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JÖNKÖPING UNIVERSITY

A Study of Cross-Cultural Decision-Making Processes in M&A's

Bachelor Thesis in Business Administration

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Jönköping December 2010

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'Doing what's right isn't hard—knowing what's right is.'

Lyndon B. Johnson



Acknowledgement

We are grateful to our thesis supervisor Cecilia Bjursell, whose assistance and guidance for our research project was invaluable. We are also greatly obliged to the interviewees who took out time to participate in the interviews, and provided us with candid and insightfull answers.

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Jönköping, Sweden, December 2010

Bachelor' thesis in Business Administration

Title: Decision-making in a cross cultural acquisition

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Date: December 2010

Subject terms: Decision-making, cross-culture, mergers & acquisitions (M&A).

Abstract

Introduction

Decision making is a process that managers have to face, of opening up to explore the possible options and then narrowing down on solutions. If managers are familiarized to cross-culture management and effective decision-making, it can enable smoother work place relationship within and across the border M&A. Therefore this paper studies influence on a Swedish company's decisions making in a cross-cultural acquisition from an Austrian Company.

Purpose

The purpose of this thesis is to study the influence of cross-cultural implications on Decision-making in a Swedish M&A.

Method

We followed qualitative research and conducted semi-structured interviews with open ended questionnaires to collect empirical data to serve the purpose of this thesis. The study includes fourteen interviews which were carried out in a firm based in Sweden, following purposeful sampling.

Conclusion

The analysis helped us in finding that work behavior and unique perceptions pertaining to a culture, results in cultural disparity. And this affects the communication and interaction between the firms in M&A. Knowing this, the decision-making process is affected mostly at the tactical decision-making level compared to operational level.

1 Introduction

If companies are more sensitive to cultural differences in a cross-cultural environment they are equipped to make better decisions. If managers are attuned to cross-culture management, effective decision-making can enable smoother work place relationship within and across the border M&A. contextually, how do organizations make decisions in a cross-cultural acquisition is a critical research question in the study of administrative process.

1.1 Background

Decision making is a process that managers have to face, of opening up to explore the possible options and then narrowing down on solutions. Therefore it could be understood in this way. As Pratt points out, “there is clearly a distinction between what an individual thinks(personality)and the way an individual thinks(cognitive style)” (1980). The process is made even more complex when the companies are dealing in decision making in an arena of Merger and Acquisition. Mergers and acquisitions (M&As) have become the dominant mode of growth for firms seeking competitive advantage in an increasingly complex and global business economy (Adler, 1997).Cross-border merger and acquisition has continued to increase at a torrid pace during the last decade and half, to the point that it has become a major strategic tool for growth of multinational corporations (Cartwright and Cooper, 1993). Therefore it is essential for companies to pay attention to the analysis, strategy and planning behind its decision making.

The management extent becomes much vast when it comes to different cultures both on the national and even greater on cross border level. The manager chances of dealing with the rapid changes reduce to an extent. Multinational corporations require holding a varied set of routines if they are to work in a diverse world. As multinational companies increasingly acquire targets in more culturally distant countries, they face new challenges in managing their external environment. Alongside these encounters it is also important to understand the relation between national cultural distance and cross-border M&A performance while devising decisions.

The difficulties in M&A's are seen due to the lack of strategic decisions making made by organization. Anthropologists have researched that the undertaking of knowledge about a particular organisation culture does not always begin by inquiring the members themselves to identify the particular trait. In reality the cultural norms are recognised by understanding

the profundity of cultural influences that are carried out in an interval within an organization. This necessitates having an insightful long term observation and the foundation of norms, disciplines and new problem solving strategies.

1.2 Problem

Sweden uses consensus in managing and leading their workforces. Emphasis is given to a lot of meetings to reach an agreement. Consensus-oriented decision-making lowers the power of manager or leader itself but stretches throughout the organization, (Lamsa, 2010). Swedish work values and identification of connection between culture and decision-making in the foreword makes it interesting is to analyze the influence of the cultural factors on the decision-making processes in a cross-cultural M&A in Sweden.

Recent research by Cox, Wilcock & Aug, (2007) recognizes that there are only few studies and books that have dealt with how cultural characteristics influence decision-making and problem-solving styles in interpersonal and group interactions. The lack of study on such a topic, defined our research questions of this thesis. Consequently, we have formulated our research problem in the following questions:

1. Which cross-cultural factors affect decision-making in the acquired firm?
2. How do these cross-cultural factors influence the decision-making of acquired firm?

1.3 Purpose

The purpose of this thesis is to study the influence of cross-cultural implications of M&A's on decision-making in Sweden.

1.4 Delimitations

The study is only concerned with the decision-making process in a cross-cultural acquisition and there is less emphasis on the cognitive factors of decision-making but more on the behavioral influence of cross-cultural implications. To explore the decision-making process comprehensively, we chose one company that had experienced problems in this area. Thus, the results are limited to this 'Company A' only, but can also be seen as a way to generate concepts that can be tested for future research. Moreover, the Company A has agreed to co-operate with an anonymous status for itself and its employees. This research Company A is a local Swedish technology based company acquired by an Austrian firm, so analysis

and conclusions will be restricted to information obtained locally. Thus, it defined boundaries to the scope of our analysis and presentation in this research.

1.5 Disposition

The disposition of this thesis will be as follows:

Chapter 2: Frame of Reference	<ul style="list-style-type: none">• This chapter presents theories within the field of decision-making and cross-cultural acquisitions.
Chapter 3: Method	<ul style="list-style-type: none">• This discusses the procedure of collecting data and talks about interviews as our instrument. Reliability and credibility of the study are also discussed here.
Chapter 4: Empirical Findings	<ul style="list-style-type: none">• This chapter present results from the qualitative interviews conducted in Company A.
Analysis	<ul style="list-style-type: none">• The chapter further covers analysis of the empirical findings in connection with theory and results.
Chapter 5: Conclusion	<ul style="list-style-type: none">• To fulfill the purpose of this thesis this section answers the research questions.
Discussion	<ul style="list-style-type: none">• Additionally the chapter critiques the study and makes suggestions for future research.

