion about the target. “We Swedes, we aim for the stars and then we reach the treetops. For the Americans, if you aim for the stars, then you need to reach them too”, one designer in Volvo expressed (Styhre et al., 2006, p. 1300). There is another issue about masculinity and femininity which is in terms of money. Swedes do not think “money talks” as Americans do, in their mind to keep the budget is more important than to obtain properties (Styhre et al., 2006, p. 1300). This is perceived as another important national culture difference in this case.

There are some other cultural differences between Sweden and the US. In fact, these two countries both are in the individualism cluster, but the distance still exists (Styhre et al., 2006, p. 1298). Comparing to the Swedes, Americans are more focused on individual’s profit rather than groups’. One Volvo manager said “if I am going to Frankfurt or America, then I won’t fly Business Class unless I have to; I always try to get a coach class ticket... but it seems like... if you allow an American employee the freedom of choice, well, then he will fly First Class” (Styhre et al., 2006, p. 1300). As we mentioned in the later organizational culture part, Swedes do not have as many formal rules as Americans do. The main reason is that the uncertainty avoidance of Sweden is quite lower than the US’ (Styhre et al., 2006, p. 1298). Consequently, American needs more rules to regulate their working life while Swedes perform the tasks well even with fewer rules.

B. From organizational level

a) One paradigm of Volvo could be indentified from the national level analysis which is that employees of Volvo have a strong Swedish mode (Salama et al., 2003, p. 318). In the organization level, Salama, Holland and Vinten interpreted the distance between Volvo and Ford from three main aspects which are organizational structure, position of union and employee’s status.

The organizational structure of Volvo is decentralized and team oriented, everyone has equal status in the company and co-operate with others to contribute to the company, “it has nothing to do with ranking” (Salama et al., 2003, p. 318). On the other hand, Ford is a structured and hierarchical one which influences the other organizational cultural factor, such as the way to co-operate with union and blue collar worker’s treatment (Salama et al., 2003, p. 318). In Volvo, one of the rituals is that the union has an important position since people think that it is highly possible to impact the business results;
therefore the workers and management have close relationship with the union representative, however, the union issue is treated in the normal way in Ford (Salama et al., 2003, p. 318).

Furthermore, Volvo treats every worker equally. One common rule of the control system is that the blue collar workers could receive monthly salaries as other higher status workers, which is in fact not the same in Ford (Salama et al., 2003, p. 318). From the three points just perceived from the top management’s view, of course, there is a huge gap between Volvo and Ford, but the workers from the two companies said they will hold an open mind to accept and learn the differences (Salama et al., 2003, p. 318).

In addition, Ford established two divisions in order to differentiate products lines, which caused the change of organizational structure. The two divisions are Ford car and the premium product which includes Volvo (Salama et al., 2003, p. 318).

b) At the organizational level, the paradigm of Volvo and Ford are shown from the national level aspect. Employees of Ford considered their own benefit first and have a competitive characteristic, whereas employees of Volvo considered more on organization’s benefit and are more cooperative. In the second article the organizational structure is mentioned firstly in the organizational culture part. Ford had a centralized structure so that the control was from the top to the bottom (Styhre et al., 2006, p. 1299). Volvo stood on the opposite side that it focused on the horizontal communication style (Styhre et al., 2006, p. 1299). One interviewee commented on the Swedish organizational structure that “Sweden is the flatterst you can think of” (Styhre et al., 2006, p. 1299). This structure distance brought more detailed organizational culture problems. In Ford, the structure was formal that means to get the order and permit from managers in the formal way was part of routines, which was unusual in Volvo. One Volvo’s technical specialist said “in one of our gas projects, I had this issue of how you handled the cars when they get serviced. Can you start to weld close to the gas tank, or do you need to empty the instructions. I consulted Ford’s instructions. On every single question... it said “ask your supervisor” (Styhre et al., 2006, p. 1300). Another Volvo’s designer mentioned as well “In the US, you never do more than what the boss tell you do, if you do, you are out, even if you do a good thing, because you pose a threat to your boss. You must never by-pass your boss” (Styhre et al., 2006, p. 1300). Moreover, Ford had a lot of rules in the day to day work, which is considered as the impossible mission by Volvo’s employees (Styhre et al., 2006, p. 1300). In Volvo, they just had little rules to obey and they followed well, so facing extra rules was absolutely a challenge to them.

C. From personal level

a) In the first case, it aims to investigate the issues from management perception, so it is considered as valuable to hear top executives’ voice about what they should do to settle feelings of uncertainty that may arise after M&A. Matter of SIT is fully aware when the top management thinks about the synergy effectiveness that M&A may bring from perception of shared identity and
shared goals as a result. Although there are inevitable differences in nationality and culture, both companies strive to encourage their members to keep them from the perception of in-group and out-group. In other words, groups’ members, in this case, are encouraged to perceive themselves as a common community, instead of separate entities, or “WE” instead of “US” and “THEM” (1989, cited in Salama, Holland & Vinten 2003, p. 319). In the long run, they are likely to perceive people from the other group as their colleagues, instead of as stereotypical groups of people, like “Americans and Swedes” (Salama et al., 2003, p. 320).

a) Another problem of personal culture which is taken into consideration is the **feeling of uncertainty**. To prevent such an issue, employees’ roles and future are clarified and committed by top executives, consequently, employees become the active actors playing important role in determining what they should do and what they are supposed to do. As cited in the case, the question that is normally raised among employees “Do we fit?” is replaced by “Are we willing to fit?” (1989, cited in Salama, Holland & Vinten 2003, p. 319).

Another problem of personal culture which is taken into consideration is the **feeling of uncertainty**. To prevent such an issue, employees’ roles and future are clarified and committed by top executives, consequently, employees become the active actors playing important role in determining what they should do and what they are supposed to do. As cited in the case, the question that is normally raised among employees “Do we fit?” is replaced by “Are we willing to fit?” (Gaertner et al., 1989, cited in Salama, Holland & Vinten, 2003, p. 319).

b) In Styhre, Borjesson & Wicicenberg (2006), from the interviews, managers in Volvo raised their issues about **cultural anxieties**. As theorized by the authors, those cultural anxieties include: 1. the perceived emphasis on top management control, 2. the perceived lack of trust, 3. the inequality of the co-workers, 4. the short-term financial focus; and 5. the individualist culture being in opposition to collectivist thinking (Styhre et al., 2006, p. 1300).

In detail, the interviewees express that they may not be as “entrepreneurial” anymore and there is an over **emphasis on top management control**. It can be understood as independence in working does not exist any longer; what employees are supposed to do is following the predefined assignments, even if they have willingness to innovate. A feeling of anxiety arises since Swedish employees are familiar with working independently (Styhre et al., 2006, p. 1300). This matter can be connected to the organizational culture of Swedish decentralized management. A cultural shock from management style is essentially a core issue to make clear the perception of emphasis on top management. As quoted from the text, “I believe we eventually will become a real American company. People here stand in a position of attention and do as they are told…” one technical specialist working for Volvo said (Styhre et al., 2006, p. 1300).

**Perception of not being trusted** is another reason causing anxious feeling. As explained earlier, since Volvo is a typical decentralized company, their
employees get used to the flat structure and the feeling that they are not under strict control of their boss. Or from another interviewee’s perception “We, Swedes, are used to taking responsibility and being given responsibility that is why we have a flat organization structure” a designer at Volvo said (Styhre et al., 2006, p. 1300). Moreover, this interviewee continued to compare the previous culture and the current culture with a big gap between staff and management in a new company. In the US, staff is not allowed to “by-pass” their boss for assignments that are not allocated to them. Such a behavior can be considered as disrespect, while in Sweden “Here, any employee can, more or less, walk up to the CEO and complain about me, or anyone else. It is an opportunity, but not in the US…” a designer at Volvo said (Styhre et al., 2006, p. 1300). Consequently, in the new environment Swedes feel that they are not trusted as well as are not treated equally. It is totally contrast to the egalitarian culture which can be understood as all people should be treated as equals and has the same rights that are applied popularly in Swedish companies (Styhre et al., 2006, p. 1300). One of the interviewees expresses that “You notice that each and everyone are not equal - which we tend to believe in Swedish company culture” when he/she is demanded by one of their peers from Ford. Another interviewee claimed that “We sense such mistrust [by management], and it is not in line with our culture”, since Ford tries to control from the top while Swedes consider as there is no need to do such a thing and they themselves are fully aware of their responsibilities and duties (Styhre et al., 2006, p. 1300). This point is further explained by the perception of suspicion from being controlled by formal policies in day-to-day activities. “They formulate the rules in a manner… that makes it impossible to follow them. Here, we are used to have a bit of rules, and those rules are formulated so that we may actually follow them. But the Ford rules are: "We forbid it all” “, one Manager in Volvo said (Styhre et al., 2006, p. 1300).

