ACQUIRING “BIG” KNOWLEDGE

RAISING AWARENESS OF PITFALLS

Linus Ivarsson and Rickard Johansson

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This report highlights the complexity of engaging in a post-acquisition integration process of a relatively large knowledge-intensive firm. Findings from a case study is analyzed in relation to previous theory, resulting in four propositions aiming at creating a foundation for further theory development, as well as increased understanding among practitioners in relation to the emphasized problem. It is argued by the authors that increased relative acquisition size of knowledge-intensive firms will: 1) increase demand for a centralized organizational structure, 2) decrease benefits of introducing a new top management, 3) decrease communicative attention towards lower levels, and 4) decrease attention towards subcultures. These factors will ultimately increase the risk for integration failure.
INTRODUCTION

A firm basically has two options when standing in front of a decision to increase its size and market spread; it can pursue its growth target organically, or it can acquire a company that possesses the desired assets and capabilities needed (Penrose, 1995). Corporations seeking to further expand and explore new markets are oftentimes applying the acquisition alternative for such endeavors (Gaughan, 2007). However, extensive previous organizational research within this area suggests the rate of failure stemming from acquisitions being remarkably high (Kusewitt, 1985; Porter, 1987; Cartwright & Cooper, 1993; Vaara, 2002; Seo & Hill, 2005). This has also been emphasized in the financial literature, where little or no gains can be extracted from an acquisition (Fowler & Schmidt, 1989). Selden and Colvin (2003) take it even further, claiming that 70-80 per cent of acquisitions are doomed failures and that acquisitions even may destroy wealth. Still, large successful global companies continue engaging in these endeavors, with acquisitions totaling $12 trillion during the period 1995-2000 (Selden & Colvin, 2003).

Considering the underlying reason for growing through acquisitions, Salter and Weinhold (1979) distinguish between related acquisitions and unrelated acquisitions, where related refers to value creation through economies of scope, economies of scale, or market power. Unrelated acquisitions, on the other hand, are made for the purpose of administrative gains and, for example, more efficient financing. Singh and Montgomery (1987) proved that related acquisitions outperform the case of unrelated. Penrose (1995) further elaborates around the possible contribution of an acquisition, arguing that it is impossible to investigate the exact contribution of the acquired firm in terms of growth and size to the acquirer, since there can be unrealized potential in the acquired firm prior to the acquisition that, in combination with the capabilities of the acquirer, becomes valuable. Similarly, there can also be realized value of the acquired firm prior to the acquisition that cannot be utilized to the same degree in combination with the acquirer’s capabilities after the acquisition (Penrose, 1995).

As highlighted by Ranft and Lord (2000), acquisitions are often made for the purpose of obtaining critical knowledge necessary for further development, focusing on skills of employees and functions within acquired companies. Focusing on the utilization of knowledge in the firm, including tacit knowledge among employees, is argued to be essential for a firm to create competitive advantage and sustain in the long term (Grant, 1996). Arguably, when acquisitions to a larger extent are focusing on people rather than inventory, facilities and machines, the integration process becomes even more important as a determinant factor for success. Acquisitions in knowledge-intensive industries have to be handled with care, or it can result in mass resignation of highly important employees possessing core knowledge (Birkinshaw, 1999; Ranft & Lord, 2000).

Simply acquiring a company possessing the right profile, knowledge, and assets is not a guarantee for success. What happens after an acquisition has taken place, i.e. the post-acquisition integration, is what actually determines the level of value creation resulting from the deal (Haspeslagh and Jemison, 1991) and is highly dependent on the organizational integration (Chakrabarti, 1990).

As indicated, there are numerous factors influencing successful integrations and Chatterjee, Lubatkin, Schweiger & Weber (1992) argue that the complexity of integration processes increases as the larger companies it involves, and is usually addressed ad hoc as problems arise (Shrivastava, 1986). In addition, Birkinshaw (1999) emphasizes that acquisitions involving knowledge-intensive companies further complicates the integration process. For example, in 2000 Cap Gemini acquired Ernst & Young’s consulting business in a deal worth $11.1 billion and faced five years of diminished competitive advantage and financial losses due to complexities regarding how to organize the new entity (Malhotra & Pierroutsakos, 2005). Further, in 2002 IBM made a $3.5 billion acquisition of PwC consulting, resulting in a 20 per cent growth in head count (Computer Weekly, 2002). The integration process following this acquisition also faced problems regarding organizational structuring (Computer Weekly, 2002). Therefore, this report will focus upon highlighting potential problems that may arise when engaging in a post-acquisition integration process of a relatively large knowledge-intensive firm.

Intrigued by the complexity of a post-acquisition integration process involving relatively large acquisitions in a knowledge-intensive industry, the authors of this report have investigated the post-acquisition integration process of multinational consultancy firm, hereafter named Britain Plc. With the intention of expanding its market, Britain Plc. doubled in size within a one year period after having performed two major cross-national acquisitions. This study will focus upon the post-acquisition integration process of the latter of these two acquisitions, hereafter named IT Sweden. The extreme relative size of this acquisition, and therefore potential complexity of the integration process, is suitable in order for the authors to closely investigate potential problems arising during a post-acquisition integration process. The aim is to make a contribution to the field of research, as well as highlighting what practitioners should consider, regarding an acquisition of this specific nature.
The rest of the paper is structured as follows: the first section presents relevant theories in order to cover and create an understanding of the research area. The second section explains the methodology of the study. The third section presents the qualitative findings, which is followed by the last section presenting the authors interpretations of the findings.

**THEORETICAL REVIEW**

During the 80’s, most of the research was conducted around different intentions for acquisitions and factors determining how to engage in a successful acquisition process (Singh & Montgomery, 1987; Fowler & Schmidt, 1989). However, moving on to the 90’s, researchers became more and more interested in the integration process following after an acquisition (Vaara, 2002). Arguably, this development in the research field may stem from the shift regarding intentions for acquisitions, moving towards focusing on tacit knowledge for the purpose of development through acquisitions. For the purpose of this study, the authors have chosen to define a successful post-acquisition integration based on the discussion by Penrose (1995); the ability to extract, take advantage of, and realize both planned and unplanned intercompany synergies. Consequently, a failed post-acquisition integration, according to this definition, is one incapable of taking advantage of planned and unplanned synergies.

According to Birkinshaw, Bresman and Håkansson (2000), four different research streams have evolved around post-acquisition performance, including Financial Economics, Strategic Management, Organizational Behavior and Process Perspective. The Financial Economics and Strategic Management streams have focused on efficiency and, for example, economies of scale as drivers for successful acquisition performance. Organizational Behavior, on the other hand, has focused more on how organizations behave, both on an organizational and individual level and is, hence, directing more emphasis on the human part of successful integration (Buono and Bowditch, 1989). Further, the Process Perspective implies that management abilities of realizing strategic and organizational synergies are determining whether an integration process will turn out successful or not (Haspeslagh and Jemison 1991). Arguably, these two latter streams discuss the human aspects of integration to a larger extent compared to the Financial Economics and Strategic Management.

In a later stage, Birkinshaw et al. (2000) made further distinctions concerning objectives of the Organizational and Process perspective, regarding these as Task Integration and Human Integration respectively. Task integration in this case refers to the ability to transfer resources and sharing capabilities, while human integration aims at reaching satisfaction and shared identity among employees (Birkinshaw et al., 2000). A firm may achieve task integration at the expense of human integration, i.e. the organization can find congruence in work structures but people, in the initial phase, may be tempted to leave the organization due to dissatisfaction regarding changed work conditions (Buono and Bowditch, 1989). In addition, companies that dispose functions in an acquired unit early in the integration process in order to cut costs may enjoy short term cost savings, but will suffer long term consequences of inefficient processes (Chakrabarti, 1990).

The findings of Buono and Bowditch (1989) have implications for the choice of integrating tasks or people in the initial phase, since Birkinshaw et al. (2000) suggest that successful integration typically starts with human integration followed by task integration. In addition, the findings of Chakrabarti (1990) also suggest that creating a relationship with the acquired unit, getting to know each other before making drastic changes of work processes and functions will imply a more efficient outcome. This is also supported by Penrose (1995), who argues that when a firm is being acquired by another company, it is important that the acquired firm realizes its boundaries and loose its identity as the former, independent, firm.

