Fight Global Assimilation!

Cultural Clashes in Cross-National Mergers and Acquisitions

Master's thesis within Business Administration

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Abstract

Cross-national merger and acquisition (M&A) activity is common and is argued to be a strategic tool for the growth of multinational corporations. Yet, M&A activity has a high failure rate which theorists have explained being due to cultural clashes. Previous research has explained these clashes being due to cultural distance. Other studies have focused on the extent to which the firms are culturally integrated and its relation to cultural clashes. In this study we investigate the relation between cultural distance and the extent to which the firms are culturally integrated as we believe that this relation in turn influences how cultural clashes are perceived by managers.

As the human side of M&A has become of great interest within research we stress the importance of understanding what happens with managers in the organization during the post-acquisition process. The purpose of this thesis is therefore to investigate the managers' perception of cultural clashes, in relation to the perceived extent of cultural integration and perceived cultural distance, in cross-national mergers and acquisitions.

In order to achieve an in-depth understanding of a series of cross-national M&As and to answer the purpose of this thesis, a qualitative case study design was used. Semistandardized interviews were made with ten managers from a Swedish firm that has gone through a series of cross-national M&As involving Swiss, French and German managements.

The findings show that managers' perception of cultural clashes differs depending on to what extent two firms are culturally integrated and in relation to the cultural distance between the two firms. No matter if high or low cultural distance managers perceive few cultural clashes if the extent to which the firms are integrated is low. If the cultural integration, on the other hand, is high and the cultural distance is high, the cultural clashes are perceived as many. Our findings indicate that cultural clashes are perceived differently depending on how they affect the managerial role and the organizational behaviour. We refer to these clashes as implicit agreements and explicit statements. Clashes in implicit agreements are evolved from behaviour deeply rooted in national culture and corporate culture. These clashes have minor effects on the managerial role and the organizational behaviour. Nevertheless, managers need to be aware of the differences and adapt to the preferred behaviour when interacting with the acquiring firm's management. Explicit statements, on the other hand, affect the managerial role and organizational behaviour and lead to cultural clashes that conduce to frustration, lack of motivation and inefficiency. These clashes are more apparent when the extent of culturally integration is high. Therefore, the acquiring firm should not attempt to assimilate its target company in cross-national M&As.

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1   Introduction

This chapter will provide a background to the topic of interest. Prior research as well as the importance of this study will be discussed guiding the way to the purpose of this study.

Cross-national merger and acquisition (M&A) activity has increased significantly and it is argued to be a major strategic tool for growth of multinationals (Cartwright & Cooper, 1996). Unfortunately, studies show that there is a high failure rate among corporations that use M&As as a growth strategy. Pritchett (1985, in Kleppestø, 1993) argues that the chances of success are as great as the risks of failure, and when it comes to cross-national M&As the failure rate has been argued to be even higher (Fortsmann, 1998).

Prior to the 1980s most research on M&As had focused on strategic, financial and operational consequences of M&As (Bouno, Bowditch & Lewis, 2002). Discussions concerned the strategic fit between companies and that such fit would increase the possibilities for success (e.g. Jemison & Sitkin, 1986; Haspeslagh & Jemison, 1991). However, in the mid 1980s an interest of the human side of M&As, and the issue of organizational fit began to emerge. Theorists argue that acquisitions is one of the most traumatic processes among industrial changes (Nicandrou, Papalexandris & Bourantas, 2000), and that it should not be forgotten that the mergers of two organizations is the merger of individuals and groups (Bouno et al., 2002). A central conclusion by theorists is that cultural clashes are to be seen as that main reason for M&A failures (Cartwright & Cooper, 1996; Bouno & Bowditch, 1989; Risberg, 1997; Kleppestø, 1993).

A lot of research has been done on issues concerning cultural clashes and it has been shown to be very difficult to integrate and coordinate two separate cultures. Most theorists have focused on cultural clashes occurring in domestic M&As (e.g. Cartwright & Cooper, 1993; Nahavandi & Malekzadeh, 1988; Weber, 1996), and a few have focused on national cultural aspects of M&A (e.g. Kogut & Singh, 1988; Mosrosini, Shane & Sight, 2002). However, there is a lack of research concerning both national and corporate cultural clashes in cross-national M&A (Gertsen, Søderberg & Torp, 1998; Larsson & Risberg, 1998; Weber, Shenkar & Raveh, 1996). Due to this lack of research the point of departure in this thesis is to investigate cultural clashes in cross-national M&As.

In cross-national M&As both corporate and national culture are argued to affect the outcome of the merger (Larsson & Risberg, 1998). Kogut and Singh (1988) define national cultural distance as the degree to which cultural norms in one country differ from cultural norms in another country. These, differences result in different administrative and organizational practises, but such practices may also vary between corporate cultures in the same country (Philippe, Lubatkin & Caroli, 1998) and thus corporate cultures may be distant. A frequent conclusion is that M&As where the cultural distance is high, i.e. where the cultural fit is low, experiences more cultural clashes than those were the distance is low (Bouno et al., 2002; Jemison & Sitkin, 1986). Nevertheless, Cartwright and Cooper (1993) found in a study of domestic M&As that not only the cultural fit matters, but also the extent to which the firms are integrated. They found that if two firms are not to be highly integrated cultural fit may not be necessary. However, if the two firms are to be highly integrated cultural fit may not be enough for a successful outcome. Datta (1991), on the other hand, argues that incompatibilities in management style have a negative impact on the performance no matter high or low level of integration. Consequently, theorists have different views on the relation between cultural clashes and the extent to which the acquired company is to be in-

tegrated into the structure and culture of the acquirer (Cartwright and Cooper, 1993; Datta, 1991).

In M&As two either very similar or very different management groups are brought together (Risberg, 1999). This issue becomes of even more importance in cross-national M&As as Newman and Nollen (1996) conclude that incompatibility in national culture has a negative affect on the performance of the firm. The stress and frustration evolved from cultural clashes are suggested to influence managers' commitment, cooperation, satisfaction and productivity (Philippe et al., 1998). However, Larsson and Risberg (1998) found it to be less cultural clashes in cross-national M&As than in domestic M&As. They believed that this is due to that increased cultural awareness diminishes cultural clashes in cross-national M&As. Consequently, cultural fit may not be necessary if one only is aware of the differences. This is similar to the findings by Weber et al. (1996) that suggest that national cultural distance better predicts stress and negative attitudes towards the merger and therefore the managers' commitment and cooperation with the acquiring firm is not negatively affected to the same extent as in domestic M&As.

As some theorists argues that a lack of cultural fit creates difficulties in the post-acquisition process whilst some theorists argue that the extent to which the firms are to be integrated is determining the outcome, we find it interesting to investigate the relation between how culturally distant two firms are and the extent to which the acquired firm's culture is to be integrated into the culture of the acquirer's in cross-national M&As. Furthermore, Risberg (1999:31) argues that *"if one wants to understand what happens to the organization during the post-acquisition process one needs to understand how the individuals experience the process".* We therefore find it important to investigate the acquired managers' own perceptions on how a series of M&As have influenced their managerial role and organization depending on to what extent the firms have been integrated and depending on the cultural distance between the merging firms. In order to understand this relation this study is based on the acquired managers' perceptions from one Swedish firm that has gone through a series of M&As of which the last three have been M&As involving Swiss, German and French management.

1.1   Purpose

The purpose of this thesis is to investigate managers' perception of cultural clashes, in relation to the perceived extent of cultural integration and perceived cultural distance, in cross-national mergers and acquisitions.

2 Frame of Reference

This chapter contains theories of M&A, culture, integration modes and cultural clashes. The chapter ends with a theoretical discussion where a conceptual model and research questions are presented.

In order to meet the purpose of this thesis, the structure of this chapter is as follows. Firstly, theories needed to give a necessary background concerning the concept of *mergers and acquisitions (M&As)* and the importance of *the post-acquisition process* is discussed. Thereafter, the culture concept is presented. Although corporate culture is in many ways different from national culture (Hofstede, 1997) we believe that the concepts are interrelated and difficult to separate when investigating cross-national M&As (see for example Philippe et al., 2000). To increase this understanding, we will present theories of both *corporate and national culture*. Along with Morosini et al. (2002), Weber et al. (1996) and as suggested by Larsson and Risberg (1998), Hofstede's (1980) dimensions will in this chapter be discussed theoretically and build a foundation for analyzing national cultural distance as well as cultural clashes between the countries and companies of interest in this thesis. In order to investigate the extent to which firms are integrated, a *theory of integration* that is especially relevant in the cultural context of M&As is presented. Thereafter, prior research and theories of *cultural clashes and its consequences* are presented. To sum up, the frame of reference ends with a *theoretical discussion* where we present a conceptual model as well as the research questions that will help us to fulfil the purpose of this thesis.

2.1 Mergers and Acquisitions

Mergers and Acquisitions are two legally different transactions. A merger can be defined as a constitutional combination of two or more firms by transferring all assets to one of the firms or by merging the firms to one single enterprise (Gertsen et al., 1998). An acquisition, on the other hand, is different from a merger as one organization buys enough shares in order to gain total control over the other firm (Cartwright & Cooper, 1992; Gertsen, et al., 1998). An acquisition may be friendly or hostile depending on how it is perceived by the management and the stakeholders of the acquired company. In an acquisition the acquiring firm has a dominant position and power over the acquired firm, whereas, power relations in mergers differ from case to case. Despite of these differences M&A are often discussed together in literature and distinctions between the two types of corporate combination are seldom made (Gertsen et al., 1998; Risberg, 1999). For the sake of simplicity M&A will be used interchangeably in the theoretical part of this thesis.

2.1.1 The Post-Acquisition Process

Researchers within the field of M&A suggest different reasons why M&As may not live up to expectations. The underlying reasons for this problem are found to be evolved from difficulties due to lack of organizational fit, such as clashes in management style (Datta, 1991; Weber & Schweiger, 1992) or lack of cultural fit (Nahavandi & Malekzadeh, 1988), issues that in turn obstruct the post-integration performance. Organizational fit can be defined as the match between administrative practices, cultural practices and personnel characteristics of the acquiring and the acquired firm. These factors may affect in what way the firms can be integrated concerning their day-to-day activities (Jemison & Sitkin, 1986). Further they define the strategic fit to which the acquired firm 'augment' or 'complements' the acquiring firm's strategy and in that way contribute to both the financial and non-financial goals of the acquiring firm.

Investigating the relationship between differences in management style and post-acquisition performance and whether this relationship depends on the extent of integration Datta (1991) found that differences in management style have a negative impact on acquisition performance even in acquisitions characterized by low integration. He explains that even if it is decided to keep the management groups separate it is usually not the case in practice as the acquired firm is subjected to very close control and fundamental changes are implemented. Risberg (1999) emphasizes that the integration can also lead to cultural clashes and may therefore obstruct a successful outcome. Datta (1991) stresses that the most important to consider in the post-acquisition process are differences in management styles and in corporate culture. These incompatibilities between the two firms may, according to Lubatkin (1983), obstruct the possible benefits of a merger. Weber et al. (1996) recommends that the management of an acquisition must focus as much on cultural fit during the post-merger integration process as they do on the strategical fit and financial factors. Lacking cultural fit may undermine the goal of achieving synergy between the two firms which may be the actual reason of the merger (Weber et al., 1996).

2.2   Culture in the Work Place

The culture concept is not only deep but also wide and complex (Schein, 1992). People carry their cultures, ways of thinking and behaving, with them into the work place (Hofstede, 1997). The ways in which a firm typically addresses aspects of organizing its business activities vary significantly in different countries and these variations have been shown to be in direct association with national cultural distance between organizations in different countries (Hofstede, 1997). However, *"no nation is so pure as to have all its members sharing a single dominant viewpoint"* (Philippe et al., 1998:86). Therefore, deviations from Hofstede's dimensions are possible, which may be related to the unique corporate culture of the firm (Schein, 1992). Therefore, this section will start by presenting theories of corporate culture and thereafter Hofstede's (1980) work on comparative culture is presented.

2.2.1   Corporate Culture[1]

To define corporate culture is neither straightforward nor easy to grasp. There are multiple definitions of the concept and anthropologists have proposed at least 164 different definitions of culture (Howard, 1998). Many researchers of corporate culture define culture as something people in the organization *share* (Deal & Kennedy, 1982; Nahavandi & Malekzadeh 1988; Peters & Waterman, 1982; Schein, 1992), or as a social or normative *glue* that holds the organization together (Bouno & Bowditch 1989; Cartwright & Cooper, 1996).

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[1] Organizational Culture versus Corporate Culture

The concepts of organizational culture and corporate culture can be argued to differ although the concepts often are used interchangeable in literature. If one is to make a distinction, organizational culture can be seen as the whole or as Pettigrew (1979) put it, that organizational culture consists of collective manifestations, which establish meaningful connections between the past, present and future. Within an organizational culture specific subcultures or groups which share common bases for identification and protect the interests of their members may emerge. The dominant subculture, the subculture that have gained acceptance of their views within an organization, is often referred to as the corporate culture (Deal & Kennedy, 1982; Peters & Waterman 1982; Rodrigues, 2006). For the sake of simplicity the concept of corporate culture will henceforth primarily be used when referring to both organizational and corporate culture.

Corporate culture tends to be unique to a particular organization and it is argued to be shaped by its members' shared history and experiences (Schein, 1992). Culture is a powerful determinant of individual and group behaviour, it affects the way in which people interact with each other, the way work is performed, they way people dress, the way decisions are made etcetera. In other words, the corporate culture affects practically all aspects of organizational life (Bouno et al., 2002; Cartwright & Cooper, 1996), and can be defined as *"the ways in which things get done within an organization"* (Cartwright & Cooper, 1996:61).

Researchers have developed several frameworks for defining the type of different corporate cultures (e.g. Deal & Kennedy, 1982; Harrison, 1972; Trompenaars, 1993). However, in this thesis the primary interest is not to investigate what types of corporate cultures that are merged[2], but rather to understand how culture may influence people in M&As.

To understand a culture one has to be able to make sense of the many ways in which it manifests itself. Schein's (1992) view of culture is commonly accepted by most researchers and widely cited. Schein (1992) sees culture as operating at three levels. The first level consists of *basic assumptions* which are the ground for every culture. These assumptions are taken for granted and invisible. However, the assumptions are reflected in *values and beliefs* which is the second level and have a greater level of awareness. The third level consists of *artefacts* which are visible and easy to identify, but difficult to interpret without understanding the underlying logic. Smircich (1983) covers broadly the same ground as Schein, but in five stages. Lees (2003) has adapted the theories from Schein and Smircich and conducted a model of culture that is especially relevant for mergers and acquisitions (see table 2-1).

Table 2-1 Five levels of corporate culture (Smircich, 1983 & Schein, 1985 in Lees, 2003:199)

Level	*Examples*
1. Artefacts and creations	An organization's architecture, office layout, technology and products.
2. Structures and behaviour	An organization's structure, leadership and management style, degree of centralisation, levels of risk-taking, reward systems, dress code, in-house jargon, gender and ethnic mix of staff.
3. Justifications and values	Shared logic and explanations about the world, about competitors, about own strengths and weaknesses, espoused (stated) values and beliefs, and justifications (or 'becauses') for action and non-action.
4. Meanings and symbols	Shared meanings known only to organizational members. Meanings of logos, budget sizes, car size, office locations, perks and similar; the personal significance of mission and values and myths and heroes; meaning of action and what action signals.
5. Unconscious assumptions	Taken-for-granted assumptions that have been learned and so habitually reinforced that they slip out of conscious recognition, some national, some organizational.

Lees (2003) argues that the most visible and tangible *expressions* of an organization's culture are the artefacts and creations (level 1). An organization's architecture and office layout may, for example, say something about the thinking of the firm. Furthermore, the structures and behaviour (level 2), which include the most visible *behavioural patterns* of an organization may say something about the organization's structure, management style and the degree of centralization. Nevertheless, further depth is needed in order to understand the

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[2] For such investigation in relation to M&As see, for example, Cartwright and Cooper (1993; 1996).

underlying logic of these two levels. In the third level of Lees' (2003) model, one can find the stated 'whys' of action or non action, and in the fourth level, meanings and symbols shared by members of a culture, are to be found (Lees, 2003). The deepest level of Lees' (2003) model is what he calls unconscious assumptions, these assumptions are taken for granted and *"so habitually reinforced that they slip out of conscious recognition"* (Lees, 2003:199).

Since the corporate culture is argued to be deeply embedded in the organization's history and in the behaviour of the employees, corporate culture creates difficulties when implementing change in M&A (Lees, 2003). Melewar and Wooldridge (2001) argue that corporate culture can not be easily manipulated. Laurent (1986, in Weber et al., 1996), on the other hand, argues that it is possible to change artefacts and values and beliefs, but it is not possible to affect the underlying assumptions because they are derived from one's national culture.

2.2.2   National Culture in the Workplace

Kogut and Singh (1988) define national cultural distance as the degree to which cultural norms in one country are different from those in another country. A landmark in the research of national culture, and cultural differences, is Hofstede's (1980) work on comparative culture[3], where he conducted a field survey of over 116 000 IBM employees across 40 countries. Hofstede (1980:21) defines culture as *"collective programming of the mind which distinguishes the members of one human group from another"* and proposes that cultural differences between nations can be described along four dimensions[4]. These dimensions, *power distance, individualism, uncertainty avoidance* and *masculinity* can be used to identify differences that can affect the post-acquisition process in cross-national acquisitions[5] (Larsson & Risberg, 1998; Morosini et al., 2002; Weber et al., 1996).