2 Frame of Reference

In many fields of management theory, psychology, information systems, management science, and operations research occurrence of decision-making process is recognized. It is also seen as a fundamental activity of all management, and research and literature concerning decision-making processes. In management theory, most research is done on human decision making groups which have focused on 'how groups arrive at consensus. According to Humphrey, Hollenback, Meyer & Ilgen (2009), this was relative to the dynamic nature of most hierarchical decision making teams which had a huge impact on social relations and team cohesiveness. There has been far less research conducted on hierarchical decision making groups, relative to consensus decision making groups (Humphrey et al., 2009).

Moving forward research on levels of decision making will be identified to have a sound analysis on cultural differences and its impact on different levels decisions in an organization. Regarding this, Hendricks (2009), outlined the main methods of business decision-making, the area of particular interest was the levels of decisions-making that were discussed. The decision-making process was divided into three levels of strategic, tactical and operational decisions as can be followed in the diagram below.

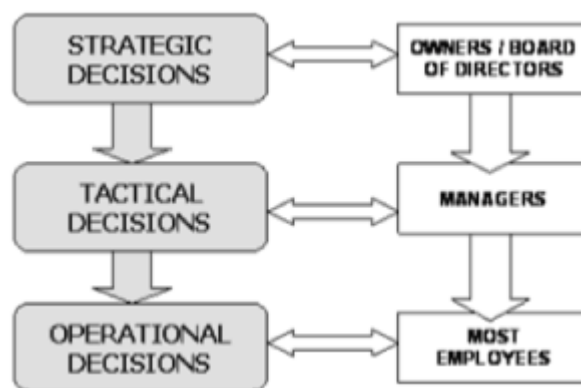


Figure 1 Decision making levels (Source: Hendricks, 2009)

The strategic decisions taken by the board of directors could be about investment and direction of future growth. Tactical decisions are normally taken by managers and it's about how their respective departments will contribute effectively to the business objectives at

large. Improve to business practice, responses to customers and employees day to day task decision fall into the operational decision category.

After identifying decision-making levels, studies concerning roles of decision-making in acquisitions seemed appropriate for our thesis. Modern studies showed that integration approaches applied at the time of M&A affects the role of decision-making and information processes. (Lundback & Horte, 2005). An acquisition involving the holding or preservation approach (where the acquiring firm has more autonomy) does not require the total integration of the two firms' information and decision-making processes. However, in the interdependence acquisition approach where dependency between the companies is highly important, a need for rapprochement of information and decision-making processes is needed (Lundback & Horte, 2005). A match between integration approach and the design of the information (organizational culture) and decision-making processes (organizational & national culture) during acquisition is therefore essential for successful integration.

Until now the studies presented here highlighted flat and hierarchical decision making groups, different levels and roles of decision-making in an M&A firm. This will be followed by recognition of behavior, perception, communication and information exchange in different cultures that guide decision-making.

Merger and acquisition researches have been observed as a complex phenomenon and cultural clashes are identified to be the reason for high failure rates (Risberg, 1996). Cultural difficulties are another focus we aim to study in M&A's. In cross-culture M&A's hurdles can be created due to differences in national culture, organizational culture and language. In order to avoid decision making troubles, it is important that the acquiring and the acquired firm share the right amount of information consistently to remove uncertainty. The acquired company is often forced to adapt to the acquiring company culture and norms which lead to difficulties in adaptation. Employees from different cultural backgrounds have different work values which often lead to misunderstanding in communication and can also affect effectiveness of decision-making. On this note, Risberg (1996) asserts communication as a negotiation tool during uncertainty in an acquisition. Acquisition is an experience of a lot of changes in the organization and employee often come across anxiety due to answered questions as managers neglect to communicate effectively early in the integration process. Top management is mostly affected in after-effects of acquisition according to some researches. The managers tend to adopt a crisis-management approach

and the therefore centralize decision-making which reduced the access of employees and other staff members. This lessens the flow of communication and at this stage the employees watch their managers carefully and interpret their actions and reactions, also using this as a benchmark for their own actions. It is also important to make certain that the acquired company is interpreting communication the way it's intended and is not influenced by cultural bias, (Risberg, 1996).

Further interesting researches are made on emotions, as it's a closely linked concept to culture and their association with decision-making. Chang & Safney (2008), in their research found empirical evidence signifying that emotional processes play a generous role in influencing behavior and guiding decisions respectively. Moreover, one's emotions are affected by the way a person perceives her/himself in relation to surrounding human environment which can be collectivistic or individualistic depending on national culture. In collectivistic cultures there is high relatedness of individuals to each other therefore interdependent emotions. Meaning the individual behavior and perceptions are predominantly focused on their relationship with group members. However in individualistic cultures, self expression is independent of others. (Markus, H.R. and Kitayama, 1991)

Further, researches in social science have increasingly revealed the multifaceted and complex nature of culture and identity in M&A's (Irrman, 2005). The main issue found is not the existence of differences per say, but how behavioral differences in terms of interactions are perceived and interpreted by members of the acquired firm, Irrman points out (2005). These respective and divergent interpretations is fundamental to how organizations asses the quality of the cooperation between the two units of M&A, and how they make decisions thereof. Taking into account, the role and influence of culture and language on strategic process i.e. decision-making altogether, study still remains in the shadow (Irrman, 2005).

Cross-cultural information and knowledge sharing has gained importance through the emerging importance of globalization, increasingly culturally diverse workforces and international mergers and acquisitions, (Pauline, 2005). Much of the information and knowledge management literature has focused on corporate and organizational culture, with relatively little attention on the implications of national culture. Pauline (2005) in the research found out that cultural assumptions may distort information and knowledge communication, affecting decision-making in a cross-cultural acquisition. Drawing from research of psycholo-

gy and cultural history, Nisbett, Peng, Choi and Naranzayan (2001) argue that the considerable social differences that exist among cultures affect, among other things, tacit epistemologies (theories of knowledge, including what counts as knowledge and degrees of certainty about knowledge) and the nature of cognitive processes – the ways by which people know the world and make decisions. Therefore, confirming again the impact of culture on decision-making.