Relatively large acquisitions

According to Penrose (1995), there is no clear limit to how big a firm can get. Instead, it depends on the firm’s ability to alter and manage the administrative structure in a way that enables decisions being made by a large amount of people instead of being dependent on one single person, without losing the firm’s identity (Penrose, 1995). Larsson and Finkelstein (1999) have a similar standpoint when they argue that realization of synergy effects can be found in any acquisition, regardless of relative size, as it solely depends on the attention and effort spend to find the synergies. Other scholars argue that acquisition targets of larger relative size have higher potential to find synergies (Kitching, 1967). However, an acquisition of larger relative size also complicates the integration process, and scholars have long argued that a mismatch of relative size, where the acquired company a lot bigger than the acquirer, has a negative effect to post-acquisition performance (Kusewitt, 1985; DiGeorgio, 2002). This study defines a relatively large acquisition based on the findings of Kusewitt (1985) and Agrawal, Ferrer and West (2011). Kusewitt (1985) defines a relatively large acquisition as consisting of more than five percent of the acquirer and Agrawal et al. (2011) argue that an acquisition comprising more than 30 percent of the acquirer is extremely complex. Arguably, a relative large
acquisition is one of more than 30 per cent in relative size of the acquirer.

Kusewitt (1985) points out that extremely large acquisitions have a negative effect on performance, as it might cause problems of not being able to digest the acquired company appropriately. Similarly, DiGeorgio (2002) finds that acquisitions of larger relative size complicate the integration process as a result of coordination and communication problems. Further, corporate culture is another variable strongly affecting the post-acquisition integration process, both in terms of restructuring the organization and establishing new ways of communication (Buono, Bowditch & Lewis, 1985; Pablo, 1994), and also through how management spread their values in their daily work (Shrivastava, 1986; Marks & Mirvis, 1992). The process of integrating a common culture after an acquisition is referred to as acculturation by Birkinshaw (1999). Birkinshaw (1999) further states that creating a homogenous culture will foster employee satisfaction but will not assist in realizing cost-saving opportunities. Hence, considering the issue of communication as highlighted by DiGeorgio (2002), in relation to corporate culture, the process of acculturation tends to complicate the integration process to a larger extent when involving relatively large acquisitions.

In addition, Kusewitt (1985) claims that the rate and frequency of acquisitions also affects performance where, on the one hand, a high rate of acquisitions bring experience and has a positive impact on performance, and on the other hand makes it hard for the company to handle and thus having a negative effect on performance. Kusewitt (1985) argues that the optimal acquisition rate is between one to five acquisitions per year. He also states that acquisition rate has a negative effect to performance, and even more so if combined with acquisitions of larger relative size. Therefore, he suggests that a firm should not acquire another firm comprising of more than five per cent in relative size. If the firm would to acquire another firm of larger size, the rate of the following acquisitions should be reduced as compensation to ease the integration (Kusewitt, 1985).

Considering the different suggestions from research, larger relative size of acquisition targets tends to impose complicating factors, e.g. problems in relation to organizational change and communication to the integration process. Nevertheless, a potential for realizing positive outcomes from such acquisitions are often present, but companies should be careful in extensively engaging in acquisitions of large relative size.

Knowledge-intensive firms

The amount of attention needed to achieve a successful post-acquisition integration also varies between industries. Growth within knowledge-intensive firms is complicated as it is highly dependent on the workers (Nurmi, 1998). Further, acquisitions involving knowledge-intensive industries has to be handled with care, or it can result in anxiety and mass resignation of highly important employees possessing core knowledge (Barkinshaw, 1999; Ranft & Lord, 2000). Adopting a two-way communication could potentially mitigate conflicts and anxiety among employees in an integration process (Bastien, 1987; Schweiger & Denisi, 1991; Garpin & Herndon, 2000). According to Birkinshaw (1999), employees with much knowledge are more inclined to work autonomously accompanied with some guidance, which means that a hostile takeover involving direct orders are likely to upset the employees, ending up causing a mass resignation.

Knowledge-intensive firms should not be organized in the traditional manner where the structure consists of verticals and horizontal, fostering a hierarchical structure by creating clear departments (Nurmi, 1998). Instead, Nurmi (1998) argues that knowledge-intensive firms should have a more loose structure and a corporate culture that fosters creativity and keeping formal administration at a minimum, where the organization should be considered as an interchangeable force field of interactions and networks.

To successfully handle an acquisition in a knowledge-intensive industry, it is recommended to appoint a person or committee designated to be the official contacting point leading and managing the integration process (Shrivastava, 1986; Marks, 1997; Birkinshaw, 1999; Seo & Hill, 2005; Lakshman, 2011). It is also important to convince the employees of the acquired company that they are valuable. Birkinshaw (1999) recommends

![The Integration Framework](image-url)

**Figure 1** (Birkinshaw, 1999)

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giving the acquired units clear responsibilities and tasks; even if it means duplicate functions in the organization, as it is better that the acquired firm keeps working instead of waiting for instructions from their new managers. Moreover, it is preferred to bring together employees from the acquirer and the acquired firm in work-related tasks in order to advance both task integration and human integration simultaneously (Birkinshaw, 1999). Otherwise, one should focus on task integration when the human integration is already advanced, and address problems as they arise (Birkinshaw, 1999; Birkinshaw et al., 2000). Birkinshaw (1999) argues that phase three of the integration process (see figure 1) is the most important one, and often also the one that is neglected. This phase may appear several years after the actual acquisition, depending on its complexity, and focuses mostly upon task integration. This observation is strengthened by Hannan and Freeman (1984), who argue organizational changes are more effectively, and less costly, when implemented after an initial "trial" period. Birkinshaw (1999) emphasizes that the timing of the second phase of integration differs among companies, but usually occurs five years after the acquisition when the human integration is completed. Birkinshaw (1999) argues that the follow up phase is often the hardest to manage since the most attention is spent on the initial phase. It is simply a question of priorities.

Considering the different suggestions from research regarding post-acquisition integration involving knowledge-intensive firms, it is highly important to focus on two-way communication allowing autonomous work-processes by avoiding a structured organizational outline. Instead, patience is an important component when addressing the integration process, spending much attention to the involved employees in order to increase retention of valuable knowledge-capital.

**Determining success factors**

Based on the review of literature that has been presented so far, engaging in acquisitions is a risky endeavor that often ends up in unrealized synergies and financial losses. Still it is a growth mode very often pursued. The authors of this report have identified different reasons for engaging in an acquisition process as well as suggested approaches to post-acquisition integration. For example, Buono and Bowditch (1989) and Haspeslagh and Jemison’s (1991) emphasis on the Organizational Behavior and Process Perspective and the importance of human integration (Chakrabarti, 1990; Birkinshaw, 2000) have been discussed. From the aforementioned streams of research, the authors of this report chose to focus upon the two streams concentrating on the human aspects of integration; Organizational Behavior and Process Perspective (Birkinshaw, et al. 2000). Extracted from these streams are, as identified by the authors of this report, four variables affecting the post-acquisition integration process of relatively large, knowledge intensive firms: Organizational Change (Buono & Bowditch, 1989 and Chakrabarti, 1990), Management and Leadership (Shrivastava, 1986; Haspeslagh & Jemison, 1991; Marks, 1997; Birkinshaw, 2000; Seo & Hill, 2005; Lakshman, 2011), Communication (Bastien, 1987; Schewe & Denisi, 1991; Birkinshaw, 2000; Garpin & Herndon, 2000; DiGeorgio, 2002), and Corporate Culture (Shrivastava, 1986; Buono et al., 1985; Marks & Mirvis, 1992; Pablo, 1994; Nurmi, 1998; Birkinshaw, 1999).

In the following section, the authors aim at developing these variables more extensively by highlighting the impact of these variables on the post-acquisition integration process in the case of relatively large, knowledge-intensive firms.

**Organizational change**

As acquisitions incur changes to an organization it is arguably relevant to consider how companies react to organizational changes (Allatta & Singh, 2011) and DiGeorgio (2003) finds that organizational change is a continuous process. In the case of post-acquisition integration, it is more complex than ordinary organizational restructuring since it involves merging two organizations into adopting one identity (Seo & Hill, 2005). New routines being implemented by the acquiring firm that causes organizational changes to the acquired firm are often met with an unwillingness to commit (Theron and Dodd, 2011), as employees are, initially, reluctant to obtain and use new knowledge that is specific to the new company before the company has proven itself during an initial trial period (Hannan & Freeman, 1984). Further, Theron and Dodd (2011) suggest a correlation between number of human resource activities performed during the integration process and employee commitment. This further strengthens the initial emphasis on human integration over task integrations, as proposed by Birkinshaw et al. (2000).

Reorganization may potentially unlock and enable a realization of synergies (Barkema & Schijven, 2008). However, Barkema and Schijven (2008) also argue that one should be careful with restructuring too often, as it is costly and disrupt routines. Hence, it is important to consider the sequence of acquisitions being made during a period of time together with previous experience in order to achieve the perfect timing of a restructuring process (Barkema & Schijven, 2008).