Table 2-2 below, shows the results of Hofstede's (1980) study for the four countries of interest in this thesis, namely, Sweden, Switzerland, France and Germany. The remaining part of this section will explain its meaning.

Table 2-2 Culture Dimension Index Scores (Hofstede, 1980)

Country	Power Distance		Individualism		Masculinity		Uncertainty Avoidance	
Sweden	Low	31	Individualism	71	Feminine	5	Low	29
Switzerland	Low	34	Individualism	68	Masculine	70	High	58
France	High	68	Collectivism	34	Feminine	43	High	86
Germany	Low	35	Individualism	67	Masculine	66	High	65

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[3] Despite the limitations of Hofstede's cultural dimensions, such as that the cultural dimensions are not universally valid (Gertsen & Søderberg, 1998) we have chosen to use his model as a theoretical ground for the analysis of cultural distance and cultural clashes.

[4] Hofstede later introduced a fifth dimension, time orientation, which considers a society's long-term versus short term orientation or the importance attached to the future versus the past and present. However, since neither Switzerland nor France is included in Hofstede's research on this dimension it will not be included in this thesis.

[5] Important to underline is that the four dimensions do not constitute culture. They are offered as tools for comparing important aspects of culture (Hofstede, 1997), aspects that can be of particular importance for management in M&A's.

Power Distance

The first dimension, power distance is defined as *"the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally"* (Hofstede, 1997:28). Hofstede (1997) argues that there is inequality in any society, however, countries differ in the way it handles inequality. In the power distance index (PDI) a high score suggests that there is a large power distance between subordinates and bosses in organizations. A low score, on the other hand, indicates small power distance and that there is a limited dependence of subordinates on bosses (Hofstede, 1997).

As can be seen in table 2-2 France has a relatively high score (68) on the PDI compared to Sweden, Switzerland and Germany which have relatively low scores (31, 34 and 35 respectively). This would according to Hofstede (1980) mean that French organizations are more centralized and have taller organizational pyramids than Swedish, Swiss and German organizations. In Swedish, Swiss and German organizations managers are seen as making decisions after consulting with subordinates. Employees are less afraid of disagreeing with their boss, than in French organizations where decision making is made on a higher level of the organization and employees often fear to disagree with superiors (Hofstede, 1980).

Individualism versus Collectivism

Individualism versus collectivism is what Hofstede (1980) calls his second dimension. Extreme individualism is the total opposite to extreme collectivism. Individualism refers to the extent to which *"everyone is expected to look after himself and his immediate family"*. Collectivism, on the other hand, refers to *"societies in which people from birth and onwards are integrated into strong, cohesive ingroups, which throughout people's lifetime continue to protect the in exchange for unquestioned loyalty"* (Hofstede, 1997:51). As an example management in an individualistic society is the management of individuals. If incentives for example are given these should be linked to an individual's performance, not to the group as in a collectivistic society (Hofstede, 1997).

In a similar manner as in the power distance index France differs much from Sweden, Switzerland and Germany when it comes to the individualism versus collectivism dimension. This is not very surprising as Hofstede (1980) argues that individualism often is negatively correlated with power distance. France has a relatively low score (34) on the individualism index (IVD) which indicates that it is a collectivistic society, whereas, Sweden, Switzerland and Germany has relatively high score (71, 68 and 67 respectively) indicating that these society's are individualistic (Hofstede, 1997). In low IVD countries, such as France, employees believe that training and the use of skills are important. Managers are more 'traditional' and not very compassionate of employee initiative and group activity; nevertheless, decisions are preferably made at a group level. In more individualistic societies such as Sweden, Switzerland and Germany more importance is attached to freedom and challenging jobs. Managers endorse 'modern' management ideas and encourage employee initiatives and group activity; yet, individual decisions are considered better than group decisions (Hofstede, 1980).

Masculinity-Femininity

As can be seen in table 2-2, the four country scores on *masculinity-femininity* dimension differ quite a lot. Hofstede (1997:82-83) argues that masculinity *"pertains to societies in which social gender roles are clearly distinct"* and femininity *"pertains to societies in which social gender roles overlap."* In masculine societies', recognition, advancement and a challenging work are the factors Hofstede (1980) finds to be the most important. Whereas having a good working relation-

ship with your superior, cooperation, employment security and to live in a desirable area are the most important factors for feminist societies (Hofstede, 1980). Sweden scores 5 in the masculinity index (MAS) indicating that it is a highly feminine society. None of the other countries investigated in this thesis are even close to be as feminine as Sweden. The country closest to Sweden of the other three is France which scores 43 on MAS. France can thereby also be considered as feminine but only to a moderate extent. Germany and Switzerland, on the other hand, are considered to be relatively masculine societies as they score 66 and 70 respectively on the MAS index (Hofstede, 1980). As a consequence, managers in Sweden will in accordance to Hofstede's (1997) theory be more people oriented and less concerned for money and things than in the other three countries covered in this thesis. In Sweden it is, for example, usual that one solve conflicts by negotiation and compromise, whereas one in masculine societies solve conflicts through letting *"the best man win"* in a good fight (Hofstede, 1997:92). The masculine manger is according to Hofstede (1997) assertive, decisive and 'aggressive'. On the contrary, the feminine manager is accustomed to seeking consensus and is intuitive rather than decisive. Hofstede (1997) argues that the feminine manager is rather invisible, in opposite, managers' in masculine society is argued to be slightly macho.

Uncertainty Avoidance

The fourth dimension Hofstede (1980) investigated concerns the tolerance of ambiguity in different societies. He refers to it as uncertainty avoidance which can be defined as *"the extent to which the members of a culture feel threatened by uncertain or unknown situations"* (Hofstede, 1997:113). One of the key differences between weak and strong uncertainty avoidance is the establishments of law and rules, where cultures with weak uncertainty avoidance have few and general laws and rules, whereas strongly uncertainty avoiding cultures establishes many and precise laws and rules (Hofstede, 1997). Important to highlight is that uncertainty avoidance is not to be confused with risk avoidance. Uncertainty avoiding cultures look for structure in their organizations to make events interpretable and predictable; however, they are still often prepared to engage in risky behaviour (Hofstede, 1997).

Among the three countries of interest in this thesis, Sweden is the only one with weak uncertainty avoidance (UAI score 29). This means that, for example, hierarchical structures of organizations can be bypassed for pragmatic reasons in Sweden. This would not happen in Switzerland, or Germany and especially not in France as they score high on the UAI (58, 65 and 86 respectively) and thereby prefer clear and respected organizational hierarchies. Furthermore, organizations in Sweden have fewer written rules and less structured activities. Managers in weak uncertainty cultures, such as Sweden, are also more interpersonal oriented and flexible in their style and they are more willing to make individual and risky decisions than in organizations in societies with high uncertainty avoidance (Hofstede, 1980).

2.3   Cultural Integration

For a successful post-acquisition process many existing theories often assume that one of the two corporate cultures should be assimilated to the other (Datta, 1991; Bouno et al., 2002). There are several theories on how to classify the extent to which two firms are integrated in M&As (e.g Cartwright and Cooper's 'marriages', 1992; 1993; 1996). For this thesis we have chosen to present and make use of Nahavandi and Malekzadeh's (1988; 1998) theory of adaptation and acculturation in M&As as this theory is especially relevant in the cultural context of M&As. Therefore, the following section will present the 'modes of acculturation' they propose.

2.3.1 Mode of Acculturation

The concept of acculturation is central to the study of contacts between cultures (Gertsen et al., 1998) and is therefore of interest in the context of this thesis. Many researchers (e g. Cartwright & Cooper, 1996; Nahavandi & Malekzadeh, 1988) within the field share Berry's perception of acculturation. Berry (1980:215, in Nahavandi & Malekzadeh, 1988) defines acculturation as *"changes induced in (two cultural) systems as a result of the diffusion of cultural elements in both directions."* In other words, he means that when individuals from two cultures come together a change occurs whereby individuals adapt or react to the other culture. He views acculturation as an adaptation process through which conflicts between two cultures are reduced either by integration, separation, assimilation or deculturation.

The first two of these modes involve the preservation of the culture of the acquired organization. *Integration* leads to structural assimilation of two cultures, but little cultural and behavioural assimilation (Berry, 1983 in Nahavandi & Malekzadeh, 1988). Integration does not involve loss of cultural identity by either company. The acquired company maintains it basic assumptions, beliefs and other cultural elements which make them unique, but it is integrated into the structure of the acquiring firm. *Separation,* the second mode which Berry identifies, means that there will be minimal cultural exchange between the two organizations and each will function independently (Nahavandi & Malekzadeh, 1988).

The third and fourth modes require more changes. When *assimilation* occurs, the acquired company will adopt its structure as well as its identity, cultural and behavioural assumptions to that of the acquirer. The fourth mode, of acculturation Berry (1983, in Nahavandi & Malekzadeh, 1988) proposes, is that of *deculturation*. This mode involves a loss of identity and a great deal of confusion as the members of the acquired company lose cultural and psychological contact with both their own group and the other's (Berry, 1983, in Nahavandi & Malekzadeh, 1988).

Nahavandi and Malekzadeh (1988) build on Berry's theory and argue that the preferred mode of acculturation and of the approach towards implementation of the merger, from both the acquiring company and the acquired company, determines the course of acculturation. From the acquiring company's point of view the *diversification strategy* (i.e. the degree of relatedness of firms' business) and the extent to which the company is *multicultural* (i.e. if the organization values cultural diversity) determines their preferred mode of acculturation (Nahavandi & Malekzadeh, 1988) (see figure 2-1). If the firms involved in a merger are related in terms of business activities, the acquirer is more likely to impose its own culture and practices on the acquired firm, than if the acquisition is unrelated (Walter, 1985 in Nahavandi & Malekzadeh, 1988). When it comes to the degree of multiculturalism a firm that is unicultural is more likely to impose its own culture and management systems on a new acquisition than one that is multicultural (Nahavandi & Malekzadeh, 1988). From the acquired company's point of view the preferred mode of acculturation depends on the *attractiveness of the acquirer* and *how much the members of the acquired firm value preservation of its own business* (Nahavandi & Malekzadeh, 1988) (see figure 2-2).

Nahavandi and Malekzadeh (1988) do not argue that a certain mode of acculturation is better than another. According to their theory the importance for a successful implementation of the M&A is that the two firms agree on a mode as this congruence will reduce the acculturative stress otherwise experienced. In other words, it will reduce the disruptive tension felt by members of one culture when they are required to adapt to another culture (Berry, 1983, in Navahadi & Malekzadeh, 1998; Philippe et al., 1998).

	Culture: Degree of Multiculturalism	
	Multicultural	Unicultural
Diversifica-tion strategy: Degree of Relatedness of Firms — Related	Integration	Assimilation
Unrelated	Separation	Deculturation
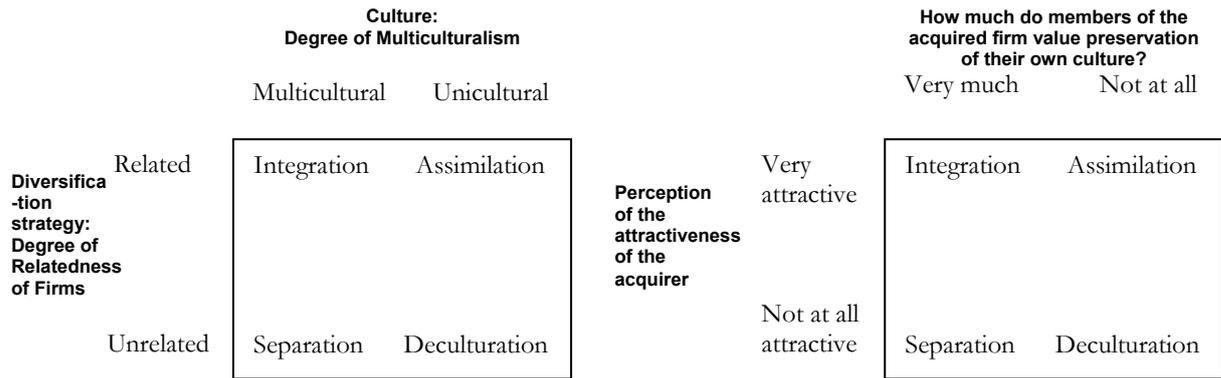
Figure 2-1 Acquirer's modes of acculturation.

	How much do members of the acquired firm value preservation of their own culture?	
	Very much	Not at all
Perception of the attractiveness of the acquirer — Very attractive	Integration	Assimilation
Not at all attractive	Separation	Deculturation

Figure 2-2   Acquired firm's modes of acculturation

Ten years after their first theory of acculturation Malekzadeh and Nahavandi (1998) discuss their model in the context of cross-national M&As. In this later article they argue that neither assimilation nor deculturation are possible modes for acculturation in cross-national M&A. This is so because these modes mean that people in the acquired firm would have to give up national cultural elements which they are not likely to do. To assimilate two corporate cultures may be possible, but employees of the acquired company will not assimilate to the national culture of the acquiring firm no matter how high the incentives to do so are. Neither would employees lose its national roots due to an acquisition, in the same way as it is possible to lose the sense for organizational identity, and thereby deculturation is not possible (Malekzadeh and Nahavandi, 1998).

Cartwright and Cooper (1993) use the acculturation modes proposed by Nahavandi and Malekzadeh (1988) in their study of cultural fit between companies in M&As. One argument they put forward is that if the acquiring company proposes an *assimilation* mode of acculturation but members of the acquired company refuses to abandon their culture, *separation* may occur. Furthermore, Cartwright and Cooper (1993) argue that *integration* and *separation* are the two acculturation modes which have the highest potential for cultural clashes. Due to that these are the only two modes that can exist in cross-national M&As (Malekzadeh and Nahavandi, 1998), the connection between mode of acculturation and cultural clashes becomes a matter of high importance in this study.

2.4   Cultural Clashes

Many researchers see problems of integration and acculturation, as described above, as caused by cultural clashes due to cultural differences (e.g., Nahavandi & Malekzadeh, 1988; Jemison & Sitkin, 1986; Bouno et al., 2002; Risberg, 1997). A cultural clash is commonly defined as *"clashes between two different structures of norms and values"* (Kleppestø, 1998:148). In the following section, a review of theories and research regarding cultural clashes will be outlined. Thereafter, post-acquisition consequences of cultural clashes, for employees and the organization, are presented.

2.4.1   National Cultural Clashes

Studies investigating cultural clashes at only the national cultural level are rare. Some studies that focus on the national cultural level investigate the effects of national cultural distance on cross-national M&As. Nevertheless, also those have received little attention in lit-

erature (Morosini et al., 2002). Kogut and Singh (1988) argue that differences in national culture result in different organizational and administrative practices and employee expectations. Therefore, the more culturally distant two countries are, the more distant are their organizational characteristics on average and cultural clashes may occur (Kogut & Singh, 1988). In contrast, Morosini et al. (2002) found that cross-national acquisitions, where the distance between the national culture of the acquiring firm and the acquired firm was large, performed better than those where the countries of origin were culturally close. They explain this by the fact that two companies can achieve competitive advantage when they acquire each others' routines and repertoires.

2.4.2   Corporate Cultural Clashes

The underlying assumption by most theorists within the field is that high levels of corporate cultural distance between firms lead to cultural clashes in the post-acquisition process (e.g. Bouno et al., 2002; Jemison & Sitkin, 1986). What these theorists generally suggest is that the corporate cultures of the two companies should be similar and thus 'fit' well together in order to avoid clashes.

One of the most cited studies of cultural fit at the corporate level is that of Cartwright and Cooper (1993). In their study they investigated what corporate culture types that are most likely to work together. Their research showed that if the organizations are *not* to be assimilated, the two corporate cultures do not necessarily have to be similar. If the companies, on the other hand, *are* to be assimilated, then fit is not necessarily enough for success. As an example, their findings showed that if both corporate cultures are power cultures[6], the outcome of the merger is expected to be problematic although the corporate cultures are similar (Cartwright & Cooper, 1993). Subsequently, they found that, not only cultural fit but also, the degree of integration between the firms matters in domestic M&As.

2.4.3   National and Corporate Cultural Clashes

Larsson and Risberg (1998) comparatively explored the relative impact of national and corporate culture clashes on employee reactions and performance in M&A. Larsson (1993, in Larsson & Risberg, 1998) had previously argued that similar corporate cultures may not be sufficient if national cultures are conflicting. Therefore, Larsson and Risberg (1998) supposed that cross-border M&A with different corporate cultures would experience dual (national and corporate) cultural clashes, and in contrary, domestic M&As with similar corporate cultures were supposed to experience less culture clashes than such M&As that involve dissimilar corporate and national cultures. Surprisingly, their research on cultural clashes indicated the opposite. Namely, that cross-national M&As with different corporate cultures in fact had the least amount of cultural clashes. Larsson and Risberg's (1998) explanation of their result is that of 'increased awareness'. They mean that cultural awareness is greater in cross-national M&As than in domestic M&As where cultural issues may be taken for granted. This increased awareness in cross-national M&As creates greater efforts, and thus cultural clashes are diminished according to Larsson and Risberg (1998).