Further Nisbett et al. (2001) confirmed the influence of culture on the understanding of knowledge and cognition by studying Greek and Chinese thought processes. A number of clinical and field experiments revealed the prevalence of cultural differences in cognition in today's society, Nisbett (2003). The differing business attitudes as claimed by Chia (2003) are based on both, metaphysical (how we define and perceive reality) assumption, as well as the design of information and knowledge and its relationship to decision making. After identifying the relationship between information, knowledge and decision our aim was to find researches confirming the link between communication of knowledge and culture as they are an important ingredient to decision-making and our study. Within this premise of study, Rooney (2004) asserts that knowledge is social in nature, and that "ideas, theories and beliefs form a shared phenomenological background in which people think and act, this context is decidedly cultural". Rooney et al (2003) explains culture and communication of knowledge as the natural counterparts of decisions. This signals the need to develop decisional imperatives from the cross-cultures existence in a cross border acquisition.

Moreover, a considerable amount of management research has been developed that focuses on the cultural perspective of international acquisition performance, (Arikan, 2004). Researchers argue that a lack of national cultural fit may lead to cultural clashes between the involved workforces (Larsson & Risberg, 1998). This may lower employee commitment and cooperation (Cartwright & Cooper, 1996), and complicate the post-acquisition integration process (Very & Schweiger, 2001). Some studies exposed a negative impact of cultural distance on the performance of international acquisitions (Datta and Puia, 1995, Olie, 1994, & Uhlenbruck, 2004), while others identified a positive relationship (Doukas & Travlos, 1988) and (Morosini, Shane & Singh, 1998). Still other studies indicate that cultural distance either has no direct effect on international acquisition performance (Markides & Ittner, 1994) or is one of the least significant variables affecting performance. These contradicting views and important connections developed between culture difficulties resulting in deci-

sion-making problems created the interest in the understanding how much of the cultural differences are involved in the decision making in M&A.

2.1 Summary of Frame of Reference and New Model Development

From the chosen studies above we streamlined summarized researches into subheadings as follows:

2.1.1 Cultural Factors (Behavior & Perception)

Several researches have pointed out, cultural factors to be a vital aspect in determining the success or failure of international M&A's. Cultural complexities are not the actual differences but studies points out the behavioral differences and perceptions related to it are what really cause the disparity. An acquired firm with a distinct culture would have a specific way of doing things and along that is the perception and interpretation of interactions of the cross-border M&A, which usually are different from the acquiring firm's actual culture.

2.1.2 Communication & Interaction Complexities

Nisbett (2001) confirmed the affects of culture on understanding of knowledge and cognition. On the other hand, Risberg (1996) mentioned that the dissimilarity of cultural values and norms leads to misunderstanding in communication. Interpretations during an interaction are also connected to the cultural lens of viewing things. Communication and its interpretations are critical in gross-cultural negotiations, if failed to utilize properly during integration phase can lead to problems in decision-making.

2.1.3 Decision-making

After having established the cultural link to communication and decision-making, to make effective decisions one has to carefully consider the communication complexities that arise from cultural differences in a cross-border M&A. The effects can vary at different decision-making levels, the strategic, tactical and operational levels. Organizational culture with more hierarchy tends to make most decisions at the tactical level and in a less hierarchical firm, operational and tactical can be equally involved.

2.1.4 New model

The entire frame of reference and the empirical data motivated us to develop a model seeing some of the apparent connections between culture and decision-making. We will use this to formulate conclusions.

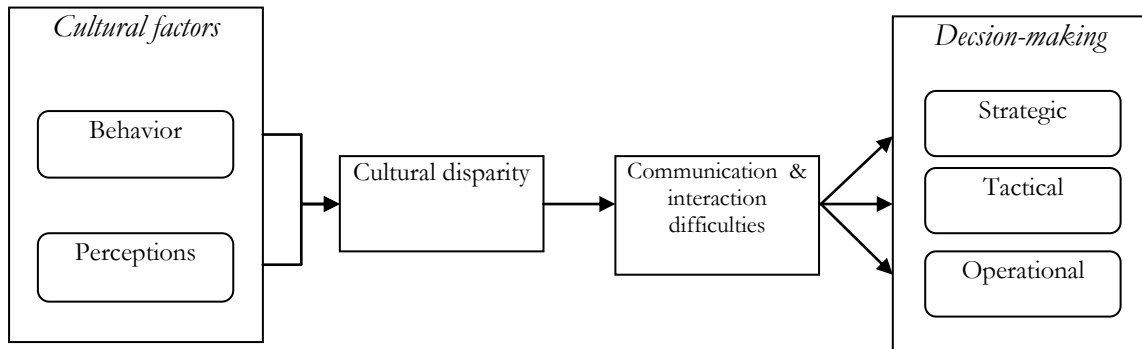


Figure 2 Influence of Cross-Cultural factors on decision making

The new model that we developed identifies ‘behavior’ and ‘perceptions’ as two cultural factors in the whole spectrum that can be used to understand the influence on decision-making. In a cross-culture M&A each firm has their own culture and related to it are the specific way of doing things (behavior) and understanding events (perceptions). Altogether these two aspects those are unique in each firm, and have observed to create a cultural disparity. The culture differences leads to misunderstanding in communication and moreover misinterpretations of expression. Having this said, there can problems in the decision-making process coordination and can have dissimilar intensity of influence on each decision-making level (strategic, tactical and operational) depending on each level’s involvement with the counterpart firm for instance.

Consequently, this paper provides a descriptive framework that addresses the identification of cultural-factors that influence the decision making process of a cross-border merger and acquisition. Regarding decision-making, we are recognizing the cognitive aspect of it but will not study the in-depth psychology characteristics of the cognitive process.

3 Methodology

A 'way of gathering knowledge about the social world' is the methodology notion referred to by Stauss and Corbin (1998). To study the implications that emerge out of a cross-cultural acquisition and its influence on decision making process, we want to take advantage of the theoretical fundamentals and researches that have already been done in the realm of decision-making and cross-cultural acquisition implications. We also want to take that knowledge further through the qualitative method by taking into account the interviews conducted with Company A. It was acquired by an Austrian firm and has realized decision-making differences between the two units after the cross border Acquisition .