Moreover, organizational change involving knowledge-intensive firms further complicates the process (Nurmi, 1998). Nurmi (1998) argues that size further complicates the issue of structure and organizational change concerning knowledge-
intensive firms, as growth has a tendency of formalizing networks into structures. The size of the organization also affects the process of change, where smaller organizations are more willing to change than larger ones, but are also more likely to collapse during the process (Hannan & Freeman, 1984).

Management and leadership
As implied by previous sections, a firm that has undergone an extensive program of rapid growth may come to a stage of extreme disorganization (Lubatkin, 1983) where it is important for managers to focus on the administrative integration and reorganization in order to achieve a state of a unified company (Penrose, 1995). The operational integration process often takes longer time than managers expect (Buono & Bowditch, 1989), and leadership is a crucial ingredient in order to achieve a successful post-acquisition integration (DiGeorgia, 2002; Lakshman, 2011). If managers are reluctant or do not have the ability to pursue the reorganization needed, they should be replaced for the benefit of other individuals possessing the required skills and capabilities (Penrose, 1995). This could be a reason the unusual high turnover of top management following an acquisition (Walsh, 1988). In addition, it is important to consider the difference in management styles of the organizations, and Datta (1991) argues that differences in management styles can cause problems in the integration process, constraining the post-acquisition performance and synergy effects.

Top management’s values and cultural norms play an important role in the post-acquisition integration process (Shrivastava, 1986; DiGeorgia, 2003). It is important that management from both sides of the acquisition meet and discuss the cultural differences in the two entities, and develop a plan to follow when combining and integrating the different cultures (Seo & Hill, 2005). This is also important in order to build trust and acceptance between the two merging organizations where they learn from each other by transferring between the organizations (Shrivastava, 1986).

As previously mentioned, appointing an integration manager with strong managerial skills and ability to facilitate organizational change who represents the focal contacting point of the integration process is important for the success of the integration (Shrivastava, 1986; Marks, 1997; Birkinshaw, 1999; Seo & Hill, 2005; Lakshman, 2011). Selecting leaders of the new entity is highly important when integrating a large organization (DiGeorgia, 2003). DiGeorgia (2003) argues for considering both internal and external candidates where external candidates might have an advantage of having an objective viewpoint. According to DiGeorgia (2003), since organizational change is a continuous process, an integration following a relatively large acquisition would benefit from having an appointed leader of this transition process who will remain the leader of the new entity. Nurmi (1998) argues that, in case of a merger of knowledge-intensive firms, managers should be a part of the operations and serve as part-time manager. This is important in order for the managers to be a part of the creativity and development of the firm’s core competence. Nurmi (1998) emphasizes the importance of managers as mediator, enabling people to meet, promoting the company, and making sure the utilization of core competences. It is important that managers are explicit and clear about how the acquisition will strengthen the firm. Acquisitions solely relying on the argument of realizing synergy effect will not be managed successfully (King, Dalton, Daily & Covin, 2004). It is also important that management does not lose itself and being too preoccupied in specific details of an integration process (Seo & Hill, 2005). Instead, it is necessary to listen to employees, showing an understanding of the potential anxiety that an acquisition can trigger (Seo & Hill, 2005). Moreover, managers need to clearly communicate how the acquisition will affect the roles of the employees (Marks & Mirvis, 1992).

Communication
Allatta and Singh (2011) argue that post-acquisition communication across firms initially increases to reach its peak after two years in order to decrease after that. Unrelated acquisitions have a tendency of increasing communication across firms, whereas related acquisitions do not (Allatta & Singh, 2011). Moreover, routines of communication are hard to change and the process is very slow, even in the occurrence of an organizational change such as an acquisition. It can be difficult to change the ways of communication in the acquired firm, as it might be dependent upon specific actors within the organization, or it might have a more ad hoc structure that is difficult to understand at first glance (Cohen & Levinthal, 1990). Moreover, in order to foster effective communication, it is essential to share knowledge across units (Cohen & Levinthal, 1990). Lane and Lubatkin (1998) argue that a similar organization structure of the two integrating firms enhances the ability to transfer knowledge in between, highlighting the importance for organizational restructuring in order to enhance communication ways. Daft and Lengel (1986) find that ambiguous information and communication within an organization is best handled with structural changes that help managers achieving clarity in their messages.

Considering the importance of communication in relatively large acquisitions involving knowledge-intensive firms, DiGeorgia (2002) finds that acquisitions of larger relative sizes complicate
the integration process as a result of coordination and communication problems. Communication is also highly important in knowledge-intensive firms in order to achieve a high level of creativity and ensure that coordination is kept at minimum (Nurmi, 1998). This is supported by Chakrabarti (1990), who stresses the importance of establishing clear and sound ways of communication in order to achieve successful synergies. The author also emphasizes the importance of management attention in order to establish these ways of communication. This is especially important in the case of the acquisitions made by knowledge-intensive firms, considering that tacit knowledge transfer has been argued to be successful through visits, meetings and intense communication (Bresman, Birkinshaw & Nobel, 2010). This is strengthened by Puranam and Srikanth (2007) who argue that a high degree of unstructured, face-to-face, communication enhances both the administrative as well as the cultural integration. Moreover, Merali and McKiernan (1993) emphasize the importance of the communication between the planners of the integration process and the implementers in order to assure a successful integration. Important to consider is also that formal two-way communication is a successful recipe to deal with conflicts and anxiety among employees in an integration process (Bastien, 1987; Schweiger & Denisi, 1991; Garpin & Herndon, 2000).

Another issue that has to be taken into consideration is the potential language barriers (Björkman, Stahl & Vaara, 2007) and cultural differences (Buono et al., 1985; Marks & Mirvis, 1992; Vaara, 2003) that further complicate communication problems.

**Corporate culture**

In a study by Buono et al. (1985), corporate culture is defined as a potential hinder to effectively impose post-acquisition changes like reorganization, new ways of communication and other procedures. However, in the case of strong synergy potential, Weber (1996) argues that it is possible to realize financial gains in related acquisitions despite cultural differences. In relation to this, Nahavandi and Malakzadeh (1988) find that, in case of a related acquisition, the acquirer is more likely to impose its culture and ways of working in order to achieve operating synergies. This is also supported by Chatterjee et al. (1992) who claims that the acquired firm in a related acquisition are expected to conform to the acquirer’s culture. Corporate culture, both within the acquiring and the acquired firm, arguably has a strong impact on leadership and communication and will, hence, be of importance to the new identity of the constellation resulting from an acquisition (Buono et al., 1985). Marks and Mirvis (1992) emphasize the problem of initiating a start of a new culture after merging two companies; it is important that people in the acquired unit do not feel that new working-methods are forced at them. Managers play an important role in the issue of building a new culture with unified values (Shrivastava, 1986), and Marks and Mirvis, (1992) indicate the need for starting at the top management level and how important it is for these managers to send the right signals in their daily work. To keep in mind regarding this issue is the presence of management and how they show to employees the necessary commitment to the process (Seo & Hill, 2005). Managements’ role in creating a congruent corporate culture is even more important concerning firms operating in knowledge-intensive industries (Nurmi, 1998). Hambrick and Cannella (1993) propose that if the gap in corporate culture between acquired and acquiring firms is large, management turnover in the acquired firm tend to be more common. However, the fact that management may leave could potentially not just be a negative aspect; if they are not committed and believe in the new culture it is perhaps better if they leave, as indicated by Penrose (1995). One should also keep in mind though that cultural change, exemplified by symbols, procedures, and co-workers, is one of the most difficult things for people to adapt to, since it often constitutes the foundation of their lives (Buono et al., 1985). This is applicable to both managers and employees. Pablo (1994) argues that if the acquiring firm is a multicultural organization, it tolerates and encourages a diversity of cultures. She further argues that a highly multicultural organization is not that inclined to integrate and create uniformity within the organization. Further, she claims that an organization with low multiculturalism tends to use culture as a powerful control tool in order to ensure common ideological values.

According to Lakshman (2011), it is crucial to establish trust between the acquired and the acquiring firm in order to establish a congruent corporate culture. Lakshman (2011) also points to the fact that the quality of the HR systems of the acquiring firm, as well as the balance between control and autonomy are determining of the establishment of trust.