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[6] The *Power Culture* is one out of four culture types proposed by Harrison (1972). The power culture is characterised by centralization of power and a management style that is highly commanding.

2.4.4   Consequences of Cultural Clashes

The acquisition brings together two management groups of two different organizations whose management style can be either similar or very different (Risberg, 1999). What usually happens is that the acquiring firm imposes its management style on the acquired firm (Datta, 1991) that is expected to adapt to the acquiring firm (Jemison & Sitkin, 1986; Risberg, 1999). Datta (1991) describes management styles as something unique to an organization that differ between organizations when it comes to the management team's attitude towards risk taking, decision making and communication patterns.

Where the Clashes Occur

The difficulties occurring due to differences in management style can be related to the corporate culture. Hatch and Schultz (1997) describe the managers as participants in, and symbols of, their corporate culture. They further emphasize that *"culture manage managers rather than the way around"* (Hatch & Schultz, 1997: 360). This shows that managing culture is difficult but changing management style also becomes difficult as it is so closely related to the corporate culture. Individuals react differently depending on how they are affected by the change. Risberg (2000) suggests that understanding the individual's reaction towards the post-acquisition process is contextualized. The company's history for example can affect how someone reacts towards change. This can be issues related to previous change experiences.

Changing management style implies difficulties as it is rooted in the national and corporate culture. The top management's approach to decision making and the extent to which the management encourages subordinates to participate in decision making also differs between management styles in different organizations (Datta, 1991). These differences may evolve from for example power distance which influences the amount of formal hierarchy as well as the level of centralization (Newman & Nollen, 1996). Differences in decision making are related to Mintzberg's (1983) definitions concerning centralization and decentralization. Opposed from a centralized structure where the power for decisions belongs to one single point, a decentralized structure shares power for decision among organizational members. Having centralized or decentralized structure is a matter of efficiency. Decentralization for instance helps the organization to quickly respond to local conditions and also stimulates motivation which is a key factor in most managerial jobs, while centralization is useful when there is a need for coordination (Mintzberg, 1983).

Furthermore, differences in reward and evaluation system are related to how performance is measured in the organization. These systems may differ significantly across firms, which implies that managers that are used to for example achieve performance bonus will have difficulties to adapt to more bureaucratic systems and vice-versa. As these systems are part of the corporate culture they are difficult to change. Reward systems are also used as a tool to reinforce values, beliefs and practises in an organization (Datta, 1991). He further concludes that differences in reward and evaluation systems do not have a negative impact on the post-acquisition performance to the same extent as problems evolved from incompatible management styles. He therefore believes that managers more easily adapt to differences in reward and evaluation systems. However he stresses on the relationship between differences in management style and reward and evaluation systems. Reward systems in an organization with a high risk-taking management style are likely to be different from one organization with risk-averse culture. Merging two organizations with these differences will imply difficulties in the integration process (Datta, 1991).

Differences in management style are also associated to the level of flexibility in the organization. One organization might prefer informal control and open channels of communication, while others prefer greater operating control, structured forms of communication channels and well defined role descriptions (Datta, 1991). Differences in organizational structure, therefore involves more than just a change of structure on a piece of paper. As Whittington and Mayer (2000) discuss, structures are more than simple lines on organizational charts. Structures are about relationships between people as they bring people together and indicate what can be done and what can not be done. Organizational structure implies systems of control and accountability. After an acquisition the control of the business may not any longer be in the hands of the managers in the acquired company. Unclear boundaries between responsibility and authority may lead to difficulties of the acquired managers to know when and how they can make decisions (Risberg, 1997) and who to turn to when obtaining information and advice (Kleppestø, 1993).

What are the Consequences?

Researchers within M&A have different opinions on how cultural differences such as differences in management style affect the managers, their performance as well as the performance of the firm. Weber et al. (1996) focused on top management attitudes and behaviour during the post-acquisition process. Their findings suggest that high *corporate* cultural differences lower top management's commitment to and cooperation with the acquiring firms top management team in domestic M&As, but not in cross-national M&As. In cross-national M&A they found that the differences in *national* culture better predict stress, negative attitudes towards the merger, and actual cooperation, than corporate cultural differences do. In other words, in cross-national M&As the differences may be expected and the managers of the acquired firm are therefore less likely to resist changes (Risberg, 1999).

Other studies show the relation between national differences in management style and the performance of the firm. Newman and Nollen (1996) conclude in their study, also based on a work done by Hofstede, that a business performs better when management style are compatible with the national culture. They therefore argue that management style should be adapted to the local culture in order to achieve greater effectiveness. For instance, management's encouragements of employee participation in countries with low power distance might improve profitability of work units. The same outcome is gained by motivating individual employee contributions in individualistic countries, while it would worsen the profitability in collectivistic countries. Other differences in management style such as the use of merit-based pay and promotion should improve profitability in Anglo and Germanic countries but worsen in feminine countries such as the Nordic countries (Newman & Nollen, 1996). Weber (1996) explored the relationship between cultural differences in top management teams, effectiveness and financial performance. He found that the acquired managers *perception* of cultural differences are negatively associated with the effectiveness of the post-acquisition process, however the cultural differences do not affect the financial performance. Consequently, he concludes that that M&As may be financially successful despite cultural differences, yet managers may perceive that cultural differences lowers the effectiveness of the integration process.

The national culture is a central organizing principle of employees' understanding of work and how they approach to it and in what way they expect to be treated. When management style is incompatible with the deep rooted national values, employees are likely to feel dissatisfied, uncomfortable and uncommitted in the workplace (Newman & Nollen, 1996). Furthermore, the loss of autonomy evolved from the intervention of the acquiring firm's top managers, by imposed standards, rules and expectations, may evoke stress and negative

attitudes among the acquired top managers which in turn obstructs the integration process (Weber & Schweiger, 1992). For some managers the differences are too great which according to Risberg (1999) are leading to that the managers from the acquired firm leave the company after the acquisition. This is discussed by theorists as management turnover of an acquisition (Risberg, 1997; Walsh, 1989).

Acculturative stress is another concept frequently used among researcher within the field. It is defined as a disruptive tension that is felt by members of one culture when they are required to adapt to another culture (Berry, 1983, in Navahadi & Malekzadeh, 1998; Philippe et al., 1998). Philippe et al., (1998) among others assumes that the potential for acculturative stress is higher when there are large differences between the two cultures in M&A, and it is more likely to occur in cross-national M&A as both corporate and national cultures may differ (Philippe et al., 1998). However, their findings indicate that some cultural problems are greater in domestic M&As than in cross-national M&As. They further assume that as the acculturative stress decreases, the performance will increase, since acculturative stress is argued to influence commitment, cooperation, satisfaction and productivity of employees. Their findings support this assumption, yet their results are unfortunately inconclusive as they can not tell whether the influence acculturative stress has on performance are country or culture specific.

2.5   Theoretical Discussion

Research on *national culture* is inconclusive and somewhat diffuse as some argue that cultural fit is important (e.g. Kogut & Singh, 1988) whereas others believe that cross-national acquisitions tend to perform better when the routines and repertoires of the acquired firm's country of origin are more distant than those of the acquiring firm's (e.g. Morosini et al., 2002). The same can be said about research regarding *corporate cultural* clashes as many authors argue that cultural fit is crucial for a successful M&A (e.g. Bouno et al., 2002; Jemison & Sitkin, 1986), whereas other mean that this is not necessarily true (e.g. Cartwright & Cooper, 1996; Weber, 1996). Research regarding *both national and corporate culture* suggests that cultural clashes are less destructive in cross-national M&As as firms may benefit from the awareness of the cultural differences (Larsson & Risberg, 1998; Weber et al., 1996). In cross-national M&As we believe that both national and corporate culture are crucial to consider. However, as Philippe et al. (1998) could not tell whether their results were country or culture specific, we believe that the two concepts are difficult to separate and will therefore henceforth not attempt to do so.

Many researchers see the problems of integration and acculturation as caused by cultural clashes due to cultural differences (e.g. Nahavandi & Malekzadeh, 1988; Jemison & Sitkin, 1986; Bouno et al., 2002; Risberg, 1997). National culture delimits the options available for integration of the two companies. According to Malekzadeh and Nahavandi (1998) two companies with dissimilar national cultures can only be integrated or separated. This creates a further issue as Cartwright and Cooper (1996) argue that integration and separation are the two acculturation modes which have the highest potential for culture clashes.

Reviewing the literature, studies have been made regarding the relation between cultural distance/fit and cultural clashes, as well as regarding the relation between the extent to which firms are culturally integrated and cultural clashes. In this study we investigate the relation between cultural distance and the level of cultural integration as we believe that this relation in turn influences how cultural clashes are perceived by managers. This relationship is illustrated in a conceptual model (figure 2-3) as we want to investigate how the managers' per-

ception of cultural clashes differ depending on if the firms are high or low culturally distant and depending on the extent to which the firms are culturally integrated.

Looking closer at this model (figure 2-3), developed and based on the theories discussed in this chapter, we want to find out if the cultural clashes are perceived by the managers as either many or few depending on how the relationship between cultural distance and integration is perceived by the managers. As illustrated in the model (figure 2-3) we further want to find what consequences cultural clashes conduce to if the clashes are perceived as many. If the clashes, on the other hand, are perceived as few we want to find what circumstances that managers perceive to be preferable in order to diminish cultural clashes. In addition we find it crucial to investigate why managers perceive few or many cultural clashes in cross-national M&As.

What consequences managers perceive due to cultural clashes are of interest to understand since theorists argue that consequences derived from cultural clashes have negative impacts on the business performance (Datta, 1991; Newman & Nollen, 1996; Weber, 1996). This negative impact can be explained to occur when the acquiring firm imposes its management style on the acquired firm (Datta, 1991) which in turn may evoke stress and negative attitudes among the managers and the integration process will then be obstructed (Weber & Schweiger, 1992). In line with this Newman and Nollen (1996) argue that differences in national cultural characteristics of management style evoke dissatisfaction and lack of commitment within the work place. Yet, Larsson and Risberg (1998) found that there are less cultural clashes in international M&As than in domestic M&As which indicates that cultural fit is not necessary as long as the companies are aware of their differences. Because the views on cultural clashes and the consequences evolved from these differ between the theorists, we believe that this is suitable to investigate in relation to cultural integration and cultural distance.
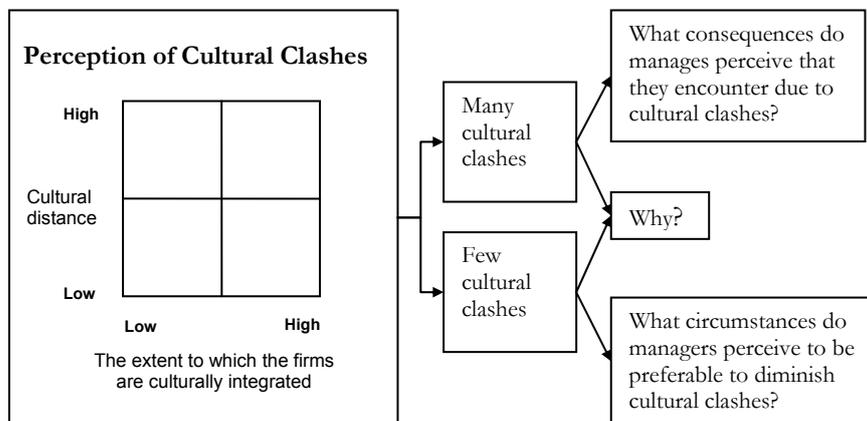
Figure 2-3 A conceptual model of this thesis

2.6 Research Questions

As stated in the introduction, the purpose of this thesis is to investigate managers' perception of cultural clashes, in relation to the perceived extent of cultural integration and the perceived cultural distance, in cross-national mergers and acquisitions. Based on the theoretical discussion and our conceptual model above the following research questions are formulated in order to meet the purpose of this thesis.

- To what extent has the acquiring firm culturally integrated the acquired firm?

- To what extent are the two firms culturally distant?

- Why do managers perceive few versus many cultural clashes in the post-acquisition process?

- What circumstances do managers perceive to be preferable to diminish cultural clashes?

- What consequences do managers perceive that they encounter due to cultural clashes?

3 Methodological Approach and Method

This chapter begins with the methodological approach held by us as researchers. Thereafter, the research design and the method used for data collection and data analysis are presented. The chapter ends with a discussion regarding the quality of our results.

3.1 Our Approach to Knowledge

As researchers we have a pre-understanding of the world (Johnson & Duberly, 2000). This pre-understanding influences our choice of research design (Easterby-Smith, Thorpe & Lowe, 1991), and is important to declare for the reader as it thus also influences the results of the study.

The main stream approach to the study of cultural dimensions in M&A is based upon ideas from the classic anthropological understanding of culture. This means that they see culture as a relatively stable system of assumptions, values and norms that members of a nation or an organization have or bear collectively and which can be objectively described (Gertsen, Soderberg & Torp, 1998). Classical culture researchers such as Hofstede (1997, for national culture) and Schein (1992, for corporate culture) form the theoretical basis for many researchers focusing on cultural dimension of M&A.

If one takes a close look upon the theories included in the frame of reference of this thesis, one will soon realize that most theorists and practitioners mentioned *seem* to base their results on a positivistic approach (e.g. Cartwright & Cooper, 1993, 1996; Deal & Kennedy, 1982; Hofstede, 1997; Nahavandi & Malekzadeh, 1988, 1998; Shein, 1992). This means that they make an otherwise very subjective phenomenon such as culture more objective and visible.

So we do as we aim to find a relation between cultural distance and the extent of cultural integration and how this in turn is related to cultural clashes. Yet, we do not regard ourselves as belonging to 'the positivist paradigm' (Easterby-Smith et al., 1991). We do not believe in 'one truth' to the extent that many of the above mentioned theorists seem to do. We want to interpret how mangers *perceive* cultural clashes, as well as the *perceived* extent of cultural integration and the *perceived* cultural distance. This interpretive approach indicates that we are somewhat closer to the approach taken by researchers within 'the phenomenological paradigm' (Easterby-Smith et al., 1991). Merriam (2002:93) argues that researchers within phenomenological research focus on *"describing the 'essence' of a phenomenon from the perspectives of those who have experienced it"*, and we want to view cultural clashes from the perspective of managers in the acquired firm. Furthermore, we acknowledge that a full understanding of the cultures investigated can never be reached, and as Smircich (1983) argues, our interpretations will be bound by our own cultural understanding. This self-reflection is according to Wolff (2002) an essential quality for phenomenological researchers.

Therefore, although not completely pure, a phenomenological perspective is argued to be dominant in our research design.

3.2 Research Approach

The research approach chosen in this study is influenced by our view of the world. In general, researchers within the field of phenomenology use an inductive approach while posi-

tivists use a deductive approach (Strauss & Corbin, 1998). However, both our view of the world and the research approach is somewhere in between the two extremes.

In deductive research the researcher tries to draw logical conclusions based on theory whereas a researcher using an inductive approach aims at drawing conclusions out of empirical data (Lundahl & Skärvald, 1999). What we do in this study is a mixture of these two, and similar to what Alvesson and Sköldberg (1994) call abduction. Prior to our investigation, an in-depth literature study within the field of culture and M&A was made. As a consequence, the pre-understanding gained from this literature study has influenced our way of approaching the problem and our research questions; however it was not used to test any hypothesis as one do in a pure deductive research approach (Patel & Davidson, 2003).

After the literature study empirical material was gathered and organized. The empirical data are seen as highly important and in similarity to the inductive approach we aimed at drawing conclusions from our empirical data. Nevertheless, the abductive approach we draw on has a higher reliance on theory than pure inductive research has (Alvesson & Sköldber, 1994) and in order to interpret the findings we turned to the frame of reference again. This is according to Yin (2003) necessary as he argues that empirical observations are not to be considered in themselves as results of the research. In addition, Dubois and Gadde (2002) argue that theory might improve the explanatory power of studies.

To sum up, prior research findings and the theories presented in the frame of reference are used as means of pre-understanding and to act as an explanatory guideline in the analysis of empirical data. This indicates that we have a stronger reliance on theory than suggested by pure induction and therefore we claim to use the abductive research approach.

3.3   Research Design

The research design in a study is thought of as the overall structure and orientation of an investigation and it provides a framework within which data are collected and analysed (Bryman, 1989). We believe that especially one thing is of importance in order to grasp cultural aspects and that is that the study is rather in-depth. One research design that enables an in-depth examination of a particular situation is the case study design (Brewerton & Millward, 2001).

According to Brewerton & Millward (2001) the case study design involves a description of an event (e.g. changes evolved from cross-national M&As) in relation to a particular outcome of interest (e.g. how managers perceive that they are influenced by cultural clashes). In spite of its disadvantages, such as the difficulties of generalizing the results of the study, we considered the case study design to be the most appropriate one for this study. Not only because it enables in-depth examination but also since Brewerton & Millward (2001) argue that the information it yields can provide new leads or raise questions that otherwise might never have been asked.