3.1 Research Method

Determining the 'why' and 'how' of decision-making in a cross cultural context of an acquired firm can be done by finding the first-hand experiences of employees in Company A. To serve the purpose of our study we chose interviews as the primary source of data collection. We felt that person-to-person interaction with semi structured questions will be best in acquiring information. Moreover, considering the characteristics of our investigation and that all the employees could be reached within a close proximity and in a single premise, the 'interview schedule' was chosen instead of a 'questionnaire'.

Since culture can be a sensitive topic and the interviewees can be reluctant in answering, we ensured anonymity at the start of the interview process to make them comfortable, as also stated by Kumar, Ranjit (1996). Through primary data we know the reasons behind a certain management decision. Most appropriate way of learning about opinions and behavior that are relative to culture is by asking questions directly to people involved. (Ghauri & Gronhaug, 2005) Information on the Austrian acquisition of a Swedish firm can be gathered by asking people who have been involved or have observed the process i.e. of acquisition. (Ghauri and Gronhaug, 2005)

Additionally, research problems which are focused on uncovering a person's experience or behavior and understand a phenomenon which we know little about are also an example of qualitative research (Ghauri, 2005). Similar is the nature of our decision-making and cross-cultural research which includes social and behavioral sciences.

3.2 Qualitative Research

The approach as stated is to use a qualitative research methodology of investigation, data collection and analysis. Decision-making is not a fixed and static concept to measure and it has a cognitive process. Besides, not being a 'steady state phenomenon' it changes erratically with time and environment, as described by Mintzberg (1976). Considering this, quantitative research does not suit our study as it emphasizes on the quantification of data collection and analysis as argued by Bryman and Bell (2007) and it observes social world as an external and objective reality. Holloway (1997) advocated of qualitative research for capturing the way the individuals experience, interpret and make sense of their environment. Also, Auerbach (2003) claims that qualitative research involves analyzing and interpreting texts and interviews among others, in order to investigate specific patterns, i.e. examining decision-making amidst cross-cultural challenges in an acquisition. The purpose of the research inquiry is behavioral, as the research focused on discovering and understanding the role of cross-cultural factors in decision-making hence interconnected. This provides a strong basis for pure quantitative analysis.

3.3 Interviews

Interviewing is the most widely utilized method in qualitative approach of investigation, as stated by Bryman and Bell (2007) and this instrument suits appropriately to find answers to our research questions, i.e. cross-cultural influence on decision-making in M&A's.

The choice of people that were needed to be investigated for our research questions was crucial. Collins, Onwuegbuzie and Jiao (2006) stated that researchers should decide sample size in both quantitative and qualitative studies. In the sample, from Company A we were looking for people that were cooperating with Austrian counterpart and were involved in some kind of decision-making. It was very kind of our contact person at Company A, whom after explaining our research necessity, arranged fourteen people from managers to engineers involved with their cross-border counterpart. Considering this we used purposive sampling technique which as mentioned by Maxwell (1997) is used in qualitative studies to select e.g., individuals or institutions based on specific purpose.

The technique and construction is also very important in the formulation of interviews. The interviews can be unstructured, semi-structured or structured (Saunders et al. 2007). As we were more interested in 'theory of a particular reality' (Wengraf, 2001) instead of the

numerical data, we chose to settle on semi-structured interviews using open ended questions.

Semi-structured interviews permitted us to probe relevant issues which emerged during the interview. We were very particular in formulating the questions as two cover both aspects of cross-cultural implications and decision-making. The questions were developed keeping both the notions in mind, and critically looked at the relative literature to see what aspects should be covered. We found out that it was important to understand the reasons for the acquisition, the involvements between units at different stages of the integration process, the cultural-differences and the difference in decision-making processes. The interview questions were then sent out to the contact person at Company A, to be distributed to the interviewees in advance. This was done so the interviewees get a hands-on familiarity of what is expected especially when the study involved a sensitive topic like cultural observations. We aimed at making the data reliable; to ensure this we recorded the interviews upon permission and also took notes to reduce the chance of misinterpretation. In an attempt to motivate the respondents to co-operate with us and obtain factual data with their trust we ensured the anonymity and confidentiality of responses. We skipped a few questions in two interviews due to shortage of time. We completed a total of ten interviews in a session of three days with an allotted time of thirty minutes each

3.4 Data validity

A well retrieved data is vital for an authentic research. Throughout our study we took measures to ensure this. During the interviews we did not rely on perceptions which would affect the accuracy of our observations and used constant probing to have clear answers. We remained unprejudiced and flexible to have quality working data.

Respondents sometimes perceive risks and may believe interviews to be jeopardizing their emotions and privacy, as also mentioned by McCracken (1988). Knowing this, we assured the interviewees about the privacy and academic purpose of interviews at start of each interview. So they were at comfort in providing the information conveniently. To avoid potential bias of our preconceived notions and theories we transcribed only what the interviews said, which we stored it in the form of recordings and written notes taken at the time of the interviews. We claim to have a plausible study, considering all the measures we took responsibly in terms of organizing and conducting the interviews.

3.5 Data Analysis

Our analysis was exploratory as asserted by Creswell et al. (2003) aiming to understand the influence of cross-cultural factors on decision-making process in an acquired firm. Like in most of the qualitative analysis we refer to the inductive approach, as claimed by Bryman and Burgess (1994). Raw data, as mentioned was in the form of interview recordings and notes taken during the interviews. The recording was listened to and exact words were transcribed to create texts. We read the transcribed data attentively to derive concepts, themes, or a model which is common in qualitative data analyses, especially grounded theory (Strauss & Corbin, 1990). To identify specific cross-cultural factors in an acquisition and how it had an effect on decision-making, we let the theory to develop from data; the theory building element is an inspiration from the grounded theory though we don't intend to use this as our method.