Regarding knowledge-intensive firms, Nurmi (1998) emphasizes the importance of having a culture that fosters creativity and where the organization should be considered as an interchangeable force field of interactions and networks. Chatterjee et al. (1992) find that relative company size influences cultural differences and tolerance. However, the authors are not clear of which direction these influences are. In relation to company size, Cartwright and Cooper (1993) claim that larger companies with a centralized organizational structure tend to foster a culture that has more closed communication than companies.
Concluding theory section
To summarize the reviewed literature, the authors have found research in the fields of relatively large acquisitions, acquisitions of knowledge-intensive firms and factors influencing successful integrations. However, what seems to be missing in existing literature is a more clear view of how to act when managing relatively large acquisitions of knowledge-intensive firms in combination. Hence, the highlighted literature will act as a foundation when gathering and analyzing the information from the investigated case in this report, dealing with this specific issue. The aim is to combine these elements and make a first attempt to fill out the gap, form propositions, and create an understanding of the integration process in relation to the research question- What potential problems may arise when engaging in a post-acquisition integration process of a relatively large knowledge-intensive firm?

METHOD
Research design
The authors of this report choose to perform a case study aiming to investigate the post-acquisition integration process of a relatively large acquisition involving knowledge-intensive firms. Due to the nature of this research, the authors focus on the case of a British company, here named Britain Plc., and its growth by acquisitions amounting to an increase of about 100 per cent in relative size, considering head count, during the period of one and a half year. During this period, Britain Plc. acquired two companies; IT Sweden, and France Consulting, two companies that operated in similar industries. Further information about the companies will not be disclosed in order not to reveal the actual identities. Due to advantageous accessibility reasons (Yin, 1994) further elaborated around below, the authors of this report chose to target the post-acquisition process related to IT Sweden and its integration into Britain Plc.

The choice of conducting an exploratory case study in order to understand the nature and progress of an integration process involving acquisitions of knowledge-intensive firms of larger relative size, is considered a suitable approach as suggested by Eisenhardt (1989), Eisenhardt and Graebner (2007), and Saunders, Lewis, and Thornhill (2009). As the intention is to develop theory, it is preferred to use the case study as a foundation to formulate propositions that capture the implications of the suggested extension of existing theory (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). The area of research is triangulated by the usage of various data collecting-methods including primary data from in-depth interviews and secondary data from archival data and informal observations and conversations (Eisenhardt, 1989).

The authors explored the research question as a result of insider research in Britain Plc. Further, when approaching existing literature, in order to frame the research, no comprehensive framework was found in relation to the research question. Hence, the authors choose to capture the existing theories that touch upon the area of research, go out and collect relevant data, and finally analyze and contrast findings versus previous theory and construct theory-developing propositions.

| IT Sweden | | |
|-----------|---------------------------------|-----------------|-----------------|
| Interviewee: | Profile: | Interview date: | Time: |
| Mr. Söderberg | CEO during pre- and post-acquisition process. Held position in global executive committee. Retired since 2010. | Session one: 2012-01-31 | 1:40 |
| Mr. Zetterlund | CIO during the post-acquisition process. Left company in 2012. | Session two: 2012-02-27 | 2:35 |
| Mrs. Holmgren | HR Director during the post-acquisition process. Today HR Director in Britain Plc, Swedish branch. | 2012-03-26 | 1:14 |
| | | 2012-03-29 | 0:40 |
| | | Total time: | 6 h, 09 min. |

Table 1: Outline of interviews, IT Sweden
The very first interview (with Söderberg, see Table 1) was conducted for the purpose of setting the scene and ensuring access to interviewees and other essential material needed to pursue with the research. Hence, this particular interview followed a different outline, compared to the following, and was an efficient way for the authors to formulate the research question (Saunders et al., 2009). All other interviews followed a similar outline, however, differed in some aspects depending on the interview target’s role in the post-acquisition process. Interview themes and questions were formed around the four areas stemming from the theoretical review including: organizational change, leadership, communication, and corporate culture. After interviews were conducted, the authors transcribed all material, word by word, and word-files of each interview are separately saved in order to efficiently and thoroughly analyze the material (Saunders et al., 2009). The transcription amounted to 100 pages of interview material. Interview summaries were sent to participants for review, resulting in no interventions.

**Archival data**

The authors came across three internal documents in relation to the research of this report. The material may be classified as documentary secondary data, a type of data often applied in cases when researcher’s act as insiders, researching a specific organization (Saunders et al., 2009). By including this kind of data, the authors are able to triangulate the data for an increased validity (Eisenhardt, 1989; Saunders et al., 2009). The findings from this information are presented together with the interview findings and are referred to by their fictive names, as labeled by the authors (see Table 3). Defoe referred to the document ‘HR Integration’ during the interview to support ideas and answers, and Bale used the document ‘Integration Approach’ for the same purpose.

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### Table 2: Outline of interviews, Britain Plc.

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<tr>
<th>Interviewee</th>
<th>Profile</th>
<th>Interview date</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. Defoe</td>
<td>Held the position as Global Head of HR Management during the post-acquisition process. Retired since 2011.</td>
<td>2012-03-05</td>
<td>1:42</td>
</tr>
<tr>
<td>Mr. Bale</td>
<td>Held the position as Transformation Director during the post-acquisition process. Now interim country CEO in Britain Plc.</td>
<td>2012-03-06</td>
<td>1.00</td>
</tr>
<tr>
<td>Mr. King</td>
<td>Group level CFO, highly involved in the pre- and post-acquisition process. Left the company in 2012.</td>
<td>2012-03-06</td>
<td>0:50</td>
</tr>
</tbody>
</table>

**Data collection**

In order to collect data for the purpose of answering the research question, the authors of this report have applied a number of methods often used in theory-developing cases (Eisenhardt & Graebner, 2007), including:

**In-depth interviews**

Interview targets were identified through internal documents, intranet research and conversations with people inside the company. The authors conducted face-to-face, semi-structured, in-depth interviews with top-management representatives from both Britain Plc. and IT Sweden who were active in the company during the post-acquisition process. Hence, information and opinions from both the acquiring and acquired firms were put forward and contributed to a fair interpretation of the integration process. Highly knowledgeable representatives from both the acquiring company, Britain Plc., and the acquired company, IT Sweden, were asked to participate. The approach of targeting highly knowledgeable people that can contribute with opinions from diverse perspective is a key aspect in limiting bias from interviews (Eisenhardt & Graebner, 2007). The authors consider themselves successful in involving key people to participate in this study. Further, the authors experienced a saturation effect, were additional respondents would not contribute with new insight but rather confirm what was already found. All but one of the approached interview targets chose to participate in the study. All interviews were recorded, after gaining permission from the interviewees. Prior to the interviews, the participants were provided with a brief outline of the interview. The authors regard this approach as successful, since participants were very prepared to answer the questions and, in many cases, brought complementary documentation supporting their statements. For more information regarding interviews and interviewees, see Table 1 and 2.
Informal observations and conversations

One aspect that had a major impact on the data collection of this report is the fact that the authors, during the time of research, were hired as trainees at Britain Plc’s Swedish branch, formerly known as IT Sweden. Hence, acting as insiders granted the authors access to a number of internal systems and documents containing valuable information regarding the topic of research. Based on this internal documentation, key decision-makers during both the pre- and post-acquisition processes were identified and in order to strive for objective results and different views, as suggested by Eisenhardt and Graebner (2007).

The fact that the authors were based at the Stockholm office, spending an estimated amount of 1300 hours inside the company, allowed for informal observations and conversations, a method referred to as ‘hanging out’ by Dingwall (1997), that contributed to a deeper understanding of the researched topic that assisted our analysis. The authors were, during the time of research, enrolled in various internal ad hoc projects. The authors are aware of the biases that may come as a result from acting as insiders, for example not wanting to critically review the supporting organization. However, the authors have considered this kind of bias and believe that a balanced attitude has been present throughout the time frame of this research. Furthermore, a high level of transparency towards Britain Plc. and participants has been adopted, and the purpose of conducting unbiased academic research has been emphasized.

Structuring of empirical data

The theoretical review of this paper concluded with four main concepts, including: organizational change, leadership, communication, and corporate culture. These four concepts were identified as common themes in previous research in relation to our research questions. Hence, this type of categorizing from the theoretical framework is suitable and applicable for structuring the empirical material (Eisenhardt, 1989; Saunders et al., 2009). Following the data collection, the authors will go through all material and code it according to this theme of categorization. Ultimately, findings from interviews, archival data, and informal observations and conversations will be divided and presented based on this approach for Britain Plc. and IT Sweden respectively. This approach, presenting the data in a story format consisting of interview material intertwined with other supporting evidence, is considered suitable in theory building cases (Eisenhardt & Graebner, 2007) and makes findings stronger (Eisenhardt, 1989).