Case studies can be of several different design types, they can, for example, be qualitative or quantitative. Bryman (1989) argues that people's understanding of the nature of their social environment is in the focus of attention in qualitative studies. Subsequently, we chose to use a qualitative approach, as we in this study seek to investigate managers *perception* of cultural clashes after the acquisition.

A central characteristic of qualitative research is that it aims to understand what is going on in an organization from the view of the participants. The emphasis is on studying the indi-

viduals and their interpretations of their environment and of their own and other people's behaviour (Bryman, 1989). Thereby, we will seek to bring out what is important to the individual managers by the use of qualitative case study design. There are several methods to use when gathering information for qualitative case studies, for example, interviews or field studies. Our choice, and the rationale behind, will be further explained in the following section, but prior to that the process and rationale behind our selection of a company for the case study will be explained.

3.3.1 Selection of the Case

Related to the purpose of this thesis the main criterion we had for the chosen company was that it should be a Swedish company that had been acquired or merged with a series of foreign companies. The acquirers should be foreign as we want to investigate cross-national M&As and the fact that a series of foreign companies was a request was due to the fact that we want to investigate more than one of the boxes in our conceptualised model. In order to find such a company we reflected upon what companies we were aware of that had experiences of a series of cross-national acquisitions.

In accordance with our interest, the chosen company ended up to be Siemens Industrial Turbomachinery AB (SIT), based in Finspång, Sweden. This company was found interesting as it has a long history, and it has experienced a series of M&As in the last decades. The company names through time are presented in table 3-1 below, whereas further background information of the company and its history of M&As is to be found in the next chapter 'The Saga from STAL to SIT'.

Table 3-1 Company names through time

1500 Started by the Swedish state
1631 Acquired by Louis de Geer
1913 Stal is founded
1916 Stal - ASEA acquires share majority in Stal (no change of name)
1959 Stal-Laval AB- Merger between AB de Laval Ångturbin and Stal
1984 Asea-Stal AB– change of name
1988 ABB STAL AB- Merger between ASEA and Brown Boweri & Cie
1999 ABB Alstom Power Sweden AB- Merger ABB and Alstom
2000 Alstom Power Sweden AB– Alstom acquires ABBs part of ABB Alstom Power
2003 Siemens Industrial Turbomachinery AB (SIT) - Siemens acquires Alstom Power

3.4 Method of Data Collection

Within qualitative research designs the most prominent methods of gathering empirical data are participant observation and unstructured or semi-structured interviews (Bryman, 1989). Case studies can use or combine several different methods of gathering data (Brewerton & Millward, 2001). In this study we have chosen to use what Bryman (1989) calls an interview-based type of data gathering. The interview-based type of organizational research is according to Bryman (1989) characterized by having a chief emphasis on interviews, along with examination of documents. Furthermore, observations may occur as a supplementary source of data (Bryman, 1989). The remaining part of this section will contain further descriptions and justifications of our way to approach interviews, documentary material and observations when gathering data for this thesis.

3.4.1   Interviews

There are several ways of doing interviews. In-depth interviewing is a frequently used method among qualitative researchers and can be described as conversations with specific purposes (Marshall & Rossman, 1999). However, the form interviews take varies in terms of the latitude the interviewees have in responding to questions and the extent to which the questions are formulated and structured prior to the interview (Marshall & Rossman, 1999). At the two ends of a continuum you have the standardized interview and the unstandardized interview (Berg, 2001). As researchers we wanted to explore a few general topics such as mode of integration, culture, structure, communication, level of centralization and rewarding systems. Prior to our main interviews we conducted a pilot interview. The interviewee had himself been employed at higher positions at the company since the mid 1970s and could therefore contribute to important background information about the companies, and circumstances around the M&As. Furthermore, the interviewee had comments on the interview guide (appendix 1) and improvements were made in order to make questions more clear and understandable for the respondents. Lantz (1993) argues that such improvements are beneficial as they increase the quality of interviews. Yet, we did not fully know in advance what the necessary questions were, and we wanted that the respondents' perspective on the phenomena should unfold as they viewed it. Therefore, we chose to conduct semistandardized interviews (Berg, 2001), which included questions regarding the general topics of interest (see appendix 1), but where the respondents could probe far beyond the answers of the prepared questions.

Selection of Respondents

It is crucial to carefully select respondents for the qualitative research since they can make or break the entire study (Holme & Solvang, 1991). Therefore, we followed Holme and Solvang's (1991) recommendation and came up with three criteria for respondents that could increase the value of the information and thus help us to fulfil the purpose of the thesis.

The first criterion was that the interviews were to be made exclusively with managers in the Swedish subsidiary, not with managers from parent companies or merging partners abroad. This is because the problem is to be seen from a perspective of the managers of the acquired firm in this thesis.

The second criterion we had when selecting respondents for the interviews was that they needed to have contact with members of the other culture. The rationale behind this criterion was that cultural differences otherwise might be less apparent. According to Weber (1996) the top management level is most likely to have contact with the other culture, both in terms of amount and intensity. Therefore, respondents would preferable be employed at a top-management level within the Swedish subsidiary.

Furthermore, since we had background information about the company history already before selecting respondents, we tried to have respondents that have been employed within the Finspång Company since the Asea-Stal era, meaning that they have experienced the mergers with both ABB and ABB Alstom Power as well as the acquisition of Alstom Power and Siemens (see table 3-1). Our rationale for this request was that we wanted to take advantage of that the company under investigation, and thus many of its managers, have experienced several acquisitions, and confronted several cultures, in a short period of time.

These criterions were satisfactorily fulfilled. A total of ten managers were interviewed. Defining top management level as the first and second level of the organizational hierarchy in

Finspång five out of these ten respondents had a top management position and thus key responsibilities for their divisions. The remaining five were also highly positioned within the local organization, reporting directly to the head of department. As our main purpose with interviewing the top management was that managers needed to be in contact with members of the other culture the second criterion was satisfactorily fulfilled, all respondents had such contact.

To fulfil the criterion of getting in touch with employees that had been employed since the Asea-Stal era was seen as challenging. However, it turned out to be the opposite. Plenty of people have been loyal and stayed within the company for a long time. As a matter of fact nine out of our ten respondents had been employed at Stal-Laval, already before the company changed name to Asea-Stal in 1984. Unfortunately, one out of these nine had been away on other work during the Alstom Power epoch and could therefore not comment on this M&A. The tenth manager had only experienced the period with Alstom Power and Siemens, and could not subsequently comment on the periods with Asea-Stal and ABB-Stal. Yet, the average time respondents had worked for the company was not less than 29 years.

The interviews were conducted between the 24th and 27th of April 2006. Every interview was recorded and the average interview time was one hour.

3.4.2 Additional Data Collection

Documentary Materials

Consistent with the interview-based (Bryman, 1989) approach undertaken in this study, we turned to secondary data and various sources of documentation in order to obtain information concerning company history, markets and products. In addition, further information about merging partners such as ASEA, BBC, and Siemens was also retrieved from secondary sources such as company reports and the home pages of each company respectively. This information is mainly seen as supplementary for the thesis, and its main function is to provide a background for the reader.

Non-Participant Observation

Several kinds of observations can take place and the various kinds differ along the researcher's degree of participation in activities and its prominence for the study (Bryman, 1989). The role of the observations made for data gathering in this study was mainly to complement interviews and documentary materials. Observations were made in an unstrategic manner in between the interviews and as researchers we did not participate in any activities but were rather in the periphery of interaction. This is congruent with what Bryman (1989) calls non-participant observation and fits well with the interview-based research method adopted for this study.

In between our interviews we had a lot of time to observe various features of the organization and the people within it. We could acknowledge various physical artefacts, dress codes, landscape of different divisions, the climate in the work shops etcetera. Out of the four days spent at the company, approximately twenty hours were 'spare time' dedicated for observations. However, as with documentary materials, the observations are seen as supplementary for this study. Nevertheless, impressions obtained during our observations are likely having an influence on our analysis.

3.5   Data Analysis

After having conducted ten interviews we ended up with rich empirical foundation to base our analysis on. A total of ten hours was recorded and written down, which Lantz (1993) argues to be advantageous in order to avoid hasty interpretations. This resulted in nearly one hundred computer written pages with empirical material. In order to be able to analyse the data Ryen (2004) argues that one need to reduce the amount of qualitative information. Since we conducted semistandardized interviews this work was somewhat difficult as answers and examples to one question also fitted another question. Therefore, we arranged the answers of the interviews into where they suited with our research questions. Thereafter, examples and perceptions in relation to each research question were grouped. This was a highly time consuming work, but well worthwhile since it made us able to draw parallels and thus it facilitated the remaining part of the analysis.

Lantz (1993) highlights that the analysis of qualitative data is about more than just descriptions, it is also about interpretations made by the researcher. In order to interpret what the respondents had said we tied the empirical material to theoretical concepts, although as Lantz (1993) argues we were aware of that the respondents might not have had such concepts in mind when referring to a phenomenon. Thereby, the frame of reference was used as an analytical tool to aid in the fostering of conceptualisation (Strauss & Corbin, 1998).

However, not only the frame of reference, but also the documentary materials collected, the non participant observations made, as well as our pre-understanding and the fact that our national culture roots are Swedish are likely to indirectly influence our analysis. In our analysis we do not attempt to analyse such features. Nevertheless, empirical findings that do not directly correspond to the purpose, such as company history and products will be presented as a story prior to the analysis as we believe that they provide a background for the case, and facilitates for the reader.

The use of the Conceptual Model of this Thesis

The conceptual model presented in the theoretical discussion of this thesis (se figure 2-3) built the foundation for our research questions and will guide our way to meet the purpose of this thesis. When analysing our empirical data this model is used. To start, we want to plot each company into the box to which we believe that the M&A belong. Therefore, interpretations are made on the perceived extent to which the acquired firm has tried to culturally integrate the acquired firm as well as the perceived cultural distance of each company. Furthermore, the managers' perception of cultural clashes is analysed and interpretations are made on why these are few or many. When managers perceive many cultural clashes, its consequences are analysed and when they perceive few cultural clashes beneficial circumstances are analysed.

3.6   Quality of the Results

A qualitative study differs from quantitative studies in that the concepts' reliability and validity is not to be applied in qualitative research (Golafshani, 2003). In a qualitative study the quality of the data is the most important (Patel & Davidson, 2003). Therefore, this section will highlight positive as well as negative aspects regarding the quality of our results.

3.6.1 Interviews

The fact that this study is based on primary data and face-to-face interviews is believed to increase the quality of the results. Firstly, the face-to-face interviews made it easier for us to interpret and understand the respondents, as one could acknowledge for example gestures and facial expressions. Furthermore, we recorded each interview and wrote down the interviews afterwards. When transcribing the interviews, we wrote down the exact answers of the respondents. In other words, there is a lot of daily language, jargon, and even swearing in the transcriptions. In addition, we tried to transcribe the interviews as soon as possible after each interview had been conducted. This in order to be able to make notes of certain gestures, facial expressions or body languages that we could remember that the respondent had made whilst, for example, telling a story. The fact that each interview was recorded and carefully written down is argued to increase the quality of the thesis, as it thus was easier to remember the context when analysing the data (Patel & Davidson, 2003).

We believe this study to be somewhat distinctive thanks to the quality of respondents. Thomas (1995) argues that a main barrier to the study of corporations is the inaccessibility of top managers. Yet, we gained access to ten managers of high position, which have a lot of experiences within the field of M&A. We believe that the respondents were comfortable in their positions and that the knowledge they possess contributed to highly qualified answers to our questions. One negative aspect of interviewing these highly positioned managers can be that there is status incompetence between us as interviewers and the respondents. However, as suggested by Thomas (1995) we tried to overcome this by giving the interviewee an opportunity to 'play the teacher'.

Furthermore, all respondents are treated anonymously, which is believed to increase the quality of their answers as respondents otherwise might have been reluctant to tell certain stories or express their feelings towards certain features (Patel & Davidson, 2003). On the other hand, we are aware of that it is possible that the respondents gave information with restraint or that they told us what they believed we wanted to hear. In addition, there was a possibility of us missing important questions or that we misunderstood the answers to our questions. As we were aware of this, we asked every respondent if he had anything to add in the end of each interview, and we also asked respondents to explain if anything was unclear.

3.6.2 The Case Study Approach

The case study approach is highly criticised as it is argued not to be possible to generalize the results for the wider public (Berg, 2001). However, case studies are undertaken to make the case understandable (Stake, 1995) and we believe that people can learn a lot from one case. Yet, the fact that we studied one company, which has been acquired by one French and one German company can be seen as a limitation. This is because all French or German companies do not share the same corporate culture simply because they share the same national culture (Philippe et al., 1998). In that sense, it would have been advantageous to investigate more than one organization from each of the countries of interest. However, we do not believe that two or three companies would have improved the results of this study. In order to generalise the results a wide quantitative study would have been an option. Yet, such research design is not suitable for the purpose of this thesis as we want to investigate managers' *perceptions* of cultural clashes.

Furthermore, the generalizability can be made on other similar situations or contexts (Patel & Davissson, 2003). There might for example have been other researchers that have made

similar studies and possibilities therefore arise to make comparisons with such studies. In addition, we compare our findings with theories and this may according to Eriksson and Wiedershem-Paul (1999) be just as big part and parcel of the contribution to further theoretical knowledge.

3.6.3   The Way We Approach to Investigate Past and Present Phenomena

The somewhat different approach undertaken in this study when asking respondents about their past experiences and perceptions from the Asea-Stal, ABB-Stal and Alstom Power epochs is seen to be both a possible limitation of our method as well as advantageous.

A negative aspect of our approach is that we believe that some happenings in the past may be misleading, not because respondents deliberately lie, but due to fainting memories and rationalizations. Out of own experiences we believe that when looking back in time one usually remember the good things and block bad ones. Thereby, we believe that it is likely that the respondents have more difficulties in expressing memories from the ABB and Alstom Power epochs. On the other hand, a positive aspect of our method is that respondents themselves can reflect on their experiences of three different M&As. A common method in organizational research is to interview respondents from several companies. The organizations may have undergone a similar phenomenon, such as a merger, and respondents express their perceptions and experiences of this phenomenon. However, that approach means that one may compare companies of different sizes with different products and under different circumstances. Furthermore, one obtains perceptions from several different individuals who may have different personalities and underlying values. We still encounter the problem of different circumstances as the research is spread out over a long period of time and market change. However, a positive aspect of our approach is as Hollway and Jefferson (2000:8) argue *"the same words do not guarantee the same meanings"*. Thus, the meaning respondents attach to the event, and the words they use, is ignored when comparisons are made between the companies assuming that the words used mean the same for everyone. What we seek to do in this study is to gather the perceptions and experiences one and the same individual has from different phenomena. Thus, we could gather data about perceptions on French and German management style from one and the same respondent. This means that parallels between the different individuals still have to be made, where words still might not mean the same thing to every respondent. However, the approach is seen as advantageous since every respondent had experienced the same phenomena, and when several respondents independently tell the same story or express the same feelings we believe that it increases the quality of the results. This assumption is supported by Lundahl and Skärvald (1999).

4   The Saga from Stal to SIT[7]

This chapter aims at providing the reader with background information about the company in Finspång. Its history of M&As as well as important products and accomplishments over the years are presented.

The scene of the case study of this thesis is laid in the industrial community of Finspång, at the multinational corporation Siemens Industrial Turbomachinery AB (SIT), which today develops, produces and promotes steam and gas turbines to the world market. However, the company in Finspång has not always belonged to Siemens AG. Since the mid eighties it has had the name of Asea-Stal AB, ABB-Stal AB, ABB Alstom Power Sweden and Alstom Power Sweden. In brief, one can say that the company and its employees in Finspång have quite some experience of the recent wave of cross-national M&As.

Finspång is an industrial community located in the north of Östergötland, Sweden. The origins of the industrial history of Finspång can be traced back to the time when Gustav Vasa was king of Sweden. Gustav Vasa spent a lot of capital and effort to industrialize the iron industry, especially in Finspång. However, it is first when the king Johan III in the 1580s commissioned the Dutch industrialist Wellam De Wijk to develop iron manufacturing, mainly by producing weapons that the industry really began to flourish. In 1631, another Dutch, Louise De Geer acquired the factory, at that time known as Finspångs Bruk, from the Swedish state. The company exported high quality cannons and had in fact the sole right to the cannon manufacturing in Sweden during the 19th and 20th centuries. However, in 1912 the last cannon was made and a new more modernized era of the history of Finspång was to take place.