The analysis subsequent to this section was organized as follows:

- **Interview description:** We read the transcripts many times to get familiar with descriptions and understood how interviewees expressed and explained their experiences in relation to the questions.
- **Identifying discourses and theme generation:** Later, we recognized relevant discourses from the transcribed interviews, and excluded other irrelevant description. Following this we observed the core information and concluded some patterns of behavior/theme. Categories were formed with summary of data sets (i.e. 'employee's organizational behavior') along with appropriate quotes from the respondents to reach a quality analysis and conclusion.
- **Discussion:** In this section we explored the meanings explicitly or implicitly included in our empirical findings and looked for links of cross-cultural difficulties and decision-making. We also put forward suggestions of future research in this clause.

4 Empirical Data & Analysis

This section has empirical evidences combined with the analysis. The *italic* part represents empirical data as it was collected during our study and discourse following that covers the analysis. Moreover, the data and analysis has been divided into subheadings, as also identified in the summary of frame of reference earlier. The aim is to have a constructive analysis in light of researches identified in frame of reference.

4.1 Employee's organizational behavioral

'Here we want to be able to say what we think and we like consensus. And sometimes this makes us slow and also in the eyes of other a bit blurry. Sometime we are afraid of decision if we have different opinions. In Austria it is more like 'this is the way'. My opinion is that they don't listen so much to everybody they take decision form a higher, they sort of discuss in a smaller group', Interviewee at the acquired firm said.

Swedes in an organization generally work in groups and are independent individuals at the same time. They also have a freedom to express views, owing to a less hierarchical system. Mutual agreement, consensus, structure and logical reasoning are very important to them for which they have a lot of meetings and discussions. Moreover, Swedes are solution-oriented and are usually calm.

'One thing I learned from that course(cross-cultural diversity) is that people is Austria are more problem oriented and here in Sweden we are solution oriented and that affects how we are able to communicate and cooperate', an interviewee evokes.

The essence of usual Swedes vs. Austrian behavior was narrated by Interviewee 5 as: *'There is a great difference in the decision-making process. In Sweden everyone should agree and we ask a lot of people of what everyone think. Then we make decision after hearing all the opinions. And its opposite in Austria, you do not ask the employees if you are working as a manager. I think you are seen as a weak leader if you ask people of what they think. Its positive and negative in both ways I think Swedish way is better for working in a team and but in Austria you really make the decision and you come forward'*.

Another interviewee stated: *'Generally we are pushing responsibility rather low in the organization. When we have communication on a low technical level and quite quickly*

it tends to escalate on the Austrian side then on our side. Because we are usually more authoritative when we make decisions at a lower level'

Austrians on the other hand don't have much freedom of expression due to a hierarchical system in the acquired firm point of view. Another common view observed was that managers in Austria alone make decisions and value of consensus is less there.

'I have been learning by working together with them. The first impression is that Austrians are like Germans, but not at all. But they are most like east Europe or more oriental like or Russians like. They are for example more social. At many times relations are very important for them'.

Austrian's are social and build relationships. A lot more emotion is involved than facts in their reasoning. Moreover, Austrian's are problem-oriented and get usually stressed under a problem.

This observation can be further emphasized by few statements of the interviewees.

'They have a lot more emotions and we like to base our decisions on facts.' Interviewee said.

'They have much hierarchy. More power distance. There is a very large distance between the manger and the individual member in the group'. Interview affirmed.

'Austrian employee has more commitment to work, in trouble situations get nervous, get stressed quickly; a manager would not involve the employees in the decision making. A weakness mentioned that they are not good leaders. They are afraid to admit their mistakes and try to cover up the mistakes'. Interviewee explained.

Additionally another interviewee expressed, *'Generally speaking they have less to room to maneuver. As they require some kind of an authority and it depends on whom their boss is and what freedom do they have. It's very controlled in a department. So they*

have to report every detail and want to be informed about every detail that is an influence of how people react at a lower level'

Empirical data on employees' organizational behavior supports the study of Humprey et al (2009), who stated that consensus is relative to hierarchy of decision making teams which impacts social relations and team cohesiveness. In Sweden mutual agreement and consensus is important and also has flat organizations (less hierarchy). Contrary to this, in hierarchical Austrian company, managers alone are the decision-makers.

The calmness of Swedes and Austrian's stressed nature under problems is the difference in emotions that Chang & Safney (2008) researched on, and its influence on the decision-making process.

4.2 Decision-making process structure

The cooperation between units was narrated in the following manners:

'On a developer level its works well, we are not so different in thinking and how we work but as soon as the management level is involved, that when the problem often starts. That is because they often decide on things without knowing the technical side. But maybe their boss has said to them that you must decide today and they make a decision but make not the right decision that is my view'

'I think when you are accepted in a specific project and there are people working on same level, project is well as they work in project teams but decision making may take longer time. The efficiency of the company has declined'

'Even if you are an expert in your technical area you cannot take the decision it has to be taken by your manager. They have to escalate the problem up in the hierarchy to get a decision. We communicate directly and we have a more efficient way of communicating. We have a smaller distance we trust our employee. In Austria they have common and control attitude'

The decision-making process depends on the type of decision. If it's a higher stake decision, the process is followed through formal procedures of contracts and agreements compared to daily operational level decisions which are simple. This can be confirmed through the feedback from a respondent.

'If its formal decision like starting a project then it's a formal process, signing documents and agreement and its structure is rather well define. When you take a day to day decisions (technical coordination's), it that can be handled on a day to day contact'

In Swedish unit agreement has to be reached through consensus whereas in Austrian unit, managers give a decision which is to be followed. More decision-making authority lies with managers in Austria than Swedish ones who work more as a support function.

'Line managers have much more power in Austria they are more deciding which project to start or not. In Swedish it doesn't happen like this its decided by product managers and line manager are more like service function', Interviewee.