Analytical approach

Following the presented empirical material, the authors will perform an analysis in order to compare and contrast these with the theoretical review for the purpose of developing propositions regarding the researched topic, aiming at answering the research question. Empirical findings will be interspersed with presented theory and the suggested approach to future theory will be presented in sections according to the organizing frame of previous theory (Eisenhardt & Graebner, 2007). In order to enhance the likelihood of analytical accuracy, the authors will adopt a cross-case searching tactic (Eisenhardt, 1989). This implies that analysis will be presented for each of the four categories respectively.

EMPIRICAL MATERIAL

This section presents the findings extracted from the interviews, archival data, and informal conversations and observations from IT Sweden and Britain Plc. respectively. In line with the outline of the theoretical review, the empirical material is structured in to the four variables affecting the post-acquisition integration process; Organizational Change, Leadership, Communication, and Corporate Culture.

<table>
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<tr>
<th>Archival Data</th>
<th>Name:</th>
<th>Source:</th>
<th>Content:</th>
<th>Type &amp; Length:</th>
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<tbody>
<tr>
<td>HR Integration</td>
<td>Defoe</td>
<td>General and guiding document, mainly for the HR Integration of IT Sweden, including 20 main categories emphasized during the integration.</td>
<td>Word file, 6 pages.</td>
<td></td>
</tr>
<tr>
<td>Integration Approach</td>
<td>Bale</td>
<td>Description of intended philosophy and approach of the integration of IT Sweden by top management. Also including integration team and responsibility areas, reporting, and time frame.</td>
<td>PPT, 22 slides</td>
<td></td>
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<tr>
<td>KM Integration</td>
<td>Britain Plc. Intranet</td>
<td>Description of strategy for knowledge management within the company following the acquisition.</td>
<td>Word file, 14 pages</td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Archival data
Organizational change

Britain Plc.

According to Bale, Britain Plc. and IT Sweden had a similar history and company style prior to the acquisition, which made it a good organizational match that would create mutual opportunities after the acquisition. However, it was suggested to find a new corporate-wide organizational structure (HR Integration) and fold Britain Plc. organization into existing IT Sweden country organizations (Integration Approach). Defoe further argues that Britain Plc. was looking for ways to expand its business and find cost-effective solutions creating economy of scale opportunities, also in the document ‘Integration Approach’. Further revealed in the ‘Integration Approach’ is Britain Plc.’s approach of preserving the values within IT Sweden and combine the best of the two companies.

Britain Plc. had a history of acquiring companies prior to the IT Sweden case and a French company of similar size to IT Sweden was acquired just a year earlier (Defoe). The general way Britain Plc. deals with acquisitions is by looking at both the internal and acquired environments and tries to work out a best possible way forward for the new entity (Defoe). This is further strengthened in the document ‘Integration Approach’. The idea is to adopt a bring-together-atmosphere, with some local input and history still present in the acquired unit, while others will be transferred from Britain Plc. (Defoe).

According to Bale, representatives from IT Sweden were very open and complying to suggestions and new systems that could improve and streamline the existing organization. The organizational development following an acquisition will impose changes, such as a review of existing and desired competence, and a headcount review of people in the organization, actions taken in an early phase of the integration process (Defoe). Bale further states the importance of retaining key staff at an early stage of the integration.

Bale describes the integration process as very clear, containing three steps including setting up clear governance, agree on principles and philosophies, and creating a detailed execution plan with timetable and milestones, also indicated in the document ‘Integration Approach’. King argues that the initial phase of the integration was slow and was not forced to a large extent. On the other hand, he further argues that the entry of new top management in Britain Plc. about a year after the acquisition was followed by a higher pace and level of integration. At this time a unifying corporate-wide program called “One Company” was launched (Defoe; KM Integration). Additionally, in relation to what Defoe considered should have been proceeded in another way, he argues that the integration should have moved faster and that reorganization of systems and processes should have been more emphasized. However, he argues the integration being finished and organizational development now being addressed looking at the company as a whole.

“Do that for all 40 000 people is a nightmare.” –Defoe

IT Sweden

According to Söderberg, former IT Sweden was actively searching for ways to expand its business operations during the time before being acquired by Britain Plc., and regarded being acquired as the preferred path for development. The driving forces for reaching out and looking for a potential buyer included the desire to develop an offshore component that would lower costs for production, as well as becoming part of a bigger corporation. Based on previous experiences from acquiring companies himself, Söderberg is clear in his opinion that acquiring companies should be cautious regarding forcing integration of systems and concepts on the acquired unit.

Söderberg continues, saying that right after the acquisition the situation was pretty much influenced by business as usual and no major organizational changes were imposed. This is also revealed by the authors’ informal observations where lower level representatives of the former IT Sweden have explained that they did not experience any drastic changes during the first year after the acquisition. At this time, the group CEO was forced to leave the company and was replaced by an interim CEO, an event Söderberg believes affected the level of integration during the first year following the acquisition. Following this, with a new top management, a more centralized organizational structure was imposed on a global level, also affecting the recently acquired IT Sweden (Söderberg) which was used to a very much more decentralized structure (Zetterlund). Initially, there were ideas on creating specific knowledge centers in different parts of the company group, such as IT administration in the Nordics, HR in Holland and financial administration in Britain (Zetterlund). Zetterlund found these ideas appealing, but they...
were never realized after the entry of the new group management.

With the new centralized organization, Britain Plc. started to focus more on global service areas, moving away from the localized organizational structure that IT Sweden was used to (Söderberg). He further argues that moving away from geographical subdivisions is hard and would be easier in a smaller organization.

Zetterlund and Söderberg both argue that, starting about a year after the acquisition, Britain Plc. began to force changes on the Nordic branch of the company (formerly IT Sweden). According to Söderberg, there were differences in how these forced changes were perceived in the Nordic organization, where Swedish management did not agree with the new organizational structure but still complied with this change. The Finnish management, on the other hand, chose to officially comply with these changes but in reality opposed and neglected these instructions and continued their operations as before (Söderberg and Zetterlund). Söderberg believes that the Finnish management was able to act in this way since the size of their operations is relatively small compared to the Swedish branch and the rest of Britain Plc.

According to Söderberg, the new organizational structure imposed by Britain Plc. had negative impact on Swedish profit margins, while Finnish management was able to continue delivering profitable results. As a consequence of the perceived enforcing approach from the group management, IT Sweden felt that changes were pushed rather than agreed upon; hence, this negatively affected a well-functioning organizational structure already existing (Söderberg). Further, it had negative implications on corporate culture as well. Söderberg, Zetterlund and Holmgren all argue that Swedish management should have somewhat opposed and discussed the new directives to a larger extent in order to reach more successful results.

As a final note, Holmgren argues that the integration of IT Sweden is not fully completed and one aspect that has complicated this process is Britain Plc.’s previous history of acquiring large companies. Ultimately, it is hard to be integrated into a corporation that is not yet unified itself (Holmgren).

Management and leadership

Britain Plc.

As a result of a high growth rate, Defoe highlights the problem of not having managers with the right competences of leading a multinational company involving tens of thousands of people. Defoe points out that when the current group CEO of Britain Plc. stepped in 2008, he came with the right experience, and brought competent people with him. King explains that, as both IT Sweden and the French acquisition were successful businesses with strong management, it made Britain Plc. a bit cautious about how much they could change and how quickly. This made the companies, according to King, harder to integrate further down the line. However, he adds that when the current group CEO stepped in he resolved it and integrated the businesses quicker and more completely.

Bale explains a tradeoff that needs to be taken in to consideration when integrating two companies; you could either leave the companies executing in different ways locally, or you could try to form them into a unified entity. Bale finds this being a tradeoff of minimizing redundancies or maximizing cost savings. In the case of IT Sweden, Bale argues that the integration would have gone better if they had pushed on with some of the integration, rather than being satisfied with having done most of it after about six to nine months. He says that they had to go back and finish some of the transformation of which they actually should have done at the time. Bale believes this happened as a result of a combination between business pressures and tough decisions not being made. This is in line with King’s argument that Britain Plc. was a bit too cautious of interfering in a successful businesses.

Concerning the governance of the integration, Bale explains that there was a steering committee shared by the CEOs in the group who, together with other senior managers, had monthly meetings, also revealed in the document ‘Integration Approach’. Bale says that the integration had very precise financial targets that had to be achieved, particularly around cost savings. Considering the discussion around the tradeoff between redundancies and cost savings, indicating that Britain Plc. chose to focus on cost savings and therefore experienced redundancies in the integration.