On March 4th, 1913, Svenska Turbin Aktiebolaget Ljungström (STAL) was founded by Birger Ljungström and his brothers Oscar and Fredrik. Stal had bought the castle of Finspång and the industrial area where cannons previously had been made, and the manufacturing of counter rotating radial-flow steam turbines started (see figure 4-2). The first turbine was delivered to London tramways already in 1913 and the next to Skärblacka the following year. In 1916 the share majority of Stal was transferred to Asea (see appendix 2) which helped Stal to overcome the crisis of the twenties. The company name remained Stal, however, Birger Ljungström was forced to leave the position as CEO and the new CEO of the company became Asea's Ivar Hahne. The company built larger and larger turbines at the same time as efficiency was improved by new designs. In 1944 Stal initiated its development of gas turbines on commission of the Swedish government. The gas turbine production was a new engineering field for Sweden and in 1948 the first Swedish-built jet aircraft engine, named 'Skuten', was ready for test-bench trials. Skuten was followed by the larger and more powerful 'Dovern' in 1950 as a result of intensive development work. Unfortunately the government backed out, and chose to buy cheaper engines from the United Kingdom. Yet, the achievement of Finspång was widely acclaimed at home and abroad. In 1959, Stal delivered the largest gas turbine plant in the world, rated at 44 000 kW to Västervik, for the State Power Board's account. The company thereby obtained a leading position as a manufacturer of large gas turbines, and gas turbines from Finspång have been installed to supply power all over the world.

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[7] The facts and information in this story is obtained from personal communication, www.finspong.se, www.sitab.se, and Malmberg, A., (1983). *Finspong through the centuries – an industrial saga without end.* Norrköping: L-Offset Tryckeri.

Another important step towards increased competitiveness on the world market was taken in 1959, when Stal and AB de Laval Ångturbin in Nacka, the later founded in 1883 by Gustav de Laval, merged. In 1962, the merger was consolidated by a decision to concentrate all the production in Finspång and the new company name became Stal-Laval. While Stal mainly had produced stationary steam turbines for power generation, de Laval had produced steam turbines for naval ships and fast cargo ships. The combined knowledge resulted in that the new company, Stal-Laval, established a leading position in the marine market (see figure 4-2). During this era the company delivered 328 turbines whereof some to the largest ships ever built. Unfortunately the marine epoch took an end in 1973, due to the fact that the oil crises contributed to a decline of steam turbines in favour of diesel engines.

During the 1970s production of turbines for nuclear power plants was initiated (see figure 4-2). Stal-Laval supplied large turbines for use in the Swedish nuclear power stations at Ringhals, Barsebäck, Oskarshamn and Forsmark as well as to the Finnish nuclear power station Olkiluoto. Out of a total of 18 steam turbines in Swedish nuclear power plants 16 have been delivered from Finspång. Furthermore, gas turbines reached the stage of being manufactured in large series during the 1970s, and the company supplied the hitherto largest gas turbine in the world to the Swedish State Power Board. New workshops were built, and no less than 750 new employees were employed during the years 1970-1971.

As the nuclear power stations were nearly finished in Sweden and since the production for the marine market had declined the company needed to come up with new products. During the 1980s intensive development work resulted in several new products. Large heat pumps manufactured by Stal-Laval contributed to a reduction of the oil consumption in many places. The company produced components for small hydro power stations and for wind power. Furthermore, the company adapted its small turbine equipment to meet the market of the developing countries.

In 1984, the company changed names to Asea-Stal, which is claimed to be a result of the fact that the new CEO of Asea, Percy Barnevik, wanted all Asea's subsidiaries to have 'Asea' in their names. In 1988, the Swedish company Asea merged with the Swiss company Brown Boveri & Cie. Thereby, two major companies within the power generation became one under the name of ABB. Asea-Stal had been Asea's largest subsidiary and many of its managers were transferred to the consolidated group of ABB. In the mid eighties the company was a major manufacturer of heat pumps to the district heating plants owned by municipalities in Sweden (see figure 4-2). Furthermore, the company began to produce industrialized stream turbines named VAX-turbines followed by ATP-turbines (see figure 4-2). Around the 1990s the production of gas turbines had a new beginning (se figure 4-2). This production grew by the years and is today the dominating product in the company's range of products.

In 1999, ABB merged its power generation business with the power generation business of the French company Alstom and together they founded a new company named ABB Alstom Power. The subsidiary in Finspång became headquarter for Sweden under the name ABB Alstom Power Sweden AB. However, it was not long before the conflicts between the managements of ABB and Alstom resulted in that Alstom acquired ABB's part of ABB Alstom Power, and the new company name became Alstom Power in 2000. In Finspång nothing changed and Finspång remained the headquarters for Alstom Power Sweden. However, Alstom ran into financial problems and had to sell off some of its most profitable businesses. Therefore, Siemens AG acquired the Finspång subsidiary of Alstom

Power in 2003. The above history of M&As for what today is called Siemens Industrial Turbomachinery (SIT) can be viewed below in figure 4-1.

As can be read from the above history, SIT is a highly knowledge intensive company with an enormous fund of accumulated expertise concerning power generation. Today SIT is Sweden's only company engaged in the manufacturing of power generation equipments and plants, and the production of steam and gas turbines have made the company a major export industry. Today almost all new production is exported.

It is remarkable that the same industrial town that four centuries ago produced crude and simple iron cannons today manufactures precision-built steam and gas turbines which provide power in countries all over the world. Mechanical skills from the cannon production have been merged with more theoretical skills of advanced physics, thermodynamics, and other sciences to result in a highly knowledge intensive company. At SIT constant research and development complement experiences from the past to provide a steadily increasing fund of knowledge of energy in all its productive forms. Therefore, *the saga of Finspång is a drama about man and its will to survive through constant creation. That is why this saga has no end…*
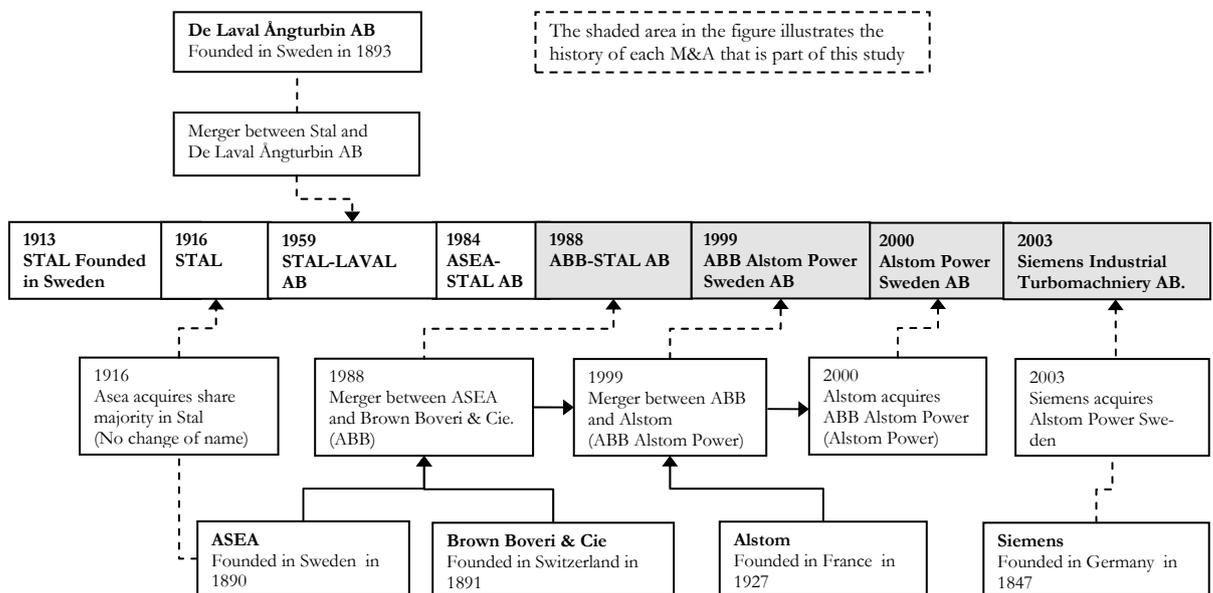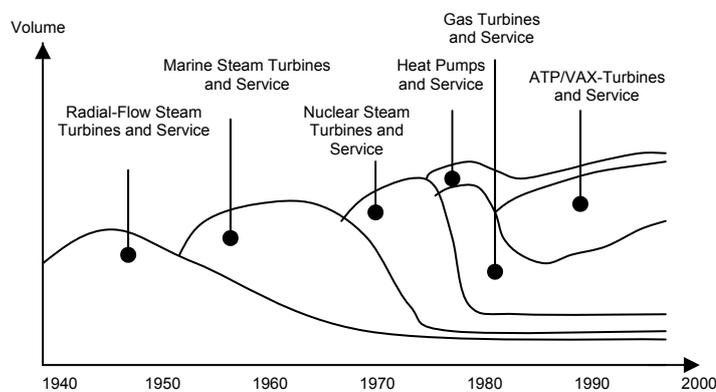

Figure 4-1 Names and M&As from Stal to SIT

Figure 4-2 Turbine manufacturing in Finspång

5 Empirical Findings and Analysis

In this chapter empirical findings of managers' perception of cultural clashes, in relation to the perceived extent of cultural integration and perceived cultural clashes, in each M&A are analysed.

As discussed in section 3.5, data analysis, the conceptual model developed in the frame of reference will guide us through the analysis. Yet, it is first in the end of this chapter that the structure will be in the same order as the research questions are formulated. This is so as in previous parts separation made for each research question would mean unnecessary repetitions of empirical findings as well as theories. Therefore, this chapter is structured as follows.

Firstly, the extent to which the acquiring[8] firm culturally has integrated the acquired firm is analysed. In this section the M&As are analysed together in order to create a discussion and avoid repetitions. Thereafter, the cultural distance as well as the perceived cultural clashes are analysed for each M&A separately. Each M&A is plotted out in our conceptual model and when cultural clashes are perceived to be few, the analysis ends and will be continued in later sections of the chapter. If cultural clashes, on the other hand, are perceived to be many, its consequences are analysed immediately in order to avoid repetitions. When perceived cultural clashes in relation to cultural distance and extent of integration, and its consequences have been analysed, we turn to answer 'why' managers perceive few versus many cultural clashes. This section is highly related to what circumstances that managers perceive as beneficial to diminish cultural clashes and therefore, analysis of M&As with few cultural clashes are resumed. The chapter ends with a section that sums up the empirical findings and analysis in direct relation to our research questions.

5.1 Cultural Integration

In order to analyse the extent to which the acquiring firm culturally has integrated the acquired firm in each merger, we will in this section use Nahavandi and Malekzadeh's (1988) theory on 'mode of acculturation'. The strategies of implementation used when Asea and BBC merged, when ABB and Alstom[9] merged and when Siemens acquired Alstom Power were different in several ways. The following part discusses each company's preferred mode of acculturation as well as the acquired firms' preferred mode of acculturation in relation to each merger[10].

As the two mergers between the consolidated groups of Asea and BBC as well as ABB and Alstom were made on the global arena, the company in Finspång was, as one manager ex-

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[8] It is important to highlight that when referring to the acquiring companies in this thesis we do not refer to the consolidated groups (unless it is stated), but only to the business area of power generation.

[9] The analysis of cultural *integration* mainly treats the merger between ABB and Alstom, and the acquisition of Alstom Power by Siemens. This is due to that the respondents did not perceive circumstances to change much when Alstom acquired ABB's part of ABB Alstom Power. When referring to both ABB Alstom Power and Alstom Power, (ABB) Alstom Power will be used for the sake of simplicity.

[10] Wherever acculturation is analysed it is important to highlight that it may be that neither the acquiring companies nor the acquired company have considered issues of acculturation. The analysis is based upon our interpretation of what mode of acculturation the managers of the acquired firm perceive that the acquiring companies have used. As well as our interpretation of the preferred mode of acculturation by the acquired company.

pressed it, *"only a small piece in a big jigsaw puzzle"*. Therefore, although being mergers, the company in Finspång is to be seen as acquired (they are not seen as the dominant party) in the following discussion concerning mode of acculturation. (I.e. ABB, (ABB) Alstom Power, and Siemens are to be seen as acquiring firms and Asea-Stal, ABB-Stal and Alstom Power Sweden are to be seen as acquired).

5.1.1   Acquirers' Preferred Mode of Acculturation

The acquirers' preferred mode of acculturation is according to Nahavandi and Malekzadeh (1988) depending upon the degree of relatedness between the two firms and if the acquirer is multicultural or unicultural. In this section analyses are made on the relatedness between firms in each M&A and if the acquiring companies are multicultural or unicultural, in order to interpret the acquiring firms' preferred mode of acculturation.

Degree of Relatedness of Firms

On all occasions there has been *relatedness between the businesses* of the acquired company and the acquiring company. However, the degree to which the various companies have been related in the M&As has varied both concerning the products and concerning the consolidated groups.

The consolidated groups of Asea and BBC had overlapping businesses within the power generation sector as well as in many other business areas. At Asea-Stal one produced industrial steam turbines such production was done also by BBC. When it came to gas turbines the ones produced in Finspång were smaller than those produced by BBC. However, both companies had knowledge within the business and are therefore considered related. When it comes to the merger between the businesses of ABB and Alstom it only concerned the power generation part of both businesses. Consequently, the relatedness of the businesses was high. In addition, both companies had production of steam turbines as well as gas turbines already before the merger. If one considers Siemens AG (the consolidated group) and Alstom Power had not as many overlapping businesses as the consolidated groups of Asea and BBC, and ABB and Alstom had. On the other hand, the relatedness of Siemens business area Power Generation (PG), and Alstom Power is to be regarded as rather high. Siemens PG did not have the kind of gas turbines as those produced in by Alstom Power Sweden in Finspång prior to the acquisition. However, they did produce industrial steam turbines, and gas turbines of other models.

Nahavandi and Malekzadeh (1988) assumed that when the two businesses are related the dominant part is likely to impose some of its own culture and practices in an attempt to achieve operating synergies. As the above analysis regards the businesses to have been related in every M&A, the integration and assimilation are the two choices the acquiring company chooses between depending on whether they are unicultural or multicultural.

Degree of Multiculturalism

The merger between Asea and BBC, in 1988, was a global merger where the ABB philosophy was to be *"global by being local"*. The new organization valued cultural diversity and ABB had the ambition to be an international organization with a mix of people from different nationalities in the global board of directors located in Zürich. We therefore regard ABB as being what Nahavandi and Malekzadeh (1988) refer to as a *multicultural* organization

Eleven years later, in 1999, when ABB merged its Power Generation group with Alstom and formed ABB Alstom Power, the ambition was the same, namely to value culture diversity. The new organization formed an international top management team, in order to avoid a Swedish-Swiss or French domination. In addition, the head quarter for ABB Alstom Power was placed in Brussels, Belgium, outside the boarders of France, Sweden and Switzerland. Nine months later, in 2000, Alstom acquired ABB's part of the power generation, and the new company name became Alstom Power. Now the headquarters moved to Paris and the managers in Finspång argue that French features became noticeable. Nevertheless, the top management team of Alstom Power in Paris was rather small and still had representatives with different nationalities. Subsequently, both ABB Alstom Power and Alstom Power are considered to be *multicultural* organizations (Nahavandi & Malekzadeh, 1988), but to a lower degree than ABB.

When Siemens, in 2003, acquired the Finspång subsidiary of Alstom Power, the new company name became Siemens Industrial Turbomachinery AB (SIT). Managers at SIT perceive that they faced major changes in this acquisition as the *"one Siemens strategy"* has resulted in the global organization being more important than the local company. Siemens philosophy is to have strong global business units which permeate the whole organization. As managers in Finspång were used to the *"global by being local"* strategy used by ABB and to some extent also by Alstom Power, they were confronted with a totally different view of globalization when becoming one with Siemens. The general viewpoint of the managers is that Siemens tries to be global by implementing their German structure around the world. One respondent argued that at Siemens *"one tries to change us and make our management style more German and thereby globalize"*. Subsequently, we regard Siemens as being what Nahavandi and Malekzadeh (1988) refer to as a *unicultural* organization as they do not seem to value cultural diversity.

Acquirer's Mode of Acculturation

If one reviews the above discussion, ABB, ABB Alstom Power and Siemens all have related businesses, and both ABB and ABB Alstom Power are regarded as multicultural whereas Siemens is regarded as unicultural. Thereby, the acquirer's preferred mode of acculturation would for ABB and ABB Alstom Power be what Nahavandi and Malekzadeh (1988) refers to as *integration* and for Siemens *assimilation*, as illustrated in figure 5-1 below.

Figure 5-1   ABB's, ABB Alstom Power's and Siemens' preferred mode of acculturation (adapted from Nahavandi & Malekzadeh, 1988)

Nevertheless, the extent to which the companies have attempted to integrate or assimilate the subsidiary in Finspång into their company has varied. If one starts with the assimilation mode of acculturation that we believe Siemens has adopted, Siemens certainly has changed business practices at SIT and has strongly aimed at implementing *"Siemens' way of doing*

things". As an example, Siemens wants process maps to be synchronized in every detail and that the way work is conducted in Lincoln (a sister subsidiary to SIT) is the same as the way it is conducted in Finspång. However, although the culture at SIT may be indirectly affected by these changes, most managers do not perceive that Siemens have attempted to change their culture. Interesting is that whether or not managers perceive the culture to have changed depend on how they refer to culture. The managers that articulated that they did not perceive that Siemens tries to change their culture usually referred to more invisible and highly subjective parts of culture, the parts of culture Schein (1992) refers to as basic assumptions and underlying values. One manager, for example, refereed to culture as *"what we say, what we do, what we are gossiping about and how we sit when we have our coffee break. If we have long coffee breaks or if everyone eats at Energikällan"* (a local restaurant). Another manager referred to it as employee values, *"it is not because we work at the castle that we have certain traditions and a certain culture. It is the underlying values, the strong loyalty and the strong will to work for the company that constitutes our culture"*. These values and assumptions are not to be easily changed according to the respondents.