Thus, the role of managers 'authority' or 'support function' inherited in culture also has different affects on the decision-making process. For example, at the operational level, decisions are more based on facts and therefore easier to decide on, irrelevant of whether these decision are taken by lower lever employees alone (less hierarchical organization) or through an approval process of managers first (hierarchical organization). Whereas tactical decisions have observed to be more conflicting where managers decide on the department's progress and functioning, cultural factors have had most of the influence here. The conflicts arose due misinterpretations of conversations adhering to different mother tongue. Sometimes time lag was seen to slower the decision process, in the Swedish unit owing to reaching an agreement with everyone on all decisions (tactical or operational). In Austrian unit, the decision escalating to the managers if they are operational decisions which is time inefficient. Otherwise tactical decisions are decision taken by managers alone and so the process is more efficient.

4.3 Interaction & Communication between units

Cooperation at the technical or the lower level works well. At the management level cooperation is difficult where decision making takes longer. Some employees expressed that even with electronic facilities available communication across the border is difficult. Employees cooperating for a longer period developed relationships of trust which helps in cooperation amidst the cross-cultural differences

It doesn't work well when we can't sit together and discuss, makes harder to communicate over cross borders even though facilities are provided like Skype ,video confe-

rences, but it kills the team spirit as it's not the same as for sitting together' Interviewee recalled.

'The cooperation works well if it's on a developer level but as I have understood it doesn't work well on the management level and there have been some conflicts but I have not been directly involved with that'

Also another mentioned, *'I had been in discussion with my technical counterpart and we had agreed on everything on how components should work. But at the end we came to a discussion of the labeling of the product, what market it should be on, layout on the manual and it was terrible. And then all the CEO's were involved and it took a lot of time. So all the technical issues were solved smoothly but the commercial stuff, it became very hard'*

Practically, the interaction between units is informal. But it depends on the type of decision as well, i.e. starting a project, would follow a formal procedure of interaction. Project managers have a closer contact compared to the rest. Informal day to day technical decisions are handled on a daily basis. It is also hard to predict a response to an interaction from across the border, some interviewees responded.

'It is scary sometimes how the information will be interpreted in another culture. It's hard to predict specially at lower level when send off the paper to the other organization (Austria)'

Through data it was also understood that is easier to agree on factual information, which all can straightforwardly agree to. Language barrier has seemed to affect the agreeability due to misinterpretations sometime. This data analysis is also congruent to the view of Pauline (2005), assumptions and interpretation may distort information and knowledge communication affecting decision-making. Also, confirming the influence of culture and language on decision-making, the research of which is limited, Irrman (2005). The technical side of the decisions is easier to agree on, compared to the decisions made at management level i.e. commercial issues.

This can be analyzed from the figure (Hendricks, 2009)below. The tactical decisions have been observed to have most complications whereas operational decisions are easier under cross-cultural implications of an acquisition.

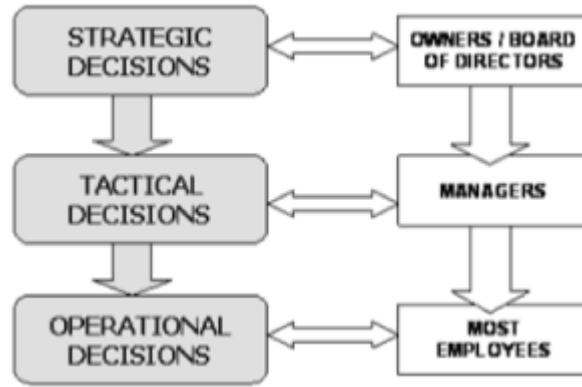


Figure 2 Decision making levels (Source: Hendricks, 2009)

Additionally, we comprehended from suggestions put forward by the respondents that, early in the process of post-acquisition integration, communication on the differences in national and organizational culture can facilitate decision-making. Understanding of adapting to a culture is important. Performance indicators and clarity on who makes which decisions will also assist. Additionally, diversity courses and communication on how to work together has helped in the past and can also facilitate later on.

An interesting point observed by an interviewee during a diversity course; *‘One thing I learned from that cultural diversity course is that people in Austria are more problem oriented and here in Sweden we are solution oriented and that affects how we are able to communicate and cooperate’*.

Consequently, understanding of differences in culture early in post-integration process can help and facilitate decision-making by knowing the different styles (problem/solution oriented) of approaching a problem.

4.4 Cultural Influence on Company A

From the interviewees perspective the Austrian culture has quite an influence on the Swedish acquired firm. At the time of the acquisition not much change was noticed from the interviewees. Majority of them noticed the change in the cultural aspects of the organization as a whole in terms of the working norms in the past. Several looked at it as a change in the hierarchy while others perceived it was due to the money making focus, making product needed in the market and reducing costs of the acquiring firm. A few noticed that they have to be adaptive and have higher acceptance whereas some perceived it as confusion in internal conflicts.

Working in similar projects, some felt it like a time pressure to cope with the changing environment when the work had to be done in teams comprising of both Swedish and Austrian employees. The Swedish employees felt less in control due to the less interaction from the Austrian teammates. This could be the reason behind them feeling, they are not able to understand what exactly they are required to do. *“They might say it’s a new day and I hope you survive it, it’s a different culture”*

For Swedish employees where the hierarchy is not a matter to be considered, thus they are easily able to approach anyone they want. While the Austrians need to be sort of answerable to their responsible bosses within their immediate boss for a particular project or team. Therefore there arises the sort of gap in thinking and understanding of the corporate culture which in turns influences the employees at the both the management and lower level employees in terms of hierarchy.

Following the data above there was a contradiction in perceptions of employees, some thought the cultural influence came in the shape of hierarchy and some saw it as commercial focused change. Thus, it is definite that cultural complexities are not limited to differences in culture but behavioral differences in interpretations and interaction after the acquisition, as asserted by Irrman (2005).

4.5 Cultural Adaptability and Difficulties in Company A

All of the interviewees gave the indication that it was hard to understand the new culture. One interviewee noticed that they have to be adaptive and have higher acceptance of the different culture whereas some perceived it as confusion from internal conflicts. Some realize the difficulty lies in the management styles and looked at it as *“an eye opener”* for the acquired firm’s culture. *‘We have more goals in future and we organize it. They focus in what happens every day so it’s different cultures’*

This data set helped us to analyze, how employee adapt to change, level of acceptance and understanding of management styles of cultures are cultural difficulties that needs attention for a better cooperation in M&A and improved decision-making.