Moreover, pride of being Swedes may contribute to lack of trust feeling “In Sweden, we are the best citizens in the world and are not even thinking of doing something not allowed; we are good on doing what we are told, we want to please, you know”, a researcher at Volvo said (Styhre et al., 2006, p. 1300).

Extreme focus on the short-term financial performance can create anxieties for employees. It is claimed that the balance between the attempt and result need to be taken into account to gain employees’ satisfaction and operational performance. Moreover, an emphasis on the final result may hurt Swedish employees when they actually put all of their efforts but did not achieve the aim. Compared to result-based performance evaluation in the US, Swedes are familiar with the way that their performance are evaluated based on their efforts to reach the targets, no matter if they actually achieve the target. Additionally, the perception of individualist culture is another factor mentioned as causing anxieties to employees.

In this case, cultural anxieties in employees come up from a mixed combination of three layers of culture. Conflicts in personal culture, in this case, can be explained in correlation with cultural gap at organizational and national level.
4.2.3 Case analysis on the extent of culture gap, acculturation mode and the deal result

a) In contrast to the previous case of Volvo and Carrus, cultural differences in this case can be explained significantly at both national and organizational level, leading to differences at personal level. As a combination of three layers, it is considered that the cultural distance between Volvo and Ford was relatively large. In this case, the large cultural distance leads to high possibility of failure in the integration (Rankine, 2001). However, Volvo and Ford integrated successfully which is opposite to Rankine’s theory.

In the first case written by Salama, Holland & Vinten, 2003, top management expressed their thoughts about the deal as a need to reach possible synergies. It can be explained as there are strong aspirations to integrate the two autonomous companies. As indicated in the case, integrated teams with team members from both companies are established to identify problems during integration process. “18 matching pairs” including Volvo and Ford executives work together on an equal basis which is considered as “an interesting way to overcome the cultural differences”. Consequently, it can be concluded that strong forces of organizational integration were applied as driving forces to create an integrated organization (Salama et al., 2003, p. 318).

Acknowledging cultural differences as foreseeable, acculturation are put into focus with the question of which mode of acculturation is used in the two giant companies whose cultures are significantly different. Despite the differences, both of the companies recognize that merging these two distinct cultures are a tricky task, and, consequently, they believe that “We have to live the differences… We have to show great respect to each other … We have to understand the differences” (Salama et al., 2003, p. 318) Force of cultural differentiation in this case can be viewed as weak restraining forces to separate cultural groups.

As a combination result of forces of cultural differentiation and organizational integration, assimilation emerges as the way people learn how to live in the differences and as desire to integrate for synergistic purposes. Although both companies perceive themselves as distant from the other, they try to learn from the other’s culture, in the sense of “values and beliefs” (Salama et al., 2003, p. 318). And as a result of this mode, this deal is considered as successful with operational synergies achieved as both of companies expected, i.e. in terms of technology transfer, marketing and sales. Regarding cultural integration, members of both companies perceive themselves as one family instead of individual groups (Salama et al., 2003, p. 319).

b) Moving to the second case description, the authors aim to identify cultural problems during integration process which can be explained by “cultural anxieties”, a form of reactions of ambiguous feeling about future jobs.

This article contributes in explaining cultural differences in three levels, however, does not take acculturation into consideration. Cultural differences are investigated, but the force of cultural differentiation is not mentioned. As a
result, form of acculturation is not identified although the deal is viewed as successful from the previous article.
Table 4: Case 2 summary

(The factors highlighted in red and underlined EITHER are explained in theories but are not mentioned in the cases OR exist in cases but have no corresponding theories in theoretical study.)

<table>
<thead>
<tr>
<th>Provided in existing theories</th>
<th>Provided in cases</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>National level:</strong></td>
<td></td>
</tr>
<tr>
<td>Individualism-Collectivism</td>
<td>✓</td>
</tr>
<tr>
<td>Power distance</td>
<td>✓</td>
</tr>
<tr>
<td>Masculinity - Femininity</td>
<td>✓</td>
</tr>
<tr>
<td>Uncertainty avoidance</td>
<td>✓</td>
</tr>
<tr>
<td>Language</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Organizational level:</strong></td>
<td></td>
</tr>
<tr>
<td>Paradigm</td>
<td>✓</td>
</tr>
<tr>
<td>Routines</td>
<td>✓</td>
</tr>
<tr>
<td>Rituals</td>
<td>✓</td>
</tr>
<tr>
<td>Stories</td>
<td>✓</td>
</tr>
<tr>
<td>Symbols</td>
<td>✓</td>
</tr>
<tr>
<td>Power structures</td>
<td>✓</td>
</tr>
<tr>
<td>Organizational structures</td>
<td>✓</td>
</tr>
<tr>
<td>Control systems</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Personal level:</strong></td>
<td></td>
</tr>
<tr>
<td>Social identity theories</td>
<td>✓</td>
</tr>
<tr>
<td>Uncertainty feelings</td>
<td>✓</td>
</tr>
<tr>
<td>Power loss</td>
<td>✓</td>
</tr>
<tr>
<td>Ambiguities</td>
<td>✓</td>
</tr>
<tr>
<td>Lack of communication</td>
<td>✓</td>
</tr>
<tr>
<td>Cultural anxieties</td>
<td>✓</td>
</tr>
<tr>
<td>Perception of not being trusted</td>
<td>✓</td>
</tr>
<tr>
<td>Perception of not being treated equally</td>
<td>✓</td>
</tr>
<tr>
<td>Focus on the short-term financial performance</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Acculturation mode:</strong></td>
<td></td>
</tr>
<tr>
<td>Force of organizational integration</td>
<td>✓</td>
</tr>
<tr>
<td>Force of cultural differentiation</td>
<td>✓</td>
</tr>
<tr>
<td>Acculturation mode</td>
<td></td>
</tr>
</tbody>
</table>
4.3 Telia and Telenor

4.3.1 Background

The Telia-Telenor case is about the merger of the two telecom operators in Sweden and Norway. Telia owned by Swedish government is the largest sole telecom operator in Sweden and Telenor, the largest one in Norway, is owned by Norwegian government. Both of them which are considered as national symbols had strong political influence and took the monopolistic position in respective domestic market (Fang, Fridh & Schultzberg, 2004, p. 574).

In the rapid and deregulatory global telecom market, Swedish and Norwegian governments realized that it was time to build up a strong Nordic telecommunications groups to defend the unpredictable attacks from outside Nordic and Baltic arena (Fang et al., 2004, p. 580). As the consequence, the merger of Telia and Telenor emerged with the purpose of creating the Nordic-based growth-oriented international telecommunications and IT corporation (Fang et al., 2004, p. 580).

The merger negotiation was initiated in 1997, two sides mainly focused on the discussion about the composition of the board, division of power, location of the mobile telephone head office (Fang et al., 2004, p. 582). Even after they made the final agreement in October 1999, two companies still did not make the final decision on the composition of management and location of headquarter (Fang et al., 2004, p. 586). After two months, in December 1999, the deal was closed with a cost of SEK 200-250 million for Telia alone which is “the failure of one of largest mergers in the modern Nordic history” (Fang et al., 2004, p. 574). After this failure, Telia merged with Sonera, the Finnish telecom operator in 2002 to become TeliaSonera. This co-operative venture is currently the leading telecommunications group in the Nordic and Baltic regions. Telenor is still at the position of the Norway’s largest telecommunications group (Fang et al., 2004, p. 575).

We base the review on the article “Why did the Telia–Telenor merger fail?” written by Fang, Fridh and Schultzberg in 2004 to make analysis. It is chosen as a typical case to explain why firms from similar national cultures are not successful in M&As. Although there are similarities that can be found, the authors of this article describe how Telia & Telenor processed the deal and analyzed reasons of failures from cultural perspective. The conclusion drawn from the case is that “historical sentiments, feelings and emotions, if not handled well, can cause fatal damage to cross-cultural business ventures” (Fang et al., 2004, p. 573).