On the contrary, the managers that perceive that Siemens influences and has tried to change the corporate culture of SIT, refer to the more visible part of the corporate culture such as the 'structures and behaviour' that Lees (2003) discusses. In other words, what we in this thesis refer to as management style. One manager believes, that as Siemens regards the global organization to be more important than the local, it means that the managers at SIT have to learn how to stand up for themselves. He says that *"we do as we are told and even though we might ask 'why' we still try to adapt to the decisions made. I believe that we will be and need to be more hard-boiled in the future"*. From this discussion it remains uncertain whether Siemens has aimed at changing the culture or not. However, *"Siemens' way of doing things"*, in other words, Siemens' corporate culture is expressed by the majority of managers to permeate the whole organization. Therefore, we still believe that Siemens has adopted an *assimilation* mode of acculturation. Siemens' saying is, as several managers emphasize, *"a complete harmonization"* and that organizational practices and systems are to be assimilated into the *"one Siemens' strategy"*.

The extent to which ABB and ABB Alstom Power attempted to *integrate* their subsidiary in Finspång into their global organizations differs. When Asea merged with BBC, Asea-Stal was the largest and strongest subsidiary of Asea. Several managers from Asea-Stal were transferred to the ABB head office in Zürich. This is perceived as a something very positive by the managers in Finspång *"that our managers moved one by one to Switzerland was nice as their heart somehow still remained in Finspång"*. The new Finspång subsidiary, ABB-Stal, encountered structural changes as they now belonged to a global organization. Yet, the local structure remained the same. ABB did not try to change the corporate culture or business practices at the local level, they attempted to be *"global by being local"*. Therefore, the mode of acculturation ABB preferred is believed to have been *integration* (Nahavandi & Malekzadeh, 1988).

ABB Alstom Power is also argued to have preferred the *integration* mode of acculturation proposed by Nahavandi and Malekzadeh (1988). However, managers perceive that ABB Alstom Power was closer to the assimilation mode than ABB was. (ABB) Alstom Power did introduce some new work processes, however *"not with such penetrating power as Siemens has done"*. One manager says that *"some work processes that Alstom introduced we might have introduced anyway"*. What is perceived by managers to have a greater influence on the managerial work is that (ABB) Alstom Power, for example, wanted reports to look similar within its various subsidiaries. (ABB) Alstom Power did not go into detail on how this was done. As

expressed by one manager *"one could do basically however one liked in Finspång, but the reports had to look in a certain way which resulted in various changes in our routines, otherwise it would not have been possible to conduct the reports"*. Consequently, managers at the Finspång subsidiary felt that the top management team at the head quarter in Brussels/Paris mostly was interested in the results, and the end product, and not to direct the way on how to reach them.

To sum up, ABB and ABB Alstom Power are perceived to have used the *integration* mode of acculturation although ABB Alstom Power is seen to be somewhat closer to *assimilation* than ABB. Siemens, on the other hand, is perceived to have used the assimilation mode of acculturation although some managers perceive that they have not intended to change the corporate culture of SIT. Therefore, the assimilation mode of Siemens may be somewhat closer to integration than the pure assimilation mode of acculturation proposed by Nahavandi and Malekzadeh (1988). If seen on a continuum, this is illustrated as in figure 5-2 below.

Figure 5-2 Acquirer's preferred mode of acculturation

5.1.2   Acquired company's Preferred Mode of Acculturation

Nahavandi and Malekzadeh (1988) assumed that *how much the members of the acquired firm value preservation of its own business* and the *attractiveness of the acquirer* suggest the acquired company's preferred mode of acculturation. In order to interpret the acquired firms' preferred mode of acculturation this section covers analysis on how much members of the company in Finspång value preservation of their own culture and the attractiveness of the acquiring firms in each M&A.

How Much Members of the Acquired Firm Value Preservation of their Own Culture

There is no question on how to interpret how much the members of the company in Finspång value preservation of their own culture; they value their culture very much. All managers argue that the company has a strong culture and that the employees are very loyal to the company. This has not changed over the years, which several managers believe to be rooted in the fact that Finspång is an old industrial community. The managers argue that the employees work for Finspång, and not for the consolidated groups of ABB, (ABB) Alstom Power or Siemens. As one manager expresses, *"people that are commuting each day from Norrköping and Linköping or wherever they come from, they come here to work for Finspång, not for PGI or some business unit. BUT they work for Finspång and want our business to be successful"*. This loyalty to the Finspång Company is something highly appreciated and nothing they believe can change over a day. One manager says that the employees in Finspång always have felt a pride in the company and somehow they have felt superior to others. It has always been like that *"even as Asea-Stal we did not take the word from the guys in Västerås, because we are Finspång"*. Thereby, it is argued that members of Asea-Stal, ABB-Stal, and the Finspång subsidiary of Alstom Power have much valued preservation of their own culture. This means that the only two options of Nahavandi and Malekzadeh's (1988) acculturation modes yet available for acculturation are integration or separation. Whether the preferred mode of acculturation from the acquired firms' perspective is to be integration or separation depends on the perception members of the acquired firm have of the attractiveness of the acquirer (Nahavandi & Malekzadeh, 1988).

Perception of the Attractiveness of the Acquirer

Surprisingly, the respondents argue that all three acquirers have been seen as attractive. The merger between Asea and BBC was sudden. Yet, it was seen as attractive since some managers at Asea-Stal had discussed the possibilities of a merger with BBC when conducting their strategy plan some years prior to Asea's announcement of the merger with BBC. Asea-Stal had for some years, on a license from BBC, produced utility turbines for nuclear power plants. Asea-Stal had the Nordic market, whereas BBC had the rest of the world market. Thereby, the two companies had cooperated on the market for utility turbines. Nevertheless, they were competitors on the market for industrial turbines and in their strategic planning some managers of Asea-Stal had seen the possibilities for synergies if BBC and Asea-Stal were to join forces also within the market for industrial turbines. Thereby, the merger came as something like a *"positive chock"* for the managers of Asea-Stal.

When ABB merged with Alstom, in 1999, the circumstances were different. ABB had numerous decentralized operating units which were structured as a matrix organization with global and local result responsibilities. This global matrix structure of ABB was perceived by the managers as rather *"heavy and not to hold in the long run"*. Alstom, on the other hand, a newly privatized French company, had decided to expand its power generation business. The two agreed to create an independent company for Power Generation. This was perceived as positive among the managers since one would not have to *"bother about the rest"* as one manager expressed, meaning the rest of the ABB group. Subsequently, ABB Alstom Power was seen as attractive.

Yet, managers perceived Siemens as an attractive acquirer only four years later. The main reason, except for Siemens being a financially strong corporation, was the financial problems Alstom had encountered. At that point in time the consolidated group of Alstom was close to go into bankruptcy, which also affected the Power Generation group. Managers in Finspång therefore saw it as a relief being acquired by Siemens. As one manager said *"if we would not have been acquired by Siemens we could as well have been a stat-owned French company today, and that wouldn't have been so fun, would it?"*

Acquired Firm's Preferred Mode of Acculturation

To sum up, our interpretation indicates that the acquired company has valued preservation of its own culture and seen the acquired company as attractive in every merger. As a result, we believe the acquired company's preferred mode of acculturation has been what Nahavandi and Malekzadeh (1988) call *integration* in every merger and acquisition, which is illustrated in figure 5-3 below.
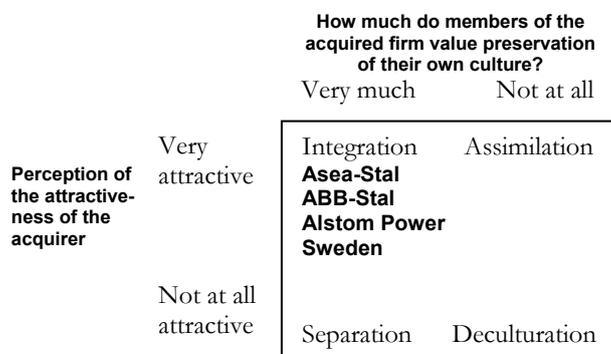

Figure 5-3   Asea-Stal's, ABB-Stal's and Alstom Power Sweden's preferred mode of acculturation (adapted from Nahavandi & Malekzadeh, 1988)

5.2   ABB – the Swiss and the Swedes

This section starts with an analysis of the cultural distance in the merger with ABB and with reference from the above analysis of cultural integration ABB is plotted out in one of the boxes of our conceptual model. Thereafter, the perceived cultural clashes are analysed.

5.2.1   Cultural Distance

According to Hofstede's (1980) dimensions, the Swedish and the Swiss national cultures at work differ a lot at the masculinity-femininity dimension and concerning uncertainty avoidance. This indicates that the cultural distance between Asea and BBC, would be rather high. Yet, it was not perceived to be so by mangers in Finspång.

When Asea merged with BBC, it is perceived by managers in Finspång as if Asea was the dominant party. The respondents were not influenced by Swiss managers as there were many Swedes within the executive group of ABB and thus it was mainly Swedes which were in contact with managers at ABB-Stal. Thereby, the possibility to investigate cultural clashes with the Swiss management style, which was our original intention, diminished and is partly excluded from this thesis. Neither is it possible to investigate corporate cultural clashes between ABB-Stal and Asea, as ABB-Stal had been a subsidiary to Asea since 1916. What is possible to analyse is how managers perceived the new organization ABB. However, in contrary to cultural distance, managers perceive that there was cultural fit between the management style of ABB and ABB-Stal. Subsequently, the cultural distance as indicated in figure 5-4 is low, and as discussed in the section 5.1 above the extent to which the firms were integrated is also low.
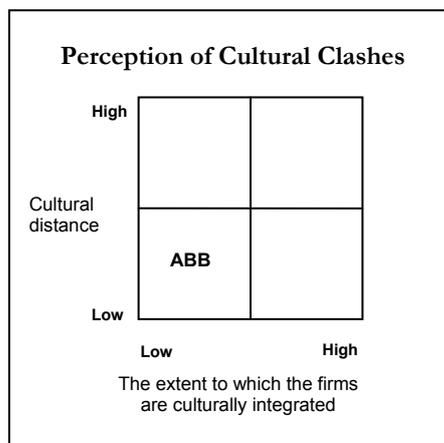
Figure 5-4 Perceived cultural clashes in the merger with ABB

5.2.2   Cultural Clashes

Most authors (e.g. Bouno et al., 2002; Jemison & Sitkin, 1986) argue that cultural fit is important for the merger in order to be successful. ABB-Stal as we view it was fortunate that Asea was the dominant party of the merger. Managers in Finspång perceived that *"we were Asea"*, and they argue that *"we were in the middle of everything, we were the stronger part"*. Therefore, managers at ABB-Stal did not experience many cultural clashes neither at national nor at corporate level.

On the other hand, managers do not perceive that this would have been the case if BBC would have been the dominant party. Swiss managers are perceived to be *"much like Ger-*

mans, they speak German" as one manager expressed it. As will be seen later in this chapter, managers in Finspång have experienced a lot of cultural clashes with the German management style. This is also in accordance with Hofstede's (1980) dimensions, where the Swiss and the Germans do not differ much at all on any dimension.

Yet, we do not believe that the cultural fit experienced only was due to similar management styles. We believe that the fact that managers did not experience that many obstacles is grounded in several factors which will be analysed in section 5.5.

5.3 (ABB) Alstom Power - the French and the Swedes

This section follows the structure of the previous section. It starts with an analysis of the cultural distance in the M&A with (ABB) Alstom Power. Thereafter, (ABB) Alstom Power is plotted out in one of the boxes of our conceptual model. Finally, the perceived cultural clashes with (ABB) Alstom Power and the French are analysed.

5.3.1 Cultural Distance

According to Hofstede's (1980) dimensions, the Swedish and the French national culture at work differs on all dimensions. His research, therefore, indicates that the national cultural distance between ABB and Alstom as well as between Alstom Power and their Finspång subsidiary should be high.

Managers at (ABB) Alstom Power Sweden perceive that French people are rather authoritarian and that the boss likes to take decisions alone *"showing that I'm the one in charge"* as one manager expresses it. This is in accordance with the power distance dimension (Hofstede, 1997) as decisions are made high up in the organizational hierarchy. The general view of managers is that there is a high power distance (Hofstede, 1980) between subordinates and bosses in France. As an example, one respondent told a story about how he had told the French CEO off at a meeting, and how all the French people around the table looked at him as if he were crazy, *"they would never question or tell their boss off"* he said. Furthermore, (ABB) Alstom Power was a rather centralized organization which is typical for high power distance cultures (Hofstede, 1980).

High uncertainty avoidance implies a clear and respected organizational hierarchy and an emphasis on many laws and rules (Hofstede, 1997). (ABB) Alstom Power did have certain rules and regulations, which they made attempts to implement, *"but not much was done"*. It is perceived that managers at (ABB) Alstom Power left some areas within the business completely independent while other areas were given hundred percent focus and were totally controlled in detail. On the other hand, the subsidiary in Finspång did still work very decentralized and had more freedom and authority for decision making, which implies that French managers' of (ABB) Alstom Power were not as uncertainty avoiding and control oriented as Hofstede's (1980) findings imply. Another explanation to why the perception of the French culture is different to Hofstede's (1980) findings of uncertainty avoidance can of course be due to that a corporate culture does not have to reflect the national cultural characteristic (Philippe et al., 1998) of a country.

Managers in Finspång perceive that French managers prefer to discuss and come up with a solution. This is a typical national characteristic to French managers as people in France according to Hofstede (1980) are collectivistic and feminine. On the femininity dimension, Swedish and French managers are similar as respondents argue that one in Finspång pre-

fers to take decisions in consensus. On the other hand, it is also perceived that French managers may be slightly macho and rather aggressive, *"a French manager shows that he's the one in charge by shouting and screaming"*. This is contradicting Hofstede (1997) and the fact the French mangers would be feminine.

Furthermore, Swedish managers are perceived to be individualistic, whereas the Frenchmen (as mentioned above) are collectivistic. Therefore, the cultural distance between the management styles of (ABB) Alstom Power and their subsidiary in Finspång is perceived to be rather high. As discussed in section 5.1 the extent to which the firms were integrated is concluded to be low, and consequently the (ABB) Alstom Power M&A is drawn as in figure 5-5 below.
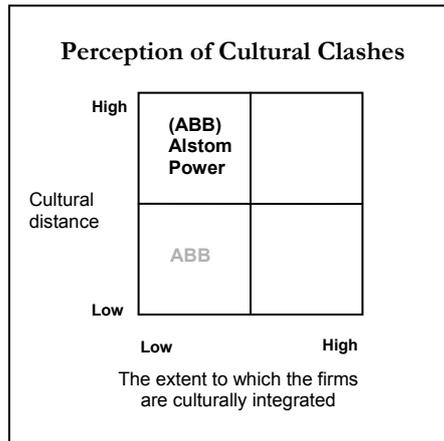
Perception of Cultural Clashes

High	**(ABB) Alstom Power**	
Cultural distance		
	ABB	
Low		
	Low	High

The extent to which the firms are culturally integrated

Figure 5-5 Perceived cultural clashes in the merger with (ABB) Alstom Power

5.3.2   Cultural Clashes

Kogut and Singh (1988) argue that the more culturally distant two organizations are the more distant are the cultural characteristics, and as argued by Bouno et al., (2002) cultural fit is important to avoid cultural clashes. Furthermore, Datta (1991) argues that incompatibilities in management style lead to difficulties no matter high or low level of integration. With these statements in mind, and the above conclusion that (ABB) Alstom Power and their Finspång subsidiary were culturally distant, one could assume that the cultural clashes in management style must have been great when ABB merged with Alstom. However, managers in Finspång did not perceive that great amount of cultural clashes with the French management.

(ABB) Alstom Power had a centralized organization, yet managers perceive that *"the local organization was quite decentralized and independent"*, which contributed to less cultural clashes. Managers in Finspång had power to make their own decisions and one manager expressed, *"they did not poach on someone else's preserves"*. Most manages perceive that they *"retained in undivided possession"* and that *"the difference was that we reported to Brussels and then to Paris instead of to Switzerland as we did during the ABB epoch"*. The rewarding system was somewhat different during the (ABB) Alstom Power epoch. However, managers did not perceive this as a major problem, which is corresponding to Datta's (1991) findings that such differences do not lead to difficulties in the integration process.

The fact that managers perceived few cultural clashes with (ABB) Alstom Power can be related to what Larson and Risberg (1998) refer to as increased cultural awareness. This would mean that the managers of both (ABB) Alstom Power and the Finspång subsidiary

were more aware of cultural difficulties prior to the M&A and therefore accepted each others management styles without major consequences. Further analysis and explanations of why managers perceived rather few cultural clashes with (ABB) Alstom Power and the French culture will be presented in section 5.5. However, prior to that, cultural clashes and its consequences in the acquisition of Siemens and with the Germans will be analysed.