Bale finds it not unusual for a big acquisition having a high attrition of top management. He points out that the integration of IT Sweden was quite painless from that perspective. This is supported by Defoe who argues that, unlike the French acquisition, the acquisition of IT Sweden did not involve any forced resignations as a result of power struggles between top management of the acquirer and the acquired company. King argues that many of those people would have left anyway because it is better to leave than being part of something that you do not feel any empathy.
towards. Further, Defoe adds that managers did not really oppose, because they really had no choice but to convert to Britain Plc’s procedures. King argues that the reason for Finland being one of the countries delivering the highest profit margin is strong leadership and the ability of utilizing the opportunities of being part of a bigger organization such as Britain Plc. Bale believes that the organization and governance model of the bigger Britain Plc. enables each country CEO to be able to make real decisions within the authorization framework presented.

IT Sweden

Söderberg explains that it was the connection and relationship with the former CEO of Britain Plc. that was the underlying factor triggering the execution of the acquisition. He states that “businesses does not interact with businesses, people interact with people.”

As an initial reaction, both Söderberg and Zetterlund did not oppose Britain Plc.’s decision of replacing its entire board of directors as well as the group CEO. Söderberg agrees with the fact that managers opposing the integration should be replaced. However, the new group CEO had an entirely different vision of the company’s future and culture. During the period between the former and the current group CEO there was an acting CEO for about one year. Zetterlund argues that this year came to affect the future of Britain Plc. since no decisions were being made and the company seized to develop its business. Zetterlund claims that this triggered the new group CEO to take unnecessarily drastic measures in order to get the organization moving again. The new group CEO also brought with him a couple of former colleagues and started to pursue the vision of centralizing Britain Plc. The only person left from the initial top management within Britain Plc. is the group CFO at that time; Mr. King. After a while, Söderberg detects a new and different kind of view on how to lead and run a knowledge-intensive business. Söderberg is quick to point out that he does not oppose nor agree with the new direction the company has taken, but rather the difficult endeavor of transformation. According to Söderberg, Britain Plc. is moving towards being very centralized with each country having very little influence. This resulted in, according to Söderberg, that employees in IT Sweden felt that they were not trusted. Moreover, Britain Plc. has to be very cautious when trying to impose new structures and procedures on something that was successful in the first place, and Zetterlund emphasizes the importance of understanding the business model when entering a new market. Holmgren explains that Britain Plc. thought that IT Sweden was acting as one entity with homogenous processes and procedures across the countries. However, this was not the case. Holmgren explains that a leader of one area in Sweden did not know the leaders in the same area in the other countries.

Söderberg, Zetterlund and Holmgren are confident that the Swedish management has been too compliant, following the directives from Britain Plc. Zetterlund argues that the high performing countries within Britain Plc. group (France, Finland and Denmark) have something in common; they are reluctant to conform to the directives given by Britain Plc. Zetterlund continues by saying that the current group CEO contradict this by arguing that Sweden is not performing well because it has not conformed to the directives adequately.

Holmgren finds the leadership within British Plc. being quite harsh and not as friendly as the Swedish leadership style. Strangely enough, she says, the British colleagues find it unfriendly too. Söderberg emphasizes the differences in leadership style between IT Sweden and Britain Plc., where the new CEO had a very hierarchical leadership style contrasting the decentralized leadership style in IT Sweden. When elaborating around the important and the influence that a CEO has over a company, Söderberg emphasizes the enormous impact that a CEO has over company culture. He points out that running a business with more than 40 000 employees is not a one-man show; however, the CEO plays an important role of formulating a vision. Zetterlund perceived an arrogance within group management, which took a lot of energy and was a source of dissatisfaction as it became clear that IT Sweden was bought by another company that did not listen to its opinions, which was bad for the morale. As a result of a massive dissatisfaction of the Britain Plc. takeover, many employees left IT Sweden and Söderberg forecasts even further resignations. He says that the future resignations will not only concern the top management, but also lower levels in the organization. Holmgren, Söderberg, and Zetterlund all find that a new approach from the group management is the solution to unite the organization.

Communication

Britain Plc.

King, Defoe and Bale explain that already from day one, communication should be in the center of the post-integration process, which is also emphasized in the document ‘Integration Approach’. Defoe says that the communication is equally important to the outside world as it is to the inside world, and that it is important to be very quick and thorough in your message as it would be hard to repair potential mistakes. Important messages to spread in the beginning, according to Defoe, are those concerning retention of staff and headcount review, since employees probably worries whether they are going to stay or being forced to leave, also indicated in ‘Integration Approach’. Defoe
emphasizes that integration is always in need of information and communication. According to Defoe, the message Britain Plc. wanted to communicate was that they were going to look after people and give them chances to develop their abilities and careers. Bale explains that there was a steering committee comprising of the CEOs in the group who had monthly meetings with other senior managers in the organization, something which is also revealed in the document ‘Integration Approach’.

Bale says that, even though Britain Plc. had made big acquisitions and integrations before, this integration had to be made with a global concern which had to be consistent throughout the organization. Defoe emphasizes the importance of face-to-face meetings during a post-acquisition integration. He says that he focused on giving the group level managers experience of international interaction and communication. Defoe point out that he would have wished to have spent more time on communicating and involving the middle managers in the integration process in order to make sure that they got the information needed to continue their work in an international company involving offshore components.

Both Bale and Defoe spend a lot of time being on-site, talking to the employees at IT Sweden during the integration process. Bale explains that Britain Plc. took control over the communications towards IT Sweden, and provided the managers of IT Sweden with the information they wanted to communicate, also revealed in the document ‘HR Integration’. Defoe indicates the message spread to managers in the organization was that they really had no choice to oppose the directions given by Britain Plc. He continues by explaining that it was a power game between the managers and if a manager did not cooperate, he would escalate it to the group CEO. He quickly adds that he only had to be supported by the group CEO once during the integration process.

Bale argues it is important to have a conversation with the stakeholders from the acquired and the acquiring units in order to straighten out assumptions that can cause confusions further down the road. He adds that this was one of the biggest challenges in the integration process. According to Bale, one of the biggest problems was not taking the time early enough to put people through an induction course saying, hey, you are now part of Britain Plc.!

"Hey, you are now part of Britain Plc."  
- Bale

IT Sweden

Right after being acquired by Britain Plc., not much happened or was communicated to IT Sweden (Söderberg and Zetterlund). Bale spent a lot of time at IT Sweden during the time after the acquisition (Zetterlund) but he was pretty much alone in communicating the Britain Plc. culture (Söderberg).

After a while people inside IT Sweden perceived an increased level of monitoring and demand for reporting and communicating towards top management; and due to this, employees felt they were no longer trusted by their superiors (Söderberg). According to Söderberg, in a healthy and well-performing business, there is no need for extensive reporting; instead, introducing it will only create a feeling of decreased autonomy and less trust. Zetterlund also discuss this, arguing that he perceived a one-way communication with lack of openness from Britain Plc.’s top management, which ultimately had a negative impact on morale. Further, Holmgren explains that in IT Sweden employees traditionally were allowed to work autonomously, as long as they delivered results and met targets. After Britain Plc. entered the picture, there was an increase in directives from top management on how to do things.

Holmgren recounts she was very involved in the process of creating corporate-wide values and communicating these to all people in the organization, for the purpose of creating a sense of belonging to Britain Plc. These new values were extensively communicated across the new organizational structure. However, she recalls that people still today refer to the time when IT Sweden existed and how things were back then.

One of the objectives with the integration and new organization was to make people work across borders in order to communicate and share knowledge with each other (Holmgren). Platforms, such as IT systems, that will facilitate this kind of communication and knowledge-sharing were introduced across the organization. However, it is not necessary to have one common system for the entire group as long as the different branches are adopting the same structure for how to report and communicate (Zetterlund). These processes and systems should have been agreed upon in more collaboration, according to Zetterlund.

Corporate culture

Britain Plc.

Bale argues that there was a good match in terms of history and company style between Britain Plc. and IT Sweden, grounded in similarities such as a technical lead culture, technical excellence, engineering lead, and both being strong in local markets. On the other hand, King argues that there were significant differences in processes and tools, which makes it hard to create a common culture. However, King further states that IT Sweden
realized the benefits for both customers and the people inside the company stemming from being part of something bigger and internationalized.

According to Defoe, it is hard to find a suitable level of pressure for how much an acquired unit should adopt to the new culture that comes with the new organization. Further, he says that if they are not performing well, it is easier to come in and say: now you should work like this and adapt to our values and ways of working. The IT Sweden branch in Finland was performing very well and it was very well organized but also reluctant to letting in new ideas (Defoe). King also confirms this, saying that the Finnish branch of IT Sweden was the part that saw the least benefits of the acquisition.

Also, in IT Sweden there was a hierarchy in the sense that people had different titles and different authority, but there is much equality in the decision process, which was different from Britain Plc. (Defoe). Another aspect that have influenced the corporate culture in IT Sweden is the relatively high average age and high average salary (Defoe). He further argues that “We got a really good IT Sweden shared culture” – Bale was used to one corporate culture and after the acquisition had to adapt to another layer, originating from Britain Plc. King believes that people in IT Sweden felt uncertainty regarding the future and a sense of less control when IT Sweden was acquired, arguing it is better for people to leave rather than staying with something they do not feel any empathy for.