In order to be relevant to answer research question “Why did the Telia–Telenor merger fail?” qualitative case study based on in-depth interviews was applied. The case is valuable in conducting successful interviews with top management and key persons involved in the deal in these two companies. Moreover, other important official documents are collected from Swedish Government to provide extra information to the case. As reviewed the research method that Fang, Fridh and Schultzberg (2004) applied for this paper, the case can be considered as qualified for analysis purpose.
4.3.2 Case analysis on cultural difference

A. From national level

Sweden and Norway do not only have the close physical distance, but also lots of similarities in their national cultures. Based on Hofstede’s dimension study, we can find out that Sweden and Norway have the same score 31 in the power distance dimension. Sweden gets 71 points in individualism whereas Norway gets 69; Sweden scores 5 in Masculinity whereas Norway scores 8. Apparently, they are quite similar in these three dimensions (Fang et al., 2004, p. 577). One interviewee described “Both Swedes and Norwegians are innovative and international and they are peace lovers who share the same respect for the individual. There is a high degree of education in both countries, and their respective management leadership is known worldwide” (Fang et al., 2004, p. 587). The noticeably national cultural difference is in the uncertainty avoidance dimension. Sweden has 29 points, which is much lower than Norway’s 50 points. It means that Swedes can face the higher uncertainty than Norwegians do (Fang et al., 2004, p. 577). Because of the differences in uncertainty avoidance dimension, Norwegians are more “spontaneous and impulsive” than Swedes (Fang et al., 2004, p. 588).

Besides the cultural distance from the cultural dimension perspective, authors proposed that the history is another key point in this case. In 1814, Norway was dominated by Sweden and became one part of Sweden-Norway union (Fang et al., 2004, p. 578). The precedence of Swedes and desire for independence made Norwegians have negative emotions to Sweden. “The Norwegian people’s increased national feelings and general expansions inevitably lead to increased aversion to a union between the two countries” comes from the research of Carlsson and Rosen (1970, cited in Fang, Fridh and Schultzberg 2004, p. 579). The history triggers historical sentiments, feelings and emotions which impact the perception of national culture difference, which can be considered as the reason that Swedes and Norwegians think there are large cultural similarities, but also large cultural differences (Fang et al., 2004, p. 577).

Usually language is one matter of national cultural differences, but in this case, it is considered as cultural similarity since Swedish and Norwegian languages are so similar. It is supported for the fact that Swedes and Norwegians can understand each other without interpreter (Fang et al., 2004, p. 587).

B. From organizational level

Telia and Telenor are the national symbols in Sweden and Norway respectively since they are owned by governments and operate monopolistically in their domestic markets (Fang et al., 2004, p. 574). In other words, politics are involved in this merger and balancing the interest in the new organization brought additional problems during the integration. Firstly, before the merger, both of Telia and Telenor had their own corporate missions and strategies. Telenor aimed to become one of the several top companies in Europe with its aggressive strategy and a rather flat structure, while Telia targeted on the whole Nordic arena with the geographic and product expanding strategies (Fang et al., 2004, p. 580). To change the previous corporate strategies into
a new one was considered as the first significant difference of organizational level in this case. Secondly, the power structure of the new organization was another one since top managements of the two companies had a conflict on the power allocation during the integration. Nevertheless, from the stakeholders’ perspective, Telia and Telenor also shared a lot of commonalities. The senior adviser of the Swedish ministry of industry said “Both companies shared their view on the markets and their daily operations. They also had similar technical platforms and pretty the same corporate culture (Fang et al., 2004, p. 574).”

The author of this article interviewed the employees in two companies to find out the major internal organizational cultural differences which were ignored by the top management. To Norwegians, the organizational cultural difference was small as opposed to Swedes who thought the gap is huge (Fang et al., 2004, p. 588). To be more specific, Swedes considered there is a big difference between two organizational structures, but Norwegians just thought that the degree of “difference” is at the average level (Fang et al., 2004, p. 588). Despite the perceived difference in organizational structure, both of them have the same opinions that the routines of Norwegian and Swedish are “different” (Fang et al., 2004, p. 588).

One more organizational cultural difference is about rituals. Comparing with Norway, trade union is considered more important in Sweden (Fang et al., 2004, p. 588). If you want to do business in Sweden, setting up a good relationship with trade unions is absolutely necessary. One interviewee claimed that Swedish Trade union started a media campaign against him just because of conflicts between them (Fang et al., 2004, p. 588).

**C. From personal level**

From national cultural aspect, the major national cultural difference that impacted Telia-Telenor integration was only in the uncertainty avoidance dimension (Fang et al., 2004, p. 588). Furthermore, at organizational level, the two companies were different in some parts of routines and rituals, but shared the same view on market and technical platform. Employees of the two companies also said that both large similarities and differences were between Telia and Telenor. Based on information mentioned above, it can be explained as the cultural distance between Telia and Telenor is relatively small. As Rankine’s theory, this case with a small cultural gap would have a high possibility to success in the integration. In fact, Telia and Telenor failed that contrasts to the theory.

In spite of the identical cultures, the workers of the two companies had strong historical sentiments, feelings and emotions from personal level which directly caused the visible negative forces on the negotiation of integration and daily operation. Consequently, strong restraining force of cultural differentiation existed during the integration process.

The cultural distance was highly recognized by the employees in Telia and Telenor. They figured out that there were large cultural similarities between two companies, and also large differences, the differences emerged from ways of working and corporate culture (Fang et al., 2004, p. 588), whereas, one senior advisor of Swedish ministry of industry commented that both companies shared their view on daily
operation and had pretty the same corporate culture (Fang et al., 2004, p. 588). That means that the top management of Telia and Telenor underestimated the cultural distance, as a result, the need of integration is not much taken into account in these companies. Lastly, weak force of organizational integration is most likely to be applied.

The strong restraining force of cultural differentiation and weak driving force of organizational integration create mode of separation between Telia and Telenor. Finally, the integration process failed in December 1999 after two months of cooperating.

**Table 5: Are Norway and Sweden different/similar? Based on the interviewees’ answers** (Fang et al., 2004, p. 588)

<table>
<thead>
<tr>
<th>Structure of organizations</th>
<th>The Swedish view</th>
<th>The Norwegian view</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norwegian and Swedish way of working</td>
<td>Large difference</td>
<td>Difference</td>
</tr>
<tr>
<td>Swedish and Norwegian corporate culture</td>
<td>Difference</td>
<td>Difference</td>
</tr>
<tr>
<td>Companies underestimate the cultural differences</td>
<td>Large difference</td>
<td>Small difference</td>
</tr>
<tr>
<td>between Sweden and Norway</td>
<td>A lot</td>
<td>A little</td>
</tr>
<tr>
<td>Differences between a Norwegian and a Swedish</td>
<td>Large</td>
<td>Medium</td>
</tr>
<tr>
<td>negotiator</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cultural differences between Norway and Sweden</td>
<td>Large</td>
<td>Large</td>
</tr>
<tr>
<td>Cultural similarities between Norway and Sweden</td>
<td>Large</td>
<td>Medium–large</td>
</tr>
<tr>
<td>Differences between the languages causing problems</td>
<td>Small</td>
<td>None</td>
</tr>
<tr>
<td>Differences in communication between the Swedes</td>
<td>Small</td>
<td>Small</td>
</tr>
<tr>
<td>and the Norwegians</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Nationalistic sentiment from perceived personal feeling** is mentioned as the third factor of failure in this deal. It is further interpreted as an “inferior” feeling of the Norwegian side that can be rooted to the spiteful relationship between Sweden – Norway war in the past. On the contrary, the Swedes with the so-called “big brother complex” symptom did not seriously regard the initial agreements with the Norwegians about location of headquarter. Moreover, they also think that location in Stockholm is perfectly needed thanks to existing support of Ericsson, and thus, “big brother vs. little brother syndrome” that harms the deal negotiation took place (Fang et al., 2004, p. 589). Similarly, the location of headquarter is also significantly important to Norwegian government as can be seen as national pride. One interviewee expressed “In the merger, the Swedes did not seem to understand what Norwegian nationalism means at the corporate level, when it comes to a national pride like Telenor” (Fang et al., 2004, p. 590). The issue of unpleased feeling will be broadly explained at national level to clarify national identity problems. Unhappy feeling reached the top and the deal was lastly closed when Telia moved to discuss with Sonera to form a new merger.

In this case, cultural differences at personal level are strongly impacted by the other two layers that lead to negative personal feelings harming the deals.
4.3.2 Case analysis on the extent of culture gap, acculturation mode and the deal result

From national cultural aspect, the major national cultural difference that impacted Telia-Telenor integration was only in the uncertainty avoidance dimension (Fang et al., 2004, p. 588). Furthermore, at organizational level, the two companies were different in some parts of routines and rituals, but shared the same view on market and technical platform. Based on information mentioned above, it can be explained as the distance in national and organizational cultures between Telia and Telenor was not significant compared to the two cases analyzed previously. In spite of the identical cultures, the workers of the two companies had strong historical sentiments, feelings and emotions from personal level which directly caused the visible negative forces on the negotiation of integration and daily operation. Consequently, strong restraining force of cultural differentiation existed during the integration process.