5.4   Siemens - the Germans and the Swedes

The following section analyses the managers' perceptions of the cultural distance and the perceptions of the cultural clashes on both national and corporate level being acquired by Siemens. How the clashes are perceived by the managers vary depending on how they are affected or how they perceive that the organization is affected. Furthermore, this section ends with an analysis on how the consequences evolved from the cultural clashes are perceived by the managers. Therefore, this section aims at answering to what extent the two firms are culturally distant, and what consequences managers perceive that they encounter due to cultural clashes.

5.4.1   Cultural Distance

The interviews show that the managers' perceptions of cultural distance are influenced both by the national and by the corporate cultural characteristics of SIT which are perceived to differ from the cultural characteristics of Siemens. As stressed by Kogut and Singh (1988) national cultural differences result in different organizational and administrative practices and the more culturally distant two countries are the more distant are the organizational characteristics. The major cultural differences between the two cultures occur in the preferred level of centralization that appears between the management at SIT and the management at Siemens. This would then be explained by national cultural distance. According to Hofstede's (1980) findings both Sweden and Germany are considered as low power distance countries. Our findings indicate that the Swedish managers' view on the preferred level of centralization is corresponding to the characteristics of a low power distance culture. When analysing the managers' perception of the German culture the results are in contradiction to Hofstede's (1980) results. The managers' perception of Siemens' management style shows that the national cultural characteristics of German managers are more closely linked to Hofstede's high power distance due to the centralized structure in which decisions are made at higher levels. However it is difficult to say if the level of centralization is mostly influenced by each firm's corporate or national culture.

According to Hofstede (1980) German management characterizes masculinity which is opposed to the Swedish style which highly characterizes femininity which is strongly reflected in the good working relationships between superior and subordinates. This indicates that the distance should be high between Swedish and German managers. Both Swedish and German management style is according to Hofstede (1980) characterized by individualism. However, this is most evident in the managers' perceptions of the Swedish management style as the Swedish managers encourage the employee's initiatives. The preferred control and the strong implementation of Siemens' way of doing things as well as the organizational structure are characterizing Hofstede's (1980) high uncertainty avoidance which is reflected in Siemens' many rules and structures. According to the managers' perception and to Hofstede (1980) these characteristics are opposed to the Swedish management style which has low uncertainty avoidance.

According to Hofstede (1980) Sweden and Germany are distant in uncertainty avoidance and femininity. However, our study shows that Swedish and German managers are also culturally distant in the level of power distance. Based on this discussion on the managers' perceptions of cultural distance and Hofstede's dimensions, we interpret the cultural distance between the management styles at Siemens and at SIT to be high. The cultural integration is, as discussed in section 5.1, also concluded to be high. Due to this the acquisition with Siemens is illustrated in figure 5-6 as high cultural distance and high extent of integration between the two firms. Because these cultural differences are seen to strongly affect the management at SIT, the differences will be discussed in detail in the next section.
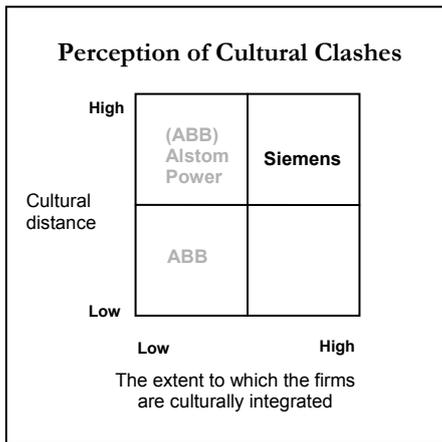

Figure 5-6 Perceived cultural clashes in the acquisition by Siemens

5.4.2 Cultural Clashes

As mentioned above it is difficult to distinguish whether the preferred level of centralization is influenced by the national or the corporate culture of each firm. However, we believe that the national culture influences the corporate culture and clashes occur due to the differences between centralization and decentralization. From the interviews it can clearly be seen that Siemens is a very centralized organization and that the decision making belongs to the higher levels of the organization at the head office in Germany. This is in line with Mintzberg's (1983) definition of a centralized structure and is according to him useful to enhance coordination in the organization. Opposed to the very centralized structure at Siemens with top-down management, the respondents at SIT have since long time been used to a more decentralized structure. This structure shares the power between the members and therefore it stimulates motivation, which is a key to perform managerial jobs (Mintzberg, 1983). Years of decentralization have shaped the managers' attitude towards decision making. According to Schein (1992) corporate culture is shaped by its members' shared history and experience. This is very evident among the managers at the subsidiary in Finspång who describe how the past strongly influences how they do things today. The background of SIT and the past experiences from the merger between Asea and BBC and the merger/acquisition with (ABB) Alstom Power have influenced the respondents' view on how decisions are made. This corresponds to Bouno et al. (2002) and Cartwright and Cooper (1996) explaining how culture determines the behaviour of a group, such as how the work is performed, which in turn affects the aspects of organizational life. The managers explain that coming from a much decentralized structure within ABB in which they were given a lot of power, managers feel that they are used to make their own decisions. This is explaining the managers' expression on how the move to centralization is an important clash that is affecting their managerial role and the organizational behaviour in many

different ways. However, the clashes are perceived as many and these will be discussed as follows.

Decision Making

Despite the preferred level of centralization in an organization there are other national cultural differences that determine how decisions are made. The interviews show that the managers perceive that there is not much power distance between subordinates and bosses at SIT and it is expressed to be typically Swedish. The managers at SIT in Finspång emphasize that decisions should be made by consulting with subordinates, who are not afraid of disagreeing with their boss. This management style clearly corresponds to Hofstede's (1980) results concerning low power distance. One can therefore conclude that the corporate culture of SIT in Finspång is influenced by the national culture of Sweden. As one manager said, *"SIT is more Swedish than Sweden"*.

Before making a decision Swedish manages first gather information from all stakeholders and then make a decision that people agree on. The managers express that Swedish management prefers consensus. This is also characterizing the feminine society which according to Hofstede (1980) is typically Swedish management and is clashing with the German style that is masculine. When asked to explain the perception of the German culture a typical answer is *"here we have a totally different culture in which decisions are made than at Siemens. At Siemens it is about hierarchical management decisions and we are more team and consensus focused"*. Consensus might take time but managers believe that the quality becomes better. The dialogue and the discussion are important as the manager believes he or she does not always have the best solution and it is also motivating. One manager expresses *"I believe that irrespective of the hierarchical level and how we work as managers there is consensus behind each decision, however, in the end it is the boss that decides"*. The managers perceive this as typically Swedish and there may be clashes as colleagues with different nationalities may not understand how and when the decision is made. Swedish managers, however, are aware of the differences and think they are able to adapt to the behaviour of the other nationality.

Managers perceive that it is expected by a German manager to make the decision as it is in their culture. When talking about consensus one manager says that *"there is no such mentality in Germany it is rather a little bit nicer to be obstinate there"*. Another manager says *"from a general point of view you can say that there is more control and that we want to have a dialogue, to discuss and to achieve something. It seems as the bosses are a little more authoritarian. That means that if you are a boss, you must show that you are a boss and in order to be a boss you must have a lot of knowledge"*. You can't for instance ask questions, you have to know how it should be. Having an open dialogue is expressed by the majority of the managers as *"the ceiling is high"* this is a Swedish expression meaning that you can say anything to anyone and be prepared that someone might disagree. As said by one of the managers *"the Swedish model"* means that everything takes place in consensus, everyone should be involved, which takes time. The managers believe it looks different in Germany because when the boss makes a decision you just do it. Opposed to this the majority of the managers expresses that a Swede always asks *"why?"*

That the Swedish managers ask *"why"* is a behaviour that the respondents believe is typical managers in Finspång and typically Swedish, which is corresponding to low power distance (Hofstede, 1980). The managers perceive that there is more top down management at Siemens than what they are used to at SIT and they do not think top down management is part of the Swedish culture. This evolves clashes with Siemens' management style in which decisions come from the top and are not supposed to be questioned. Managers at SIT believe that it is important with an explanation behind a decision as people want to know the

logic behind a decision. Distributing squares on a piece of paper is not enough. One manager emphasized that *"our way of managerial style is that you don't only give instructions but explain why you want to have it somehow or other. And it is the motivation you want to have. I don't believe that anyone here would do things without knowing why"*. In this case however the cultural clash is perceived to affect the German managers working at SIT as they have to explain which they are not used to. It is perceived that the German managers find it hard to understand that the Swedish managers ask why and that can create a certain amount of irritation *"that we are so rowdy"*. It is explained that in Germany the boss makes the decision and then you do what you are told. This clash in management style may be perceived by the German managers at Siemens as questioning, however the Swedish managers do not aim to question they just want to know *"why"*. However, the two management groups seem to be aware of the differences from both sides which make it easier to cooperate.

Organizational Structure and Control

Organizational structures are not only simple lines on an organizational chart, it is about the relationships between people and indicates what can be done and not be done as it implies control and accountability (Whittington & Mayer, 2000). The structure therefore influences the preferred management style and the change towards Siemens' preferred structure therefore evolves clashes with the preferred style at SIT. The relationships between the managerial levels at SIT are seen to be influenced by their corporate culture and it is also characterized by national cultural characteristics. Differences in management style may, according to Datta (1991), evolve from how managers prefer formal control and structured forms of communication channels. However, the change in structure and the change to centralization evolve clashes in management style in different ways. Siemens has a principle called the *'four eyes principle'*, which is a management style unique to Siemens. The implementation of the system means that each important business decision must be made by two persons, in other words *'four eyes'*. This means that one part of the structure is the technical organization and the other is the commercial. These two always run parallel all the way to the top which means that the decisions do not stop in Finspång. The idea behind this system is that important decisions must be better analysed and penetrated. Managers feel that whether this is good or not can be discussed, however, *"when discussing this with someone from Siemens they say 'you only have to look at who bought whom, I believe this is a good system"*. This is a typical example of clashes in management style that occurs when the acquiring firm imposes its management style on the acquired firm (Datta, 1991). Understanding the differences in decision making practices as well as power and control structures can according to Hofstede (1997) be explained by national distance in uncertainty avoidance and power distance. This difference is seen to be apparent in this study explaining differences in management style. Hofstede's (1980) study shows that the German national culture characterizes high uncertainty avoidance. This implies that German managers prefer structure in the organization in order to make events predictable and interpretable and the organizational hierarchy is clear and respected. The uncertainty avoidance we believe can strongly be reflected in the four eyes principle as it generates great control over the organization and the decisions made. This is totally opposite to the Swedish characteristic as a low uncertainty avoidance culture.

Looking closer to the uncertainty avoidance both the characteristics of Swedish managers and the German managers correspond to Hofstede's (1997) study. The Swedish managers perceive that hierarchical levels can be by-passed for pragmatic reasons and it is normal to go directly to the manager that makes the final decision. However, this view concerns SIT as it is part of their corporate culture and it is used to be that way, in their relations with

Siemens it looks different. The perception of the managers from Siemens is corresponding to Hofstede's (1997) findings that German managers prefer to work in clear and respected organizational hierarchy and it is not OK to by-pass hierarchical structure. Siemens' management style is perceived as very structured which is reflected in their meetings and their way of working. The many laws and rules implemented by Siemens reflect the German high level of uncertainty avoidance which is clashing with the Swedish mangers that are used to work less structured under more freedom with less control, fewer written rules and are flexible in their style (Hofstede, 1997). The managers feel unfamiliar with strong hierarchical structure and it is perceived to be part of their culture that no matter which position in the hierarchy people can talk to anyone. For example the CEO can talk to anyone at lower managerial levels and the other way around. This is experienced not to be the case with the German managers.

The control related to the high uncertainty avoidance is an explanation to why the Siemens managers often visit SIT. This involvement is perceived as positive and managers say that it controls the company in a good way. But it must not be too much, there is a danger that they can go too far and a balance is therefore needed. The German management style is in this case described as *"Siemens really integrates and breaks in things in a very distinct manner, points with the whole hand. There is no hesitation about how they want to have things…there are many great projects that are to be made and that is what permeates the whole organization"*. However, it should be mentioned that the same manager emphasizes that despite this control and the strong implementation on Siemens' way of doing things, the Swedish managers do not come into conflict with the German managers.

There are other national cultural characteristics that determine communication patterns and relationships between the hierarchical levels at SIT. The clashes evolved from the acquisition with Siemens are more or less affecting the managers. The Swedish managers preferred relationships between the hierarchical levels are as found by Hofstede (1980) characterized by the highly feminine society which emphasizes good working relationships with superior and value cooperation. Furthermore, Swedes are characterized as people oriented. The Swedish managers highly correspond to Hofstede's findings and we believe this is an influencing factor of the corporate culture of SIT. The managers describe that they usually delegate downwards in the organization which makes things more simple and the communication working well. The communication goes all directions and what also characterizes SIT's management style is that employees can go directly to their boss with ideas. This is a typically Swedish management style which also reflects the low uncertainty avoidance (Hofstede, 1980).

Differences in Reward and Evaluating Systems

Talking about reward and evaluation systems the managers express that there are differences between the previous systems and the one today. Today the incentives are estimated on the global performance and not on the local performance which is different from before. As reward and evaluation systems according to Datta (1991) are related to the management style there may be difficulties in the integration process if these differences are high. Managers express that the differences, however, do not lead to clashes and problems in the integration process. This is in line with Datta's (1991) conclusion that normally it is easier to adapt to differences in reward and evaluation systems than to incompatibilities in management style. However, the Swedish managers explain that the current system is not always good and they fear that it might happen that managers sub optimize which is seen as bad for the business.

To sum up the discussion above we can see that the managers' perceived cultural clashes with Siemens and the German culture are many. The major cultural clashes occur due to the level of centralization which affects decision making and managers' authority. Furthermore, the cultural differences in decision making and other organizational behaviours also evolve clashes. There are also clashes that occur from the preferred structure, control systems, communication patterns and relationships. These clashes conduce to consequences that affect the managers in several ways and will be analysed as follows.

5.4.3   Consequences of the Cultural Clashes

This section presents how managers at SIT perceive that the cultural clashes with the German managers at Siemens influence their managerial role and organizational behaviour. When reviewing the clashes above a pattern is found which the evolved clashes can be divided into, what we refer to as explicit statements and implicit agreements. Illustrated in figure 5-7, the explicit statements and implicit agreements are added to our conceptual model as we find it crucial to make a distinction between the two factors as they conduce to consequences that we have found imply major or minor effects. Clashes evolved from the explicit statements concern things that the acquiring company states that "this is the way we do it" or as the managers express *"we must follow Siemens' way of doing things"*. These clashes concern features that are formally written down and the managers of the acquired company have to follow these rules and regulations. The implicit agreements are more diffuse and concern clashes that are not written down but seen in people's behaviour. These are evolved from differences in national cultural characteristics. Characteristics that Schein (1992) regard to as taken-for-granted assumptions.
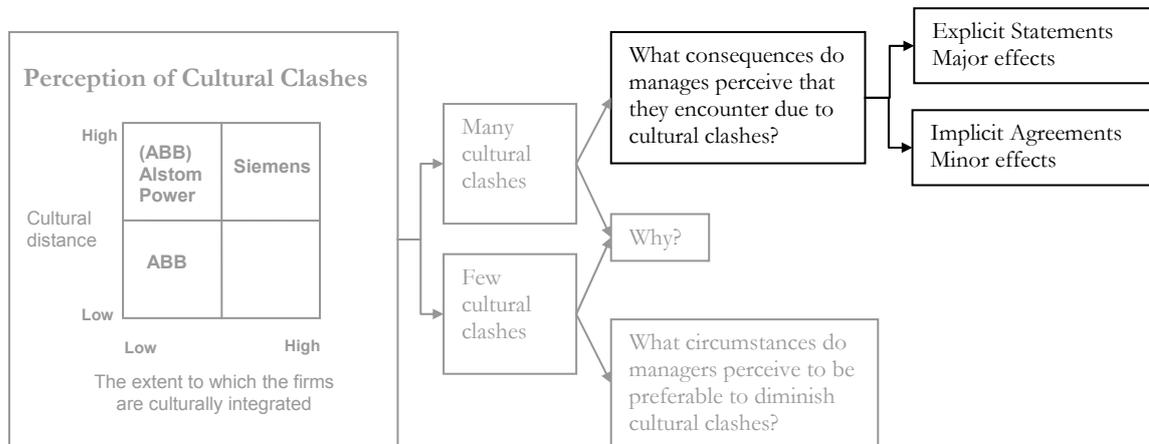
Figure 5-7 Managers' perception of cultural clashes as explicit statements and implicit agreements

5.4.3.1   Consequences of Explicit Statements

It is explained that today the organization from a global point of view is centralized and locally it is more decentralised. However, this view differs among the managers and a more general view is that even though SIT in Finspång to some extent is decentralized managers feel that the centralized structure at Siemens strongly influences the managerial role at SIT. As we have discussed in the previous section the move from a decentralized to a centralized structure has implied many clashes that have major effects on the managerial role and organizational behaviour. Change in structure and the managers' authority of decision making we believe are the greater changes after having been acquired by Siemens. The consequences evolved from these clashes will be discussed in the following.