The work of creating a corporate-wide culture as a result of previous acquisitions kicked off in 2008 when the program “One Company” was launched (Defoe; KM Integration). A strive for a unified company structure and values was also mentioned in the document ‘Integration Approach’. Defoe, who acted as program manager, explains that the purpose was to create a set of visions and values for the whole company. Still, different parts of the company should be allowed to have some varying local input, but most of it should be uniform (Defoe). As a final note, Bale believes that if you are going to Britain Plc. in Stockholm, Oslo, Copenhagen or Paris today, it really feels like Britain Plc. and you need to give these processes some time but today there is a good shared culture.

**IT Sweden**

When elaborating around the fact that IT Sweden had made over 150 acquisitions in the past, Söderberg agrees that this might have resulted in IT Sweden consisting of many subcultures. However, he believes that the employees of former IT Sweden still had common values working as a foundation of the subcultures. Söderberg says that the culture of the Finnish branch of IT Sweden differed somewhat from the rest of the company. But IT Sweden was pleased as long as the Finnish branch followed IT Sweden’s common values. Söderberg thinks that this might have been a source of further complications for Britain Plc. during the integration process.

Söderberg, Zetterlund and Holmgren all agree there was a cultural clash between the decentralized IT Sweden and the hierarchical and centralized Britain Plc. Söderberg argues that IT Sweden had a strong culture of loyalty and being close to the customers, something that he misses in Britain Plc.

As part of the culture of IT Sweden, Söderberg explains everyone were regarded as colleagues and not employees. He continues by adding that culture is something that is bound to the employees in the company and emphasizes the importance of taking care of the employees in a knowledge-intensive firm as they are the most important asset. Söderberg points out that, since the take-over by Britain Plc., many employees at various levels within IT Sweden lost their motivation and are dissatisfied with the working climate. He adds that coming from a culture such as IT Sweden where the employees were given a lot of responsibility and autonomy and are then forced to conform to the centralized structure of Britain Plc. who regarded employees as more disposable, created a clash that triggered dissatisfaction and resignation. This is also revealed by several sources who have indicated that workers who left IT Sweden after being acquired by Britain Plc. have done this in favor for a new employer with similar company characteristics as the former IT Sweden (informal observation by the authors).

In general, Söderberg oppose against acquiring a company and from day one forcing it to comply to new rules and directions with no concern to the culture of the acquired company. He says that Britain Plc. had a completely different view on how to treat the employees. Söderberg points out that Bale was the only person from Britain Plc. transferring the culture to IT Sweden. Söderberg continues by saying that corporate culture is the principal mean to achieve a good integration, and he thinks that this integration is quite a failure.

Söderberg emphasizes the enormous impact that a CEO has over corporate culture and points out that the current group CEO has a completely different view on culture than what was the case in the former IT Sweden. He adds that culture is something that cannot be changed overnight; it is something that takes time. According to Söderberg, IT Sweden had a well-recognized brand in its markets, and when changing to the, in the Nordics, rather unknown brand Britain Plc., it lost some of the awareness and created a schizophrenia both internally and towards customers (Zetterlund; Holmgren). During the time spent at the office in Stockholm, the authors of this report have noticed a
ACQUIRING “BIG” KNOWLEDGE: RAISING AWARENESS OF PITFALLS

remarkably high presence of the former IT Sweden. Six years after the acquisition, one can still find traces of IT Sweden in terms of various merchandize (informal observation by the authors). Further, when having conversations with people at different levels in the organization, IT Sweden is often mentioned, both in positive and negative terms. Also, people entering the organization after the acquisition have experienced references from the IT Sweden era, and argue that this should belong to the past and would rather focus on Britain Plc. and the future (informal observation by the authors).

ANALYSIS

Organizational change

Prior to the acquisition of IT Sweden, Britain Plc. acquired France Consulting. Occurring during a period of one and a half year, these acquisitions contributed to a 100 per cent growth of Britain Plc. According to Kusewitt (1985), DiGeorgio (2002), Agrawal et al. (2011) it is not recommended to engage in relatively large acquisitions and, according to Barkema and Schijven (2008), especially not in combination with high frequency since it will be difficult to integrate. In the case of Britain Plc., Holmgren elaborated around the problem of Britain Plc. not being fully integrated and unified as a result of previous acquisitions. Taken in relation to Seo and Hill (2005), who argue that an organizational restructuring in a post-acquisition integration involving two companies is a complex endeavor, it is arguably extremely complicated to take on an additional integration process before finishing prior processes.

Nurmi (1998) finds it tempting for knowledge-intensive firms to adopt a hierarchical structure in times of rapid growth in order to gain control. IT Sweden felt that these organizational changes were forced rather than agreed upon. This harsh approach, as experienced by IT Sweden, may explain previous and forecasted resignations as explained by Söderberg. This is congruent with the finding of Birkinshaw (1999), indicating that knowledgeable workers prefer an autonomous work environment where a hostile takeover most likely causes mass resignation. Considering that acquiring companies need to prove themselves, adopt an initial trial period, and focus on human integration to enhance commitment to overcome a possible reluctance among acquired units (Birkinshaw, 1999; Hannan & Freeman, 1984; Theron & Dodd, 2011), Britain Plc. exposed itself to a complex situation when launching a new corporate-wide organizational structure during the integration of IT Sweden. This can arguably be considered a reason for the opposing attitude adopted by IT Sweden, specifically in Finland where the organizational structure is essential to its business model. Additionally, Kusewitt (1985) points out that a relatively large acquisition will have a negative effect on performance since it will be hard to digest the acquired company appropriately. This would arguably be further nurtured if the acquiring company is going through internal organizational restructuring during the integration process. In line with DiGeorgio’s (2003) argument that organizational change is a continuous process, the author of this report consider the demarcation of centralized and decentralized a continuum in this context. Hence, this does not imply that Britain Plc. imposed a centralized structure in absolute terms, but rather a comparably more centralized structure than before.

Based on the findings of this report, the authors find that an acquiring company will sense a lack of control as a result of acquiring a new relatively large unit. Hence, it is tempting to adopt an increasingly hierarchical and centralized corporate structure in order to gain corporate-wide control of the new, larger, entity. However, the acquired unit may be reluctant to a new organizational structure that is increasingly centralized, especially involving a knowledge-intensive firm.

Hence, when engaging in a post-acquisition integration process of a relatively large knowledge-intensive firm:

**Proposition 1:** As relative acquisition size increases, the organizational structure will become increasingly centralized (which ultimately increases the risk of integration failure)

Management and leadership

After having acquired a relatively large organization, Britain Plc. finds itself being a global organization with a headcount amounting to approximately 40 000 employees. At times like this, organizations reach a stage of extreme disorganization (Lubatkin, 1983). In line with existing theory (Penrose, 1995) the representatives of Britain Plc. chose replacement of top management as a resolution of the disorganization and the beginning towards forming one global entity. Regarding a new top management, Söderberg and Zetterlund did not oppose the idea as such. However, they did not agree with the new vision and direction that came with the new top management. The new managements’ scope of the integration included a new organizational structure and a focus on cost-savings and synergies. According to King et al. (2004), a management with an extensive focus on realization of synergies will not be successful. Another influencing factor of synergy realization is the alignment of management styles between the acquired and acquiring company (Datta, 1991). As experienced by interviewees from IT Sweden, Britain Plc. adopted a harsh and strongly centralized management style, contrasting
the decentralized style of IT Sweden. In line with theory (Shrivastava, 1986; DiGeorgio, 2003), Söderberg points to the major influence a CEO’s management style has over an organization and its future development. Hence, as in the case of Britain Plc., experiencing three different CEOs with three different management styles within a short period of time may create organizational ambiguity. This is supported by DiGeorgio (2003) who argues that, in the case of large acquisitions, it is important to remain with the same leader throughout and beyond the integration process. Further, especially in knowledge-intensive firms, managers should be close to operations in order to act as a mediator and utilize of core competence (Nurmi, 1998).

Arguably, this was not the case in the integration of IT Sweden since representatives both from Britain Plc. and IT Sweden expressed a cost-saving focus and a lack of management reach to operating levels.

Based on the findings of this report, the authors argue that it is tempting to appoint a new top management in the occurrence of rapid and extensive growth in order to obtain essential leadership competence and, ultimately, synergy realization. However, introducing a new top management during an integration process does not outweigh the benefits of keeping existing top management, since being newly appointed in a large organization complicates the process of creating an understanding of the internal environment and reaching out to operational levels. This aspect is essentially important in a knowledge-intensive firm.