The cultural distance was highly recognized by the employees in Telia and Telenor. They figured out that there were large cultural similarities between two companies, and also large differences, the differences emerged from ways of working and corporate culture (Fang et al., 2004, p. 588), whereas, one senior advisor of Swedish ministry of industry commented that both companies shared their view on daily operation and had pretty the same corporate culture (Fang et al., 2004, p. 588). It means that the top management of Telia and Telenor underestimated the cultural distance, as a result, the need of integration is not much taken into account in these companies. Lastly, weak force of organizational integration was most likely to be applied.

The strong restraining force of cultural differentiation and weak driving force of organizational integration create mode of separation between Telia and Telenor. Finally, the integration process failed in December 1999 after two months of cooperating.
Table 6: Case 3 summary

(The factors highlighted in red and underlined EITHER are explained in theories but are not mentioned in the cases OR exist in cases but have no corresponding theories in theoretical study.)

<table>
<thead>
<tr>
<th>National level:</th>
<th>Provided in existing theories</th>
<th>Provided in cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individualism</td>
<td>✓</td>
<td>✓ (with score analysis)</td>
</tr>
<tr>
<td>Collectivism</td>
<td>✓</td>
<td>✓ (with score analysis)</td>
</tr>
<tr>
<td>Power distance</td>
<td>✓</td>
<td>✓ (with score analysis)</td>
</tr>
<tr>
<td>Masculinity - Femininity</td>
<td>✓</td>
<td>✓ (with score analysis)</td>
</tr>
<tr>
<td>Uncertainty avoidance</td>
<td>✓</td>
<td>✓ (with score analysis)</td>
</tr>
<tr>
<td><strong>History</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Language</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Organizational level:</th>
<th>Provided in existing theories</th>
<th>Provided in cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paradigm</td>
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<td>✓</td>
</tr>
<tr>
<td>Routines</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Rituals</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Stories</strong></td>
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<td></td>
</tr>
<tr>
<td>Symbols</td>
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<td>✓</td>
</tr>
<tr>
<td>Power structures</td>
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<td>✓</td>
</tr>
<tr>
<td>Organizational structures</td>
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<td>✓</td>
</tr>
<tr>
<td><strong>Control systems</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Corporate strategy</strong></td>
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</table>

<table>
<thead>
<tr>
<th>Personal level:</th>
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<th>Provided in cases</th>
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</thead>
<tbody>
<tr>
<td>Social identity theories</td>
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<td>✓</td>
</tr>
<tr>
<td>Uncertainty feelings</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Power loss</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Ambiguities</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Lack of communication</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Loss of trust</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nationalistic sentiment from perceived personal</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Acculturation mode:</th>
<th>Provided in existing theories</th>
<th>Provided in cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Force of organizational integration</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Force of cultural differentiation</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Acculturation mode</td>
<td>✓</td>
<td>✓</td>
</tr>
</tbody>
</table>
4.4 Pharmacia and Upjohn

4.4.1 Background

The Pharmacia-Upjohn case concerns about the merger of two pharmaceutical companies from America and Sweden. Pharmacia founded in Sweden had been the 18th largest pharmaceutical company and Upjohn created by American was 19th largest. In fact this merger involved another product center in Italy, but here we mainly focus on the interaction between the American and the Swedish company.

Pharmacia and Upjohn merged together for two reasons. The first one is to make use of advantages and competences in order to become the leader in the markets of infectious diseases, women’s health, nutrition, etc. Secondly, merger was a lowly risky way to open foreign market. Pharmacia is expected to help Upjohn open market in Sweden and vice versa.

The merger began in 1995 with the purpose of opening international market and achieving the fifth position among largest pharmaceutical company by 2000. However, from 1995 to 1997, their financial goals did not reach expectation and some talented employees left company. This situation was reversed until the resignation of Zabriskie and initiation of Fred Hassan in May 1997. Thanks to efforts of a new CEO, this merged company got back to the right track in the following year. Here we consider the period from 1995 to May 1997 as the failure of integration which will be analyzed in the following part.

The reason to choose this case is that in the previous case, a merger between Telia (Swedish company) and Telenor (Norwegian company) was used to illustrate failures which happened in two companies having similar cultures. The concern raised at this point is for cases of companies which have totally different cultures and significant poor performance after M&As, how do cultural differences impact? And to exemplify, case of Pharmacia (Swedish company) and Upjohn (American company) in 1995 is used.

The archival articles for this case analysis are 1. “Integration problems and turnaround strategies in a cross-border merger. A clinical examination of Pharmacia-Upjohn merger” written by Belcher and Bail in 2000 and 2. “Corporate Turnaround of Pharmacia & Upjohn” written by Indu in 2007. The authors of the first article applied secondary data review based on February 4, 1997, Wall Street Journal article while the writers of the second article also used published resources to analyze. Since we did not manage to obtain original article, we will construct the empirical study based on these two articles.
4.4.2 Case analysis on cultural difference

A. National level

Although these two articles did not provide a full analysis on the national culture part, from the previous case analysis of Volvo and Ford, we know that differences in national culture between each other are huge. America stays in individualism, masculinity, high uncertainty avoidance and high power structure. Sweden follows individualism, femininity, low uncertainty avoidance and low power structure. In individualism dimension, the US also has higher scores than Sweden. Apparently there is a huge national culture gap between US and Sweden. In this merger case, this gap impacted negatively the organizational level in the integration, which will be explained in the organizational level analysis (Belcher & Nail, 2000, p. 226).

Management style, communication style and working atmosphere of the two companies also reflected their typical national characteristics. United States belongs to the high uncertainty avoidance dimension, Americans look forward quick decision and action to avoid the uncertainty in the work, which is opposite to Swedes who always spend time on group discussions.

Pharmacia-Upjohn was the merger of the two drug companies-Upjohn of United States and Pharmacia of Sweden, people from the two countries speak different languages so that problem in language is mentioned as another crucial national cultural difference (Belcher & Nail, 2000, p. 226).

B. Organizational level

At the organizational level, the first difference came from the arrangement of the power structure in new organization. Although the board decided to keep the autonomy in each center as same as before, CEO Zabriskie still tried to impose his American management style in the Swedish center which created a negative situation at the beginning of the integration. Secondly their organizational structures were different. Upjohn was under the hierarchical structure and operated with top-down management style. Pharmacia with the horizontal structure considered that the cooperative dimension is important in the operation. To be detailed, “Americans were hands-on and attempted to hold individuals accountable for their duties, whereas Europeans were more hands-off and team-oriented; Americans were also more confrontational in decision making” (Belcher & Nail, 2000, p. 226). Furthermore, Americans’ result-oriented management style conflicted with Swedes’ consensus-oriented working style in the Phamaria-Upjohn integration. American workers accept the immediate result while Swedish workers considered that the consensus of all members is more important than time. As the result, when they were working together, Americans could not adopt the long decisions making process after reaching consensus with other colleagues (Indu, 2007, p. 6).

There are some other differences in rituals. At workplace, Americans are allowed to smoke and drink wine during lunch time, which is contrast to Swedes’ habit (Belcher & Nail, 2000, p. 226). On the other hand, cultural difference appeared in meeting arrangement of routines as well. Swedes are used to have one month holiday during July and August which is not the same as the American working style. Since
Americans had no idea about Swede’s vacation habit, they did not arrange the meetings before Swedes vacation so that a lot of meetings were postponed and the whole operational schedule was delayed (Indu, 2007; Belcher & Nail, 2000).

One more thing mentioned in case is the different **working atmosphere**. Since the new company did not unify organizational culture, and as a result, employees in the US, Sweden and Italy still kept their previous working habits, which made workers who were transferred to another company feel a strong culture shock in working atmosphere (Indu, 2007, p. 6).

### C. Personal level

The **uncertainty** about the integration came out from Upjohn. Employees of Upjohn worried how the merger would impact their people-oriented culture and family style management (Indu, 2007, p. 6). On the other hand, employees in the Swedish company felt high **uncertainty** when CEO Zabriskie managed the whole company. He did not only aim to integrate the two companies as quickly as possible in order to save costs, at the same time, he tried to manage Swedes who are familiar with the consensus and informal management in American hierarchical management style. Due to his aggressive goal and style, many European employees felt upset and angry for a long time. Consequently, many junior executives and researchers left the company (Belcher & Nail, 2000, p. 226).