4.6 Structure, Norms, & Cultural Transformation in Company A

In the beginning of the acquisition not much team-work was done together with the Austrian mother company which means that all manufacturing of the company was done sepa-

rately. The Swedes worked the same way as before; likewise not many changes were noticed as the work in both the countries was split up. They had their own products and markets. This sometimes made the Swedish counter parts realize that there was a lot of duplication of work, which means that same products were being manufactured at both the mother company as well as the acquired one. If we look into marketing of a manufacturing firm, when products are similar in both the counter part of the same group company they are perceived as a supplementary good. Thus the products compete in the same markets.

Confusion arises within the employees when the Swedish company received a big project and there was expansion of the business such that the Swedish company needed to work quicker as to produce the same product in much faster pace. Which meant a lot more work load and hard work was put in from the employees.

In terms of structure, few times it was mentioned that a new management level was introduced. This management level was introduced to reduce the problems of making it easier to communicate at the team level work of the organization also might be known as the lower level of the organizations hierarchy. The size had grown of the local organization. Whereas some referred the changes as “....so it matches more in the one in the mother company”. Changes were observed in the top management level in terms

Some interviewees looked at a change to their routine and practices that were followed from before, for example the consensus in team tasks was now much harder to achieved Lundback & Horte (2005) explained integration approach affects the role of decision making in M&A's. If the acquiring firm wants to be authoritative, there is no integration of decision-making process but if both companies are interdependent than cordial relations are to be formed and there is integration of decision-making process which is essential for success. From the data it was unclear as to what approach was used at the time of integration. But in later years the roles became clear that both the firms are interdependent as they are in technology based and the motive of the acquiring firm was to grow based on the acquired firm's expertise. This led to a clear design of information sharing setup through a common reporting system. All of this induced better understanding of the important cultural factors that need to be adapted to, or that needs a clear understanding in order to make well informed decisions amidst the interpretation errors (language barrier), structural differences(hierarchy) and different approaches of seeing a problem(problem & solution orientation) and deciding on it(consensus & non-collaborative approach).

5 Conclusion & Discussion

Incorporating the views and experiences shared by fourteen interviewees we synthesized the themes to describe typical and composite behavior (Morse, 1994) or the way people act in their respective culture. As a result we identified relationship among decision-making and cross-culture. Further we also identified cultural factors¹ that seemed to have the most influence on the decision-making process.

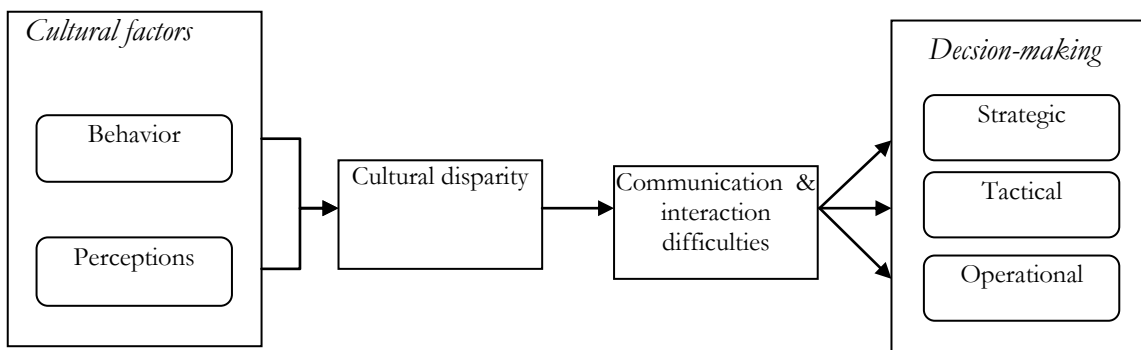


Figure 2 Influence of cultural factors on decision-making

As mentioned frame of reference and empirical data led us to develop this model and we will make conclusions to our research questions using this model. The questions were:

1. What are the cross-cultural factors affecting decision-making in the acquired firm?

The cross-cultural factors identified were how Swedes and Austrians value consensus differently, the former associating more significance to it. Moreover, Swedes are more solution-oriented compared to Austrians who are more problem-oriented. Organizational culture has also seemed to affect the hierarchy on both the firms. Swedish firm is flat and Austrian firm is strictly hierarchical.

2. How does this cross-cultural factor influence the decision-making of acquired firm?

The differences identified factors influences on who makes the decision and the how that decision is made. In Sweden, employees at each level are involved in the decision-making process; however in Austria managers alone take the decisions. Decision at the tactical level has found out to be influence most with existence of cultural differences unlike operational decision where facts are used to make daily decisions. Deciding a direction for a project or commercial issues (i.e. labeling, sale of the product etc) have

¹ Detail model explanation is in Frame of Reference

seem to create conflicts as it required more negotiations. This required regular communication, the meaning of such interactions has been misinterpreted at times due to language barriers and different perceptions owing their own unique culture. Thus this created problems in reaching a decision.

Time also slowed down the process, if it was an operational decision in Austria; it had to travel up to the bosses for approval while in Sweden operational employees have enough authority to make decisions. On the other hand if it's a tactical decision, the Austrian's made the decision fast as only manager alone had to take it in to Sweden where agreement has to be reached with all the employees before a decision is endorse. So overall, the distinct behaviors and the perceptions of the each culture results in ineffective decision-making if proper measures are not taken to minimize such distortions.

Further limitations to discussion

Only interviewees in the acquired firm were included to study the problem. The insights were extremely valuable to confirm a link between the cultural diversity and decision-making process and also understand which key factors have major influence. All the interviewees were Swedish so it is difficult to draw the line on how biased their perceptions and the actual Austrian culture and their decision-making process are. However, it does give a fair account of existing cultural differences that has influenced the decision-making in the acquired firm. During interviews, analysis and conclusions all these aspects were taken into consideration.

Practical implications

This research is not limited to theoretical value but also has practical significance. Decision-making in any organization is critical to success the following framework could be followed to improve the decision making in an acquisition with the cross cultural implications. The figure below is formulated after the careful study of the empirical findings.