Hence, when engaging in a post-acquisition integration process of a relatively large knowledge-intensive firm:

**Proposition 2:** As relative acquisition size increases, the value of introducing a new top management team decreases (which ultimately increases the risk of integration failure)

**Communication**

Considering the importance of communication, DiGeorgio (2002) finds that acquisitions of larger relative size complicate the integration process as a result of coordination and communication problems. Communication is also highly important in knowledge-intensive firms in order to achieve a high level of creativity and ensure that coordination is kept at minimum (Nurmi, 1998).

In the case of Britain Plc., Defoe emphasizes communication as one of the most important aspects of the integration of IT Sweden. On the other hand, Söderberg and Zetterlund did not perceive extensive communications with Britain Plc., at least not during the first year. A possible reason for the perception described by Söderberg and Zetterlund could be attributable to the large size of IT Sweden. Britain Plc. did emphasize communication, and Söderberg confirms Bale’s presence at IT Sweden. Still, findings suggest Britain Plc. did not manage to reach out to the entire organization. As argued by Bale, communication by Britain Plc. was only directed towards management levels. Additionally, as indicated by Defoe, Söderberg and Holmgren, Britain Plc. was adopting a one-way communication towards IT Sweden, who as a result felt monitored and not trusted. According to theory, two-way communication is essential and a successful recipe to deal with conflicts and anxiety among employees in an integration process (Bastien, 1987; Schweiger & Denisi, 1991; Garpin & Herndon, 2000). As indicated by Holmgren, Britain Plc. failed to understand the communication within IT Sweden, which prevented efficient communication. Generally, the acquirer has difficulties understanding ways of communication within the acquired firm, as it might have an ad hoc structure, and being dependent upon specific actors (Cohen & Levinthal, 1990). The one-way and structured communication described above, can be put in firm contrast to suggested research, indicating that knowledge-intensive firms should adopt an unstructured approach (Puranam & Srikant, 2007) with an interchangeable force field of interactions and networks fostering a minimum level of coordination (Nurmi, 1998).

Based on the findings of this report, the authors argue that it is tempting to adopt a structured one-way communication towards management levels in order to efficiently influence the acquired unit. However, knowledge-intensive firms may have problems absorbing such structured communication and its reach may be further constrained due to larger relative size. This might result in diminished communication towards lower organizational levels.

Hence, when engaging in a post-acquisition integration process of a relatively large knowledge-intensive firm:

**Proposition 3:** As relative acquisition size increases, communicative attention towards lower organizational levels decreases (which ultimately increases the risk of integration failure)

**Corporate culture**

Söderberg states that understanding corporate culture is the principal mean to achieve a successful integration, and argues that the integration of IT Sweden in to Britain Plc. could be regarded as failure in this sense. Initially, both IT Sweden and Britain Plc. considered the corporate cultures of the respective companies to be matching. Bale mentions good fit in terms of history, company style, and being strong in local markets, and arguably regarded the acquisition as being of related nature. As a result, Britain Plc. launched a
corporate-wide program with the intention of unifying the culture. This approach is congruent with theory developed by Nahavandi and Malakzadeh (1988), who state that the acquirer in a related acquisition is likely to impose its corporate culture on the acquired firm for the purpose of creating synergies. Chatterjee et al. (1992) add that, in a related acquisition, the acquired firm is expected to conform to the acquirer’s culture. Going back to Söderberg’s opinion of the integration as unsuccessful and the cultural clash mentioned by Söderberg, Zetterlund and Holmgren, the reason may stem from IT Sweden’s previous history of growing through more than 150 acquisitions, resulting in several subcultures. As reasoned by Pablo (1994), an organization consisting of several subcultures are not inclined to conform to a unifying corporate culture imposed by the acquirer. However, Tichy (1982) finds that an organization may benefit from having subcultures in symbiosis with a corporate-wide culture comprising the overall values and beliefs of the company. However, the schizophrenic situation expressed by Zetterlund and Holmgren indicates that underlying values of the existing subcultures within IT Sweden were not congruent with the corporate-wide culture and values imposed by Britain Plc. This implies that an introduction of a corporate-wide culture has to be done with a high consideration to existing subcultures.

Based on the findings of this report, the authors argue that it is tempting for an acquirer to impose a unified culture in order to exert control over a relatively large acquired organization. In the quest for exploring synergies through imposing a corporate-wide culture, the acquiring firm might only ‘scratch the surface’ of the acquired culture and thereby fail to reveal subcultures. Instead, this approach may infect and hurt subcultures and ultimately cause frustration and dissatisfaction among employees. This is arguably more prominent in a knowledge-intensive firm with a more ad hoc organizational structure, as well as if the acquired firm has been growing through acquisitions rather than organically.

Hence, when engaging in a post-acquisition integration process of a relatively large knowledge-intensive firm:

**Proposition 4:** As relative acquisition size increases, attention towards subcultures decreases (which ultimately increases the risk of integration failure)

**DISCUSSION**

The authors of this report identified a gap in existing research regarding post-acquisition integration involving relatively large knowledge-intensive firms. The purpose of this report is to highlight this gap and make a first attempt to develop theory. A theoretical review revealed four areas in need of attention; Organizational Change, Leadership, Communication, and Corporate Cultures. After adding findings from the empirical material, this study has resulted in four propositions addressing a specific problem within each aforementioned area. The developed propositions suggest that as relative size of knowledge-intensive acquisitions increase, the risk for integration failure increases.

As a practitioner, when engaging in a relative large acquisition involving knowledge-intensive firms, the acquiring unit finds itself in a state of not possessing desired control over the new, larger, entity. As a result, it is tempting to centralize the new organization to exert control and introducing a new top management. Important to consider is to maintain communication towards lower levels and attention towards subcultures in order to mitigate anxiety and conflicts. Therefore, practitioners should be cautious of extensively centralizing the acquired firm at an early stage following an acquisition. Instead, the authors of this report argue that the acquiring unit may benefit from familiarizing itself with the acquired unit in order to identify alternative ways of gaining insight and control over the acquired unit and, hence, realizing synergies without intervening with existing organizational structure. This is particularly evident in knowledge-intensive settings, as the findings of this report suggest a decentralized structure organized in ad hoc manners.

The authors of this report are aware that a study involving multiple cases would have given the research more robustness, as the propositions would have been grounded in multiple occurrences of evidence (Eisenhardt & Graebner, 2007). However, since the occurrence of acquisitions and post-acquisition integration processes involves a high degree of sensitive information in combination with holding insider positions at Britain Plc., the authors of this report argue that it would have been difficult to access the same amount of information amongst several companies simultaneously, resulting in asymmetric information from cases. Further, the authors were limited to perform research during a specific point of time; conducting a longitudinal study, spanning over an extended period of time, could potentially reveal alternative results.

By comparing and contrasting existing theory and adding empirical findings from a case-study, this report has contributed with four propositions regarding potential problem areas when dealing with relatively large acquisition involving knowledge-intensive firms. Hopefully, it will form a foundation for an increased understanding of the researched topic. Further elaboration around these propositions and testing those in similar settings will create a deeper understanding towards the
complexity of engaging in relatively large acquisitions involving knowledge-intensive firms. In extension, it might contribute to a guiding framework for how to, more efficiently, engage in such complex endeavors.

The propositions resulting from this study might have implications for the argued importance of restructuring an organization in times of rapid growth. Existing theory argues that restructuring is needed in order to gain control over the new entity. However, findings of this study suggest that relatively large acquisitions involving knowledge-intensive firms would benefit from leaving the organizational structure unchanged, at least in an early phase of the integration.

As implied in the sections above, the propositions need to be further tested to make more concrete contribution to theory development. On the other hand, this specific research has focused on the post-acquisition integration process and the authors argue that additional future research could emphasize the process leading up to an acquisition, i.e. the due diligence process. During this research, the authors have sensed indications of a relatively inadequate due diligence compared to the size and complexity of the acquisition. These indications have been revealed in a lack of understanding from Britain Plc. towards IT Sweden, which could potentially be rooted in an incomplete due diligence process. Hence, it would be interesting to research what prerequisites determine a higher potential of realizing synergies and succeeding with an integration of a relatively large knowledge-intensive firm. Furthermore, the authors of this report limited themselves to research corporate cultures. In addition, it would be interesting to research what implication national culture may have on relatively large acquisitions involving knowledge-intensive firms. Research emphasizing lower levels within the involved firms may also add further understanding of the employee perception of the researched context as a complement to the top management focus applied in this report.

REFERENCES