Considering the specific and complicated situation, the board decided to keep the autonomy of each place that three major units just need to report to the headquarter in London. Because of this strategy, relationship between Pharmacia and Upjohn is thought of **lacking effective interactions** during the integration process. The workers usually felt the strong culture shock when they had a business trip to another foreign unit. Furthermore, employees from Europe and United States all felt that they were not working for the same company due to the noticeably different working attitudes (Indu, 2007, p. 7).

The identification of “**We**” and “**They**” is another crucial issue that was raised from personal level differences. In the integration, the new headquarter was set up and there was one more layer of bureaucracy. The other three centers in Sweden, America and Italy still kept on the competition for the “headquarter”, which leaded the employees in each center to have strong perceptions on “**We**” and “**They**” (Indu, 2007, p. 7).

**4.4.3 Case analysis on the extent of culture gap, acculturation mode and the deal result**

There was a huge cultural gap between Pharmacia and Upjohn at national, organizational and personal levels. The employees from different countries even would have conflicts on the tiny issues, such as the dress code, drinking during lunch time and vacation time, etc. As a result, the **cultural distance** between Pharmacia and Upjohn was **relatively large**. According to Rankine’s theory, these two companies have the low possibility of success because of the huge cultural gap. The result of this case **proved** this theory since the performance of the new organization during the tenure of CEO Zabriskie was much **worse** than before.
As mentioned in case introduction, we only focus on the period from the merger beginning to the resignation of CEO. During this phase, although the board announced that each center maintained its autonomy, Zabrikie still brought his strong American management style to the new company. He engaged to integrate Pharmacia and Upjohn as soon as possible; meanwhile, he applied the top-down communication style in the Swedish consensus-oriented center. This can be viewed as a strong force of organizational integration.

On the other side, workers in the three centers struggled with each other for the headquarter position, and they thought the feeling of working for the same company disappeared since they had different working attitudes. In brief, there were a large number of cultural differences, which were revealed in this merger. These dissimilarities caused negative impacts in the operations. At the same time, individuals in each company kept a strong force to distinguish from other groups.

The combination of strong driving force of organizational integration and strong restraining force of cultural differentiation led the new company to acculturative tension. During the integration phase of this case, many European workers felt angry and some talent left the company in line with the theory “normally work under high levels of stress, tension, and/ or anger” (Elsass & Veiga, 1994, p. 95). Finally, this merger ended in failure along with the poor financial performance, resignation of CEO and brain drain.
Table 7: Case 4 summary

(The factors highlighted in red and underlined EITHER are explained in theories but are not mentioned in the cases OR exist in cases but have no corresponding theories in theoretical study.)

<table>
<thead>
<tr>
<th></th>
<th>Provided in existing theories</th>
<th>Provided in cases</th>
</tr>
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<tbody>
<tr>
<td><strong>National level:</strong></td>
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<td></td>
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<tr>
<td>Individualism</td>
<td>✓</td>
<td>✓ (without score analysis)</td>
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<tr>
<td>Collectivism</td>
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<tr>
<td>Power distance</td>
<td>✓</td>
<td>✓ (without score analysis)</td>
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<tr>
<td>Masculinity - Femininity</td>
<td></td>
<td>✓ (without score analysis)</td>
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<tr>
<td>Uncertainty avoidance</td>
<td>✓</td>
<td>✓ (without score analysis)</td>
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<tr>
<td><strong>Language</strong></td>
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<tr>
<td><strong>Organizational level:</strong></td>
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<tr>
<td>Paradigm</td>
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<tr>
<td>Routines</td>
<td>✓</td>
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<tr>
<td>Rituals</td>
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<tr>
<td>Stories</td>
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<tr>
<td>Symbols</td>
<td>✓</td>
<td>✓</td>
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<td>Power structures</td>
<td>✓</td>
<td>✓</td>
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<td>Organizational structures</td>
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<tr>
<td>Control systems</td>
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<td>Working atmosphere</td>
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<td><strong>Personal level:</strong></td>
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<td>Social identity theories</td>
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<tr>
<td>Uncertainty feelings</td>
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<tr>
<td><strong>Power loss</strong></td>
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<tr>
<td>Ambiguities</td>
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<tr>
<td>Lack of communication</td>
<td>✓</td>
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<tr>
<td><strong>Acculturation mode:</strong></td>
<td></td>
<td></td>
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<tr>
<td>Force of organizational integration</td>
<td></td>
<td>✓</td>
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<tr>
<td>Force of cultural differentiation</td>
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<td>✓</td>
</tr>
<tr>
<td>Acculturation mode</td>
<td>✓</td>
<td>✓</td>
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</tbody>
</table>
The analyses of the four cases are summarized in table 8 which include the forming process of cultural distance, the integration process and the deal result.

**The Volvo-Carrus case:**

- The cultural gap between two companies was relatively small.
- Under the weak restraining force of cultural differentiation and the strong driving forces of organizational integration, the integration was driven to assimilation.
- After three years of the acquisition announcement, two companies integrated successfully in terms of the positive financial performance.

**The Volvo-Ford case:**

- The cultural gap between two companies was relatively large.
- Under the weak restraining force of cultural differentiation and the strong driving forces of organizational integration, the integration was driven to assimilation.
- In seven years of the acquisition announcement, two companies integrated successfully in terms of technology transfer, marketing and sales.

**The Telia-Telenor case:**

- The cultural gap between two companies was relatively small.
- Under the strong restraining force of cultural differentiation and the weak driving forces of organizational integration, the integration was driven to separation.
- After 2 months of the merger announcement, two companies failed to integrate and ended the cooperation.

**The Pharmacia-Upjohn case:**

- The cultural gap between two companies was relatively large.
- Under the strong restraining force of cultural differentiation and the strong driving force of organizational integration, the integration was driven to acculturative tension.
- Two companies failed to integrate during the tenure of CEO Zabriskie in terms of the poor financial performance and resignations of some talent workers.
<table>
<thead>
<tr>
<th>Case</th>
<th>How do cultural differences arise in cross-border M&amp;As during integration process?</th>
<th>Cultural distance</th>
<th>Do cultural differences impact the deal result?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volvo-Carrus</td>
<td>National level: • Individualism (Sweden &amp; Finland) • Low power distance (Sweden &amp; Finland) • Femininity (Sweden) &amp; masculinity (Finland) • Low uncertainty avoidance (Sweden) &amp; high uncertainty avoidance (Finland) • Different languages</td>
<td>Relative small cultural distance</td>
<td>Assimilation • Weak restraining force of cultural differentiation • Strong driving forces of organizational integration</td>
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<td></td>
<td>Organizational level: • Paradigm • Organizational structure • Power structure • The routines • Working atmosphere</td>
<td></td>
<td>The successful integration after three years of the acquisition announcement in terms of the positive financial performance of Carrus.</td>
</tr>
<tr>
<td></td>
<td>Personal level: • Uncertainty feeling • Problems in interaction • Lack of communication • Difficulties in adaptation • Power loss</td>
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<td>Volvo-Ford</td>
<td>National level: • Individualism (Sweden &amp; United States) • Low power distance (Sweden) &amp; high power distance (United States) • Femininity (Sweden) &amp; masculinity (United States) • Low uncertainty avoidance (Sweden) &amp; high uncertainty avoidance (United States) • Different languages</td>
<td>Relative large cultural distance</td>
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<td></td>
<td>Organizational level: • Paradigm • Organizational structure • The routines • The rituals • Control systems</td>
<td></td>
<td>The successful integration after seven years of the acquisition announcement in terms of technology transfer, marketing and sales.</td>
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<td></td>
<td>Personal level: • Social Identity Theory • Uncertainty feeling • Cultural anxieties • Emphasis on management control • Not being trusted • Not being treated equally • Focus on short-term financial performance</td>
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<td>Telia-Telenor</td>
<td>National level:</td>
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<td>- Low power distance (Sweden &amp; Norway)</td>
<td>cultural differentiation</td>
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<td>- Low uncertainty avoidance (Sweden) &amp; high uncertainty avoidance (Norway)</td>
<td>organizational integration</td>
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<td>- History</td>
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<td>- Similar languages</td>
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<td><strong>Organizational level:</strong></td>
<td><strong>The failed integration</strong> after two months of the merger</td>
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<td>- Corporate strategy</td>
<td>announcement in terms of the</td>
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<td>- Symbols</td>
<td>stopped deal and separation.</td>
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<td><strong>Relative small cultural distance</strong></td>
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<td>- Nationalistic sentiment from perceived personal</td>
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<td>Pharmacia- Upjohn</td>
<td>National level:</td>
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<td><strong>Organizational level:</strong></td>
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<td>merger announcement to the</td>
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<td>resignation of CEO Zabriskie</td>
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CHAPTER 5

DISCUSSION

In this chapter, the discussion is presented based on comparisons of findings in the empirical and theoretical parts. It will play an important role in bridging existing theories and archival cases to create research gap. Further studies will be suggested to provide additional knowledge based on the research gap found.