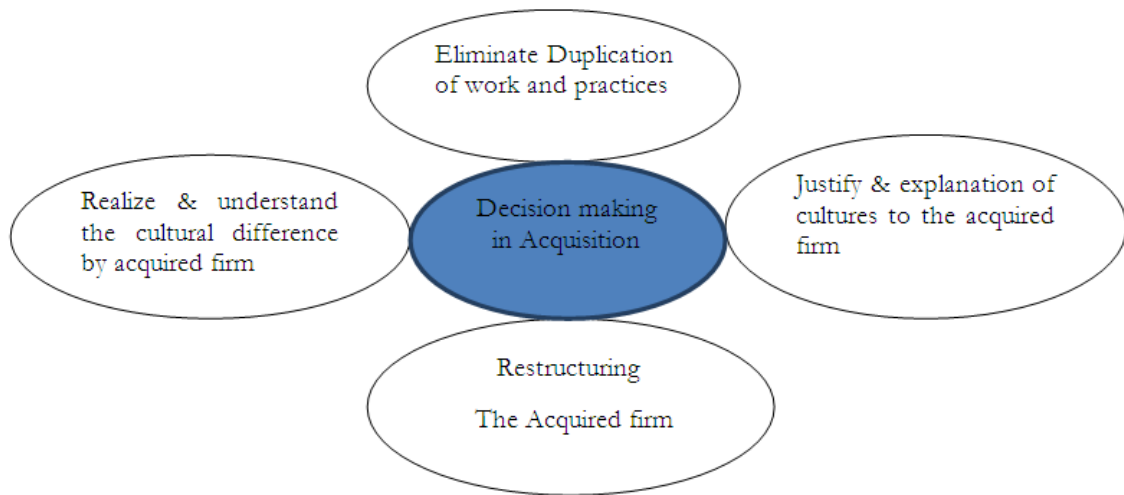


Figure 3

Suggestions for Company A

These suggestions are a result of the feedback provided by the employees during the interviews. The responses recommended how to improve and facilitate decision making. Inspired by this empirical data, analysis and conclusions we formulated a design that needs attention by Company A to improve their current standing in the acquisition. However, the tricky part with the acquired organization is that the managers must rearrange strategy, organizational structure, work on staffing of employees; make changes to systems and culture and day to day business performances simultaneously. They feel the pressure to quickly perform and harmonize the decisions by reaching the performance in the changed worked environment. So they do this by restructuring to create economies of scale, streamlining operations, focusing on product and market synergies while eliminating noncore businesses. During the same time they might be looking for the next merger or acquisition opportunity. This does not allow them the time and effort to ensure a synergistic and sustainable basis of people and operations to support the growth.

However for continued growth, building a foundation is the key to sustainable success because it defines how the work of creating the new organization will be continued. Regrettably most post M&A implementation plans seems to assume that if the financial priorities are comprehensively addressed the human foundation will take care of itself. The synergy created by a successful M&A.

Originality/value

Studies on how cultural differences in post acquisition in connection with the employee decision-making process are limited. Findings in this study may provide decision-makers in these circumstances with an understanding of the possible impact of cross-cultural diversity on decision-making, which is imperative to success or failure of an M&A.

6 Further Studies

This research has been more focused on understanding the influence on the behavioral perspective of decision-making, by understanding the influence of cultural preferences, work values and perception. For future research it would be very exciting to study decision-making as a ‘reasoning’ or ‘emotional’ process and assess which of the two is affected most or in what ways by cultural diversity, which will advance the study of a rational or an irrational decision. Also, the research can expand the sampling of employees into the acquiring firm to have a stronger empirical data to analyze the difference in perceptions.

The time factor is identified as an important ingredient in the decision-making process but we didn’t go deep into it but strongly suggest incorporating time factor into the model and studying the restraints resulting from time perspective. It will also be helpful to study and observe the change in decision-making process due to cultural diversity over time and by doing a field research. To serve this purpose, longitudinal ethnographical studies can be conducted. Clearly it can be a lengthy and tedious job. However, this can contribute a great deal to identify a common workable corporate culture after an M&A that both firms can adhere to. This can create a decision-making uniformity by helping in aligning decision roles with the most important source of value, ensuring that decision are made by the right people and maybe people who live in the new setup can help design it. This all can reduce the chances of failure in M&A’s.

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8 Appendix

8.1 Interview Questionnaire

- Limitations to company information disclosure (NDA)
- Introduce the purpose of the study and how information will be used, use of tape recorder?

Introduction

- What is your current position in the company?
- Did you work in the company at the time of the merger or did you arrive later (year)?
- In what way do you cooperate with the HQ in Vienna?
- What is in your opinion typical for a Swedish employee?
- What is in your opinion typical for a Austrian employee?
- What works well and what does not work so well in this cooperation?

Decision Making

- Could you describe how the cooperation between the Swedish unit and the Austrian unit works in practice?
- Do you experience that there are different decision making processes between the units? If yes, could you describe them? (why not ask the person to write it down on a paper)
- Is it easier to agree on certain areas? (e.g., selection of business location, hiring of employees, employee benefit packages, common organization culture, leadership style, communication, etc.)?
- Did you use analytical tools (e.g. statistics) to make different decisions?
- What could have been included to facilitate decision making?
- What decisions have been easy to make?
- What is harder to agree on?
- How could communication and decision making be improved?

Cross- Cultural M&A

(For the people involved at the time of the merger)

- What were the motives for the acquisition?
- What areas were prioritized to work with after the acquisition?
- How has the acquisition influenced the culture of the Swedish organization?
- Were there any difficulties to understand the new culture? If yes, did you make attempts to solve the difficulties?
- What do you perceive to be positive or negative aspects of the cultural integration?
- Was there change in the structure? Norms? Practices of the organization?
- Were there things that you learned after the merger that helped you change your way of solving issues?
- Are there areas that are important to understand the Swedish – Austrian cooperation and that I/we have not asked about?
- Any final comment before we end the interview?