In the empirical part, we picked four cases to review, two are successful deals, one is considered as totally failed so that the merged company was separated after two months. The last case is for a merged company that organizational performance decreased significantly after merger, however, the situation was improved when a new CEO joined. Since we are aware that cultural differences at personal level happen no matter in domestic or cross-border M&As, we intend to differentiate the cases to reveal the differences in national culture and then in organizational culture. Swedish companies chosen as Volvo, Telia and Pharmacia are analyzed in the cultural relationship with foreign companies. Two of the foreign companies are considered as similar in culture with Swedish companies, Carrus (Finnish) and Telenor (Norwegian), and two are from the same nationality and significantly different from Swedish companies, Ford and Upjohn (American).

As presented in the theoretical part, cultural differences can be analyzed at three levels, starting at national, organizational and ending at personal culture. This section is to explain one part of our thesis “How do cultural differences arise?” The other part of theoretical part is to investigate the relationship between cultural differences and the deal result. From the theory, the more different the cultural gap is, the less successful the deal is. We will compare the theories with empirical part drawn from cases to see how they are correlated to the other. In other words, we will see A. which theories are not applied into cases and need to be examined in practice or B. which points from cases need to be studied in theories. These points will be used as foundation for recommendations in the next part.

To help the readers follow our discussion, we separate the Research questions into two parts and discuss separately.

5.1 How do cultural differences arise in cross-border Mergers & Acquisitions during the integration process?

- At national level:

The national culture is the outcome of one group of people living together in one area for a significantly long time. How people value everything in their life, what they believe and how they react under a certain condition, etc are totally different in each nation. In order to measure the national cultural distance, Hofstede researched more than 70 countries lasting for around six years; finally he proposed a method called Geert Hofstede’s cultural dimensions. It includes individualism–collectivism, power distance, masculinity-femininity and uncertainty avoidance, which is the basic theory for national culture part in this thesis.
According to Hofstede’s findings, we can find out that Sweden, Finland and Norway have high similarities in the national culture. All of them are located in the **individualism dimension** and have nearly the same scores, especially Sweden and Norway. The three countries are also under the low power distance dimension meaning that everyone is equal in their ordinary life and working place. In the **masculinity-femininity dimension**, both of Sweden and Norway are in the femininity position meaning that people enjoy their family life and have corporate spirit. On the contrary, Finland is in masculinity position. However, such a difference in this dimension is actually not the major barrier for the post merger integration process of Volvo and Carrus. In **uncertainty avoidance**, Swedes can face high uncertainty, whereas Finns and Norwegians get used to avoid the uncertainty. From the previous empirical study, we found out that the difference in uncertainty avoidance is the key point that influences the merger between Volvo and Carrus as well as Telia and Telenor. This point can be explained by that the difference in uncertainty avoidance impacts directly organizational culture and individual perception.

Companies in the other two cases are from Sweden and the United States. These two countries have differences not only in physical gap, but also in cultural distance. Comparing U.S. with Sweden in cultural dimensions obviously indicates that Americans are more individualistic than Swedes, personal profit is much more important in Americans’ eyes. In Volvo and Ford case, one interviewee expressed that Americans will prefer first class in the business trip, but Swedes will chose economic one to save money for the organization that they are working for. The U.S. is in the masculinity position and Sweden belongs to femininity position, which means Americans like competition and Swedes enjoy cooperation. Americans cannot handle the high uncertainty in the same way as Swedes. Furthermore, the U.S. is in a high **power distance** oriented dimension compared to Sweden’s lower power distance oriented dimension. As a result, the difference discussed earlier in the power distance dimension affects the organizational culture.

In a word, national cultures in Nordic countries are relatively alike. Their substantial difference at national level is in the uncertainty avoidance dimension. On the other hand, Sweden and the U.S. are almost totally different in all of dimensions. Their distinctions in power distance and uncertainty avoidance dimensions create the primary distance between organizations. Besides the understanding of national culture distance in each case, we also found that national culture as the outmost layer embraces the organizations and individuals. The major difference at national level of the acquiring company and the target subtly impacts both organizational culture and individuals’ perception in the integration process.

- **At organizational level**

Organizational culture describes how workers perceive value, belief, and attitude of one organization. It reflects the organization’s past, present and future. Here we used the culture web to explain significantly organizational culture differences between the acquiring and acquired companies.
In Volvo - Carrus case, Volvo is the Swedish, team-oriented and horizontal structured company which usually has the relatively slow decision making and formal information delivery system. Carrus is the Finnish, act-oriented and hierarchically structured company which would like to make decision quickly without complex meetings and calculations. During the integration, the differences in their organizational cultures brought visible troubles in **routines and work atmosphere** since the employees of Carrus have to change their previous working style to spend long time discussing with workers of Volvo, furthermore, they thought the working atmosphere in the new organization was not as good as the one in previous Carrus. In the Telia - Telenor case, both of them are owned by the governments and are treated as national symbols, which means in some sense they shared some commonalities in terms of the market view and the technical platforms. From the point of employees of the two companies, there were large differences in their organizational cultures, **organizational structures** and the way of working. The relatively visible conflicts emerged in **routines, rituals and power arrangement**, for example, top managements of the two companies spent long time on discussion about the **power structure** in the new organization. However, they did not reach agreement during the post merger phase.

The other two cases present business stories between Swedish and American companies. Volvo and Pharmacia are the Swedish horizontally structured companies with the bottom-up management style. Ford and Upjohn, in contrast, are the American hierarchy companies with the top-down management style. In short, there is a huge cultural gap between Swedish and American companies. In Volvo-Ford case, these differences caused conflicts during the integration process in terms of **routines, rituals, the control system and the working atmosphere**. As an example, Volvo treated the union as one crucial ritual, but it is not that important in Ford. In Pharmacia-Upjohn case, troubles are raised from **routines, rituals and the working atmosphere**, for instance, workers of Pharmacia cannot understand why smoking is allowed at work place while workers of Upjohn have no idea about Swedes´ dress code.

In these four cases, the acquiring and target companies generally have opposite **organizational structures** which lead to different management styles and communication styles. During the daily integration, these cultural differences mainly appear in **routines, rituals, the control system, the working atmosphere and the power structure**. In short, organizational structure is the starting point of cultural distance at organizational level and the visible cultural differences mainly emerge at this level.

- **At personal level:**

The main issue of cultural differences at personal level mainly lies on **SIT** including processes of categorization, identity, comparison and distinctiveness. Perceptions of in-group and out-group as well as structure of intergroup relations are considered as pillars supporting SIT theories. In both theoretical and empirical parts, the thoughts of “WE” and “THEY” always exist. In cases we reviewed, coping with the same situation, Volvo’s management, however, tried to eliminate such a thought to bring different identity perceptions into a common community to create a newly established family. And as we can see, with their efforts, the deal can be considered as successful with an adaptive environment. Additionally, case of Volvo can be seen as valuable
when giving an example of eliminating the stereotypical groups of people to form image of colleagues, instead of “Americans and Swedes”. In the case of Telia and Telenor, SIT can be seen as the main attribute to the failures. As personally perceived as either “big brother” or “little brother”, people separated themselves from a merged community and as a consequence, the deal failed after two months of being together. Moreover, perception of “We are Swedes” and you are “the cousin from the countryside” or “We are Norwegians” and you are “bully, cocky, and overdriven socially polished” are used as examples to further deepen the conflicts to an unsolvable issue.

The cases which are reviewed proved that uncertainty feeling actually arises in companies after M&As. It is confirmed that there is such a feeling of fear, stress of job relocations or job loss from staff level and authority loss from management level. From Styhre, Borjesson & Wicicenberg (2006), another element leading to failures in M&As is cultural anxieties which can be explained as ambiguities. Generally, ambiguity means that a worker stays at a “blurred” position that he looks forward answers of “who am I in the new organization?” and “what shall I do?” In other words, this issue is normally termed as “merger syndrome”, an ambiguous perception of employees about M&As and organizations that they belong to. The elements forming cultural anxieties which are mentioned in this case are not discussed in our theoretical parts and comprise of 1) the perceived emphasis on top management control, 2) the perceived lack of trust, 3) the inequality of the co-workers, 4) the short-term financial focus; and 5) the individualist culture being in opposition to collectivist thinking (Styhre, Borjesson & Wicicenberg, 2006, p. 1300).

Another problem at personal level is the need of adaptation to new management style, structure of organization, organizational relationships. Lack of effective communication can leave negative impacts not only on uncertainty and cultural anxieties, but also on the whole organizational operation. It contributes to increase level of uncertainty and cultural anxieties attached to employees’ self interpretation. Moreover, it intensifies the complexity of integration process in a new company as well as damages social networks inside the organization. This point is considered as novel to our existing theories. Moreover, case of Volvo with two articles available is worthwhile reviewing since it provides insights from two perspectives, one provides the perception of management about the issues during cultural integration process as well as solutions to settle those problems, and the other provides perception of managers as spokes persons for employees. Since we have not mentioned management perspective in the theoretical part, the strategies that management applied in this case should be further studied.

Loss of trust on the management is another issue that is not discussed in our theory. Promises from management or from the other party are always engraved so that when promises were broken, negative impacts will come up. Case of Telia and Telenor provides evidences for the negative effects of this issue on the deal result as a restraining factor to harm integration process. It can be considered as a suggestion for further study that needs to be investigated.

In the case of Telia and Telenor, there is an interesting point that needs to be investigated more. It is the relationship between the relative size of the parties and chance of success. Obviously from the case, Telia and Telenor can be considered as
having relatively same size, they, moreover, have different conflicts coming from history and national pride, and as a result, important consensus that should be agreed on was not reached. The concern here is that, if either Telia or Telenor has a smaller size and lower position compared to the other, shall the more powerful partner steer the deal and thus complete it successfully. In our theoretical part, this concern has not been discussed, so we would like to suggest further study to investigate this concern.

5.2 Do cultural differences impact the deal result?

In our theoretical section, we mentioned the cyclical relationship between acculturation mode and organization performance in which one is the cause of the other. However, within the scope of our thesis, in order to answer the research question, this relationship is just analyzed in one way to see how cultural differences contribute to the acculturation mode and impact success/failure of the deals. Moreover, since we found out that cultural differences exist even between cultures that are viewed as “identical” or “similar”, the question of how we integrate cultures to eliminate differences and manage the deal to have satisfied performance should be well prepared to settle cultural differences.

- Cultural gap

As presented in the theoretical section and supported by evidences presented in cases, cultural differences can be seen as basic elements forming acculturation mode. Cultural differences are there, they occur in every M&As, even in companies which are seen as similar in culture. In the empirical part, four cases are used to explore the relationships between cultural gap and deal result which are Volvo-Carrus, Volvo-Ford, Telia-Telenor and Pharmacia-Upjohn.

In Volvo-Carrus and Telia-Telenor cases, all of four companies are located in Northern Europe and are influenced by the Nordic culture. From the previous national cultural analysis of each case, it is obvious to see that those three countries’ cultures (Swedish, Norwegian and Finnish) are highly similar. Furthermore, from comments of employees in the case of Telia-Telenor and reaction of employees in Carrus, we can find out that cultures in organizational and personal levels between the targets and acquiring companies in these two cases had relatively small gap. In another word, the cultural difference in national, organizational and personal levels of the Volvo-Carrus and Telia-Telenor cases was relatively low (Figure 13).

The rest two cases are Volvo-Ford and Pharmacia-Upjohn showing the relationship between Swedish and American companies. Based on Hofstede’s cultural dimension study, America and Sweden have large difference in each single dimension. Additionally, interviewees of these two cases did not mention any similarities at organizational and personal levels. Their comments were usually about the huge cultural gap and some cultural differences that did not appear in the Volvo-Carrus and Telia-Telenor cases, such as, arrangement of vacation, dress code, etc. In short, the cultural difference in three layers of the Volvo-Ford and Pharmacia-Upjohn cases was relatively high (Figure 13).
According to the theory, the integration is more likely to be successful in companies which have small cultural differences and failed when there are large cultural differences (Rankine, 2001). In other words, cultural differences have a significant position during post M&As that it impacts the deal result enormously.

In line with this concept, the integration of Telia and Telenor is highly possible to be successful since they have a small cultural gap. On the other hand, there is a high risk of failure in cultural integration process of Volvo and Ford due to larger cultural gap. Nevertheless, the merger of Telia and Telenor failed. Volvo and Ford made a successful deal. It seems like the effect of cultural distance did not work in these two cases.

There are three modes of acculturation which are applied in cases reviewed. Among the modes that we identified, mode of assimilation can be considered as a critical factor helping the deal to be successful (Figure 13). Obviously in the cases of Volvo and Carrus as well as Volvo and Ford, these two foreign companies are utilized as the two polarized cases presenting one are similar and one is totally different to Swedish companies. However, both of the deals are regarded as successful. Given that Volvo thinks about differences as inevitable experience and integration is the most important task to gain the synergies, assimilation is applied as a way to respect the others and live the differences. Consequently, parties need to adapt to the organization integration under slight tension between different cultures. Assimilation which is based on cultural differences as a starting point comes from strong desires of integration to gain the expected synergies and weak restraining forces can be viewed as successful factor impacting the deal result.

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**Figure 13: Cultural gap in relation with the deal result**

- Cultural gap and deal result
- Acculturation mode and result
The other two cases are grouped into the **failed** category (Figure 13). Telenor has similarities while the Upjohn has significant differences in culture compared to Swedish companies. In contrast to the result of Volvo-Carrus and Volvo-Ford, these deals failed in meeting expectation that lead to separation in one case and disappointed performance in the other case. In Telia and Telenor case, mode of separation is applied when these companies tried to maintain cultural differentiation at high level without strong desires to integrate autonomous organizations. In this case, the two companies have strong sense of cultural differentiation which keeps them away from integration process. Two parties therefore worked together under pressure, tension, and anger. Lastly, they decided to break the deal and worked as separate companies. In another case of Pharmacia and Upjohn, it can be explained that the deal result is badly impacted by mode of acculturation tension. Since personnel in this case worked under high pressure as a result of strong forces of cultural differentiation and equal forces of organizational integration, consequently, some people then left the company. The organizational performance increasingly decreased until the new CEO joined.

From the analysis of their acculturation modes, we found that the failure of Telia and Telenor closely related to the strong force of cultural differentiation among workers despite of highly similar cultures. Employees of Volvo and Ford had a positive attitude on the huge cultural gap. Furthermore, in Volvo-Carrus and Volvo-Ford cases Volvo did not fail in these two vastly varying cases. It did not only integrate a Finnish company successfully, but also an American company. According to the previous analysis, the common characteristic of success is the weak force of cultural differentiation which can be understood that employees of both the acquiring company and the target hold a positive sense of cooperation as well as positive perception about the cultural integration.

To sum up, overthrowing Rankine’s theory is not our intention, however, we think that cultural distance would influence the integration, but it does not impact that much on the deal result. From these four cases’ acculturation modes, we found that no matter how small or large cultural differences are, the matter is how organization members perceive cultural differences and cope with the differences will impact the deal result. In other words, employees’ positive attitude is the key point to the deal result rather than the extent of cultural differences.
CHAPTER 6

CONCLUSION

At the end of our thesis, our conclusion chapter wraps up in explaining the process of cultural differences forming in post M&A cases of Swedish companies involved in cross-borders M&As, then go further to indicate the research gap that we will find out at the end of the research as well as propose the solutions to fill up that gap. Challenges in integration coming from cultural differences will be the heart of the whole thesis; moreover, the contrasts and comparisons of cultural differences of foreign companies in cross-border M&As with Swedish companies will be highlighted to be evidences to identify these issues.

6.1 General conclusion

Merging with or acquiring a company has become the most popular short cut for the power expansion. At the same time, high failure rate of two companies’ integration in post merger phase, particularly in the cross-border cases, has been noticed by researchers as well. In order to enhance the knowledge of managing the integration successfully, many scholars had began to study factors that impact the M&A result. Culture is one of the popular topics since many participants feel the resistance during the integration process which comes from the cultural difference. Consequently, researchers have contributed a variety of knowledge in the cultural field. In this thesis, the flow of thoughts is generated based on two main themes including 1) Cultural differences forming processes and 2) The relationship between cultural differences, acculturation mode and the deal result. To give evidences to support our two main themes, we chose secondary data from archival cases comprising of four cases of companies involved in M&As with Swedish companies. The cases aim to illustrate the explicit cultural distance (two are similar, two are different to Swedish culture) and the deal result (two are failed, two are successful). To a certain extent, the sample of four cases can be considered as sufficient to cover our intention to answer the research question. Their findings generally answer three types of questions which are (1) “What is the cultural distance between the parent company and the foreign target company?” (2) “How does it work in the integration process?” (3) “How the cultural distance impacts the deal result?” However, these studies are usually researched unconnectedly and there are no single researches that cover these three aspects. Therefore, our study of cultural differences in Swedish cross-border M&As can be seen as the so-called all in one and is based on the major findings of these three aspects which are (1) national, organizational and personal layers of cultural distance (Lees, 2003), (2) acculturation mode (Elsass & Veiga, 1994) and (3) “the greater the cultural gap between the parent company and the target company is, the higher the possibility of failure is” (Rankine, 2001).

There are five steps to construct this research. The first three steps are covered in the theoretical study as the foundation of the empirical part. First of all, the introduction of the M&As includes the motivation, process, post merger phase and cross-border M&As. The second section is to describe the culture gap from national, organizational and personnel level. And then, the acculturation mode and the relationship between cultural distance and the deal result were answered in this part. After explaining the
theoretical framework, four Swedish cross-border M&A cases were analyzed in the empirical study to draw the conclusion at the end of this study.

In the first three sections, the theories related to M&As in sense of culture were reviewed and used which are not only to express authors’ general understanding but also to provide framework of the following parts. In the empirical part, qualitative data was selected from previous research reports to provide data analysis. The analysis section is conducted based on theoretical structure which includes culture gap analysis, relationship between cultural gap, acculturation mode and the deal result. Based on the analysis, we answered the research questions and found that (A) national cultures embrace the organizations and individuals, the main difference between the acquiring company and the target at this level influences the organizational culture and works’ perception subtly. At the organizational level, the starting point of distance is the difference of organizational structures, the visible cultural differences usually displayed at this level are routines and rituals. Moreover, at personal level, the emotion and behavior of individuals are impacted by both national and organizational differences between organizations. To sum up, these three layers form the cultural distance in each cross-border case. (B) However, Cultural distance does not that directly relate to the deal result. The success possibility of integration more depends on how participants in the integration perceive the cultural distance rather than the degree of cultural differences. If during the integration employees face the huge cultural gap with a positive attitude, there is a possibility to be driven into assimilation mode which is considered as the successful integration. On the other hand, in the case with a small cultural gap, if employees have a strong force of cultural differentiation, the integration absolutely will go to separation or acculturative tension, which is considered as the single of the integration failure.

6.2 Thesis contributions

As stated in the introduction, we raised some concerns that we would like to answer when our thesis is done. At this point, the main contributions can be summed up as in Figure 14.

![Diagram](image)

**Figure 14: Thesis contributions**

The first part of research question is answered by the “culture onion” image including three levels. It is valuable in explaining cultural forming processes for not only companies involved in M&As, but also people who are interested in this field. In the
second part, we contributed by giving details in explaining the relationship between cultural differences and the deal performance. In this section, firstly we examine the relationship between the extent of cultural gap and deal result in each case, the finding was surprising us that M&As between companies similar in culture is not always successful or that failure between organizations having significantly different cultures is not always true. Furthermore, we based on the analysis of acculturation mode of the four cases to explore deeper on relationship between cultural distance and M&A deal result, finally, we concluded that cultural differences impact the deal result indirectly. They contribute to the deal result by providing the platform for the acculturation mode from forces of cultural differentiation instead.

Additionally, in the empirical section, based on our intention, four cases are reviewed to provide evidences to support our proposed theories. Although there are some limitations that are found, the thesis is important in providing contributions that reach our aims. The result from the discussion section provides some interesting findings that are different from our assumption in theoretical part. Moreover, from four cases analyzed, there are some new findings that we have a desire to suggest further studies from both of theoretical and practical perspectives. The next sections will present our limitations and are followed by our proposed recommendations to conduct future studies.

6.3 Limitations

As being authors, we acknowledge the limitations of this research and it is important to highlight them as a way to provide an objective look at our thesis.

The first limitation is concerned with the generalization of the research results. The small sample size, including four cases, reviewed on archival base is not sufficient to answer the second part of our research question “Do cultural differences impact the deal result?” It is probable just applicable to a specific context that we have not identified. Consequently, it can be considered as not possible to generalize to other cases.

In the theoretical part, since we collected separate theories and combined them, we did not have a perfect model to cover all possible theories to answer our research question. Moreover, in the empirical part, since we would like to choose four cases of Swedish companies involved in M&As which cover both successful and failed cases and with companies which have both similar and different cultures. We criticize ourselves when we cannot avoid bias in picking cases.

It would be well to bear in mind that our thesis makes use of qualitative method and as a consequence, our empirical and discussion sections were analyzed in a subjective mode. It thus leads to possible bias in the way we conducted our study and drew the conclusion. Besides the way we chose cases to review that is discussed earlier, another source of bias might be considered from the empirical part. Since we reviewed archival cases, actually it is a method of secondary data review, and consequently, our data might be impacted by the authors’ interpretation. Moreover, since we study what the original authors have written, our thesis, to a certain extent, may lack of originality which might be considered as double bias.
As we state in the delimitations, within the scope of this thesis, we consider cultural differences as the factor impacting the deal result. There is a limitation that we did not take other factors that might have the joint-effect on the deal result into consideration, e.g. economic situation, form of Mergers & Acquisitions, etc.

Limitations in experiences and available literature in similar topics are another issue that can be mentioned and might impact how we structure our thesis and analyze cases. Studies about Swedish companies cooperating with foreign companies in business environment and in M&A deals are not much investigated, so sources of reference for this topic is quite limited.
6.4 Recommendations

As introduced in our discussion section, we tried to bridge the existing theories and our findings from cases. In order to provide recommendations, we summarize the knowledge gap in both theories and practice.

Table 9: Knowledge gap between existing theories and case studies’ findings

<table>
<thead>
<tr>
<th>FIELD</th>
<th>ISUUES</th>
<th>THEORY</th>
<th>PRACTICE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal level of cultural distance</strong></td>
<td>(1) The elements forming cultural anxieties, 1. Perceived emphasis on top management control, 2. Perceived lack of trust, 3. Inequality of the co-workers, 4. Short-term financial focus, 5. Individualist culture being in opposition to collectivist thinking (2) Management perspective in coping with cultural differences (3) Loss of trust on management or partner</td>
<td>Lack of theories</td>
<td>Described in the case study</td>
</tr>
<tr>
<td><strong>Organizational level of cultural distance</strong></td>
<td>Other organizational factors that impact the cross-border M&amp;As, such as the work atmosphere.</td>
<td>Lack of theories</td>
<td>Described in the case study</td>
</tr>
<tr>
<td><strong>National level of cultural distance</strong></td>
<td>Other national factors that impact the cross-border M&amp;As, such as historical problems and language etc.</td>
<td>Lack of theories</td>
<td>Described in the case study</td>
</tr>
<tr>
<td><strong>National, organizational and personal levels of cultural distance</strong></td>
<td>The relationship among each cultural layers</td>
<td>Lack of theories</td>
<td>Lack of practice studies</td>
</tr>
<tr>
<td><strong>Deal result</strong></td>
<td>Relative size of one party compared to the other in relationship with chance of success</td>
<td>Lack of theories</td>
<td>Lack of practice studies</td>
</tr>
<tr>
<td><strong>Cultural distance and deal result</strong></td>
<td>Need statistic figures and deep studies to investigate if cultural differences impact the successes/ failures during post merger phase</td>
<td>Lack of theories</td>
<td>Lack of practical studies</td>
</tr>
</tbody>
</table>
As pending issues are identified in table 9, there are some suggestions for future research that we would like to propose.

- Cultural difference during integration process at personal, organization and national level is a huge topic that needs to be investigated more deeply.
- As we may know that national, organizational and personal levels construct the cultural gap, the question of how they impact each other should be investigated more.
- The relationship between relative size of parties and chances of success should be explored as an interesting topic.
- A larger sample size of foreign companies involved in M&As with Swedish companies should be studied to help us complete the question of “Do cultural differences impact the deal result?”
- Quantitative study may be conducted to provide some hypothesis that might be valuable for this interesting topic.
- Interviews with original authors of these articles may be in need to provide clearer insights and avoid misunderstanding due to our interpretation based on archival cases.
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Articles


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