Decision Making

After an acquisition has taken place it is typical that the acquired managers lose control of the business (Risberg, 1999) and that the clashes in management style imply changes in participation of decision making (Datta, 1991; Newman & Nollen, 1996). The change towards a more centralized structure at SIT has implied changes for managers as an additional managerial level at Siemens is added above their own. The managers express that this means that the same position today does not have the same authority for making decisions as before being acquired by Siemens and they do not have the same power. One manager says that he believes that managers feel that they still have control over their own department because they are used to do so. This view, however, appears to depend on the division at SIT and to what extent the hierarchical levels have been changed in each division. However, the most apparent view of the consequences caused by the centralization is as one manager expresses that *"the authority for decision making has been drastically curtailed"*. The change is therefore perceived as negative by many as managers that are used to make qualified decisions now must spend more time on reporting and must follow the centrally decided policies at Siemens. The influence in decision making has also affected the executive group in Finspång as they do not have the same possibility to influence the business as before. *"The CEO can not take the risks, as the risks are taken globally. He has the responsibility for the subsidiary's result, but he does not have the possibility to affect the business"*. This is perceived by the managers as frustrating.

The choice of having a centralized or decentralized structure in an organization determines the top managements' encouragement of employee participation in making decision (Datta, 1991). The managers are asked whether they encourage employees on lower managerial levels to make decisions or not. Among all respondents there is a heavy emphasize that making own decisions is crucial in order to maintain efficiency, innovativeness and creativity in the organization. Some managers perceive this as a typically Swedish view while others express that it is within the corporate culture. Looking at how the encouragement of subordinates' initiatives affects the whole organization, managers emphasize the long history of innovative people or *"heroes"* that play an important role. A general view is that this is part of their corporate culture that has been shaped by the fact that there has been very much power of initiative and people have always been on the go when it is about coming up with new ideas and developing new products. The managers seem to be very proud of the company and its background which can for example be reflected as *"this is an enormously competent and capable company with a great many capable people, we are good at developing new products"*. Schein (1992) argues that stories can communicate values and beliefs of founders or other central characters. One such story is about Curt Nicolin, who came to the company as a graduated engineer and became the CEO already at the age of 28. Curt Nicolin, is as we believe a role model for employees. This story communicates that one can make career if he or she works hard, which may be very motivating for some employees. Furthermore, Curt Nicolin believed in the Swedish expression *"It is more beautiful to listen to the string that broke than never tend an arrow"* which indicates that as long as one tries, it is OK to make mistakes. Therefore, initiative and creativity have become something like, what Schein (1992) calls, core assumptions within the corporate culture in Finspång. The background of SIT is further expressed as *"coming from the Asea culture, and Asea was Percy Barnevik, the independent subsidiary had the responsibility, and that was the ABB-spirit, it was flat and decentralized. The individual's power of initiatives was in focus 'do it first and then ask'."* There is expressed to be an atmosphere in the organization that if something does not function, someone has to arrange it and then he or she becomes a *"hero"*. By working this way managers believe that much competence

and initiative grow. However, there is a risk that something goes wrong, but what is good is that people are not afraid of testing and solving problems.

After being acquired by Siemens and moving from a decentralized structure to a centralized with a formal hierarchy, some managers explain how they fear that this will influence the initiatives in the organization. One of these managers says *"the initiatives become stronger when you have the freedom to perform them. I have a feeling that the initiatives are reduced by such an authoritarian culture, but I do not want to say that it is worse now, as the time is too short to make any evaluation, but this is only a feeling that I have got"*. Similar to this one manager expresses that since the organization has become so formal he is afraid that the organization will lose its competence of innovation and initiatives. However, similar to the other manager he does not know how it will happen. This indicates that there is a fear that the changes of the organizational structure and the level of centralization, in other words in management style, are perceived to be a threat to their corporate culture and their way of doing things.

There is also an emphasis on that the change in work, processes and authority is not only affecting the managers but also their employees. Frustration evolves when empowerment has been taken away from employees and replaced with tasks that they feel overqualified to do. This could be expressed as *"our people are educated to have opinions about how to develop the business and now they are only asked to fill in matrixes and such the whole days and the frustration comes and you perceive it now and then in the employees' survey. I would empower these project leaders with tasks that make them busy so that they feel that they develop themselves properly and as the project leaders now have lost some of their authority due to the change in structure"*.

The encouragement of subordinates' initiative and decision making are also based on the managers' view on how this affects their efficiency to perform their managerial role. *"I want people to think and come up with a solution"*. It is very important that employees can take initiatives and come up with solutions on problems. Allowing decision making on these levels makes it more efficient and it is easier to work as a manager. This is also important for the efficiency of the whole organization as it is emphasized that *"if we would not have this approach we would not be efficient at all. It is about that we want people to have ideas and take initiatives and feel that they are part of everything and the more involved people are the better is the efficiency, I believe"*. Such thoughts are strengthened by Mintzberg (1983) arguing the fact that decentralization is a key to efficiency and stimulates motivation.

In contrast to this view of the Swedish management style described above, the managers perceive that Siemens' managers prefer much more formal control and there has been a heavy implementation of *"Siemens' way of doing things"* in other words their rules and work processes. These imposed standards and rules are proposed by Weber and Schweiger (1992) to evoke stress and negative attitudes among the managers that obstructs the integration process. Our study indicates that such consequences suggested by Weber and Schweiger (1992) do occur as managers feel frustration and lack of motivation. However, it does not obstruct the integration process. The consequences are evolved as traditionally initiatives are viewed to be crucial among both managers and their employees for efficiency and innovativeness in the organization. Now managers think that their role has changed, as before they could control their own processes and programs. The change towards more control is perceived to make work *"boring"* and sometimes *"frustrating"* as well as a loss of creativity. How this change is affecting the motivation of the managers is as one manager explains, *"looking at it from a general point of view it is like we know that there is no idea to come up with something different because it is supposed to be in the one by Siemens chosen way"*.

Talking about initiatives another manager says *"the managerial style has undergone a radical change!"* He then compares what they had developed in their organization and their view on initiatives with Siemens as he perceives as totally different. *"At Siemens the boss shall know exactly everything about everything…earlier the boss did not have to know everything, but he should know who knew what and in that way give the others initiative, but that era is gone now"*. When asked whether new routines implemented by any of the acquiring or merging firms obstruct the initiatives, a typical answer is that *"being acquired often makes you feel frustrated because of all the time you have to spend on only reporting things. They ask for information and we have to report almost everything and there is a lack of time. And if you never get any feedback, you feel that it is totally useless. Such things have been actual thus within Siemens"*. As the managers have to report and follow the new rules, the same manager further believes that it diminishes your motivation because you sometimes perceive it as useless and *"you often ask yourself why you are dong this or that. Then you feel frustrated which makes you lose your efficiency"*.

Organizational Structure and Control

Siemens' preferred structure and control is characterized by the high uncertainty avoidance which is clashing with SIT's low uncertainty avoidance. The four eyes principle, for example, affects the managerial role in different ways. A positive aspect is explained to be that with the four eyes principle one can avoid financially bad deals as more people are involved in the process. However, the negative aspects are that managers feel that they might miss important deals, or it obstructs the communication with the customer because the process is too slow as the manager at SIT can not make the decision alone. Managers express that you must have an *"OK"* from both sides before making a decision and it is more bureaucratic. The general view is that the system is good as no one can cheat and is therefore perceived as positive despite that it has lead to changes in the structure. Some managers feel that the system is complicated. This is expressed as *"since I had not understood the system I had to employ a German project leader because I feel that I could not be bothered to understand how they think…the system is complex and inherited"*. The majority of the managers perceive that this structure makes things take more time and it is inefficient. However, one manger points out that if this system leads to better decisions with less mistakes then the process might be good.

The managers are asked how this change in management style is affecting their managerial role. The implementation of additional managerial levels that in some cases are affecting managers' position is perceived as *"terribly frustrating"* for the affected managers that are used to make their own decisions. One example that is told is how a manager who used to make his own decisions suddenly has an additional level above him before he can go to the persons that really make the final decision. This also means that he no longer has the direct relationship with important external contacts and networks in different countries that he used to have. These reactions from a Swedish manager affected by the difference in management style is not surprising as managers in low uncertainty avoidance countries (Hofstede, 1997) are used to make individual decisions, and by-passing hierarchical structures for practical reasons is seen as OK.

Related to the high uncertainty avoidance a German manager prefers many laws and rules (Hofstede, 1997). This is again opposed to the Swedish style and it does affect the managerial role. The interviews show that the managers perceive that the German management style involves a quite heavy formalism as there is a form for everything, leading to a lot of paper work that they or their subordinates sometimes feel overqualified to do. These differences in management style are perceived to lead to frustration. Furthermore, one manager expresses that *"Siemens does everything that I have learnt not to do during the time with ABB"*.

The centralized structure with the four eyes principle implies inefficiency in the decision making process as the manager no longer can go directly to the boss that will make the final decision.

Structural changes and differences in communication patterns are perceived to evolve consequences in the long run. When asked if the communication flow has changed after the acquisition the views are different. One manager says that locally the communication is as it has always been however he stresses that this probably depends on who you ask. In the early 1990s the organization started to remove the barriers between the different divisions in order to strengthen the processes. This was developed during the ABB and Alstom epochs and the managers feel that the company succeeded well with this. However, after having been acquired by Siemens the barriers have been built up again. Managers emphasize that communication between the divisions is seen as important *"as we never know how we are organized tomorrow"*. One manager says that *"cooperation between our divisions is one of our most important key success factors…therefore we communicate to our employees to make sure to cooperate! It is our strength as long as we can do it"*. The new barriers make the communication *"extremely"* difficult and despite the strong corporate culture there is a fear that the walls will change the culture in the long run.

How Frustration Affects the Organization and the Managerial Role

As we can see from the discussion above managers feel that the clashes in management style make work inefficient. Managers also feel that the changes obstruct the communication and relationships externally and they feel that they or their colleagues are sometimes overqualified for the work they must do. These issues together with the fact that the authority for decision making has moved further up in the hierarchy are emphasized as leading to frustration.

The differences in the preferred level of centralization are apparent to be affecting the managerial role among managers at SIT. The frustration that the managers feel is evolved from the change can according to Weber and Schweiger, (1992) evoke stress and negative attitudes which in turn obstruct the integration process. These incompatibilities in management style are argued to have a negative impact on business performance or performance in the post-acquisition integration (Datta, 1991; Newman & Nollen, 1996; Weber (1996). However, despite the frustration our findings do not indicate any such negative effects on the business performance. One manager explains that despite the frustration he experiences, he also emphasizes that business performance has not declined after being acquired by Siemens. This is in line with Weber's (1996) findings suggesting that despite cultural differences the M&A may still be financially successful. Furthermore, the managers perceive that the strong commitment and loyalty to the subsidiary in Finspång help the mangers and their employees to overcome these barriers and to perform their work anyway. As one manager says, *"the change does not affect the work to such a large extent that it obstructs the operative work in our projects. There are examples where it obstructs the operative business activity, but generally I believe that this is something that we manage because of the commitment"*. However, the same manager stresses that when it comes to improvements and the development of the business it does *"obstruct enormously as managers no longer in some cases have neither the responsibility nor the authority"*.

According to Philippe et al. (1998) acculturative stress is argued to influence commitment, cooperation, satisfaction and productivity of employees. This is strengthened by Newman and Nollen (1996) who found that when management style is incompatible with deep rooted national values employees will feel dissatisfied, uncomfortable and uncommitted. Our

findings are however contradicting these theories and we therefore believe that the loyalty and commitment among the employees in Finspång make things work despite the problems with differences in management style. The fact that Finspång is an industrial community with a long history is seen to affect how employees view the company. This could be emphasized as *"the commitment is always there and is a powerful force and surely this is part of the old industrial community"*.

How the managers overcome the barriers is also expressed to be a part of the national characteristics of the Swedish culture, *"there is frustration but it does not generate difficulties in the integration process since we are Swedes and we comply with the regulations"*. When asked how the implementation is possible despite the differences in management style one manager says *"it depends on that people are adaptable as individuals and it can possibly happen that if someone has disapproved of this they have had to leave. Those who decide to stay probably choose to adapt"*. The same manger further explains that when the business runs well and is developing the circumstances do not matter to the same extent. As Siemens has been successful it probably makes people feel that they have succeeded. *"But it should be remembered that we are not on the way to heaven, there will probably be ups and downs and then we will see if we can stand a down period"*.

5.4.3.2   Consequences of Implicit Agreements

Hatch and Schultz (1997:360) argue that managers are participants in and symbols of their corporate culture and they emphasize that *"culture manage managers rather than the way around"*. Newman and Nollen (1996) also emphasize that management style is deeply rooted in national culture. As strengthened by these theorists and also indicated by the managers, changing management style and organizational behaviour is difficult as it is related to the culture. Discussing whether Siemens management style will have too much impact on the one at SIT one manager strongly emphasizes that *"I do not believe that we will change our way to work here. We do not have these hierarchies in our society and it does not matter if you are CEO or just a normal worker (if that is the largest difference), everyone can go and say anything to anyone"*. Clashes evolved from the implicit agreements are many. However, the effect on the manager and the organization is minor compared to the explicit statements that, as previously discussed, have major effects.

Our findings give an understanding that when the characteristics of the corporate culture, which are deeply rooted in national cultural characteristics, do not easily change despite the clashes in management style. Looking internally within SIT communication and relationships between hierarchical levels are not affected to the same extent due to the very strong corporate and national culture at SIT. Cultural characteristics on how to communicate and manage relationships between hierarchical levels are difficult to change which means that locally managers behave as they always have done. However, when communicating with the German management there are an awareness and understanding on how to behave and adapt to the by Siemens preferred management style. Another example is how the differences in management style influence when and how decisions are made. The Swedes prefer to gather information and discuss things as there is consensus behind the decision. This is clashing with the German preferred way with hierarchical management decisions, in which the German manager makes the decisions alone. The fact that the feminine culture influences the managers at SIT is a reason to the strong emphasis on Swedish managers asking 'why' when decisions come from the top. This cultural difference makes German managers think that the Swedes are questioning which they do not mean to do. These clashes may therefore be more difficult to the German managers than the Swedish. However, as explained earlier we find these clashes to be caused by implicit agreements which have a mi-

nor effect on the managers in a way that they have to be aware of and adapt to the preferred behaviour of the acquiring firm. Therefore, consequences evolved from the implicit agreements do not generate such negative consequences as those that Weber (1996) concludes lower the effectiveness of the integration process. These cultural differences should also according to Newman and Nollen (1996) imply difficulties as it leads to dissatisfaction and lack of commitment. Opposed to the explicit statements our findings indicate that the implicit agreements are contradicting to Newman and Nollen's (1996) results as the effects are minor.

We believe that these implicit cultural clashes in management style do not affect the managers to the same extent as the explicit clashes that more directly affect the manager's position and authority.

5.5 Many versus Few Cultural Clashes

This section aims to explain why managers perceive to encounter many cultural clashes with Siemens and the Germany management style, but not with ABB or the French management style at (ABB) Alstom Power. Firstly, interpretations will be drawn out of the mode of acculturation used when integrating the firms. Thereafter, further explanations that can be read from our empirical findings will be given as to interpret what circumstances managers perceive to be beneficial in order to diminish cultural clashes.

5.5.1 Mode of Acculturation

Referring to Nahavandi and Malekzadeh's (1988) modes of acculturation, Cartwright and Cooper (1993) argue that the integration mode and the separation mode of acculturation have higher potential for cultural clashes than assimilation and deculturation have. However, our results of cultural clashes in management style do not correspond to this argument. Although the mode of acculturation is argued to be integration for ABB and for ABB Alstom Power it can be read from the above analysis, of cultural clashes in management style, that the managers in Finspång did not experience as many cultural clashes as a subsidiary to ABB and (ABB) Alstom Power respectively, as they today experience cultural clashes with the management style of Siemens. As a matter of fact, our analysis shows that the assimilation mode of acculturation that Siemens is believed to use, contributes to more cultural clashes than integration.

Why so Many Clashes with Siemens and the Germans?

One explanation to why the assimilation mode of acculturation used by Siemens has contributed to cultural clashes would be what Cartwright and Cooper (1993) argue that when members of the acquired organization are unwilling to abandon their culture, separation will occur. However, we do not believe that the attempt of Siemens to as assimilate the cultures has made SIT separated. Therefore, separation is not a suitable explanation in this case. The separation mode proposed by Nahavandi and Malekzadeh (1988) would mean that members of SIT would try to remain totally separated from Siemens and function as a separate unit under the financial umbrella of Siemens. In contrast, members and managers of SIT argue that they try to adapt to the requirements from Siemens. However, this is not easy as their basic corporate as well as national culture often differs from that of Siemens and the Germans. We believe that as a consequence of this difficulties to adapt clashes occur.

Another, perhaps more reasonable explanation to why managers of SIT have experienced more cultural clashes with Siemens than in prior M&As corresponds to Malekzadeh and Nahavandi's (1998) later article where they propose that integration and separation are the only two modes possible for cross-national M&As. According their theory assimilation is not a possible mode of acculturation in cross-national M&As as, no matter how high the incentives are to assimilate the companies, people will not lose their national roots due to an acquisition (Malekzadeh & Nahavandi, 1998). Therefore, Siemens attempts to globalize by making the employees more German, as one manager of SIT expressed it, do not work. Another manager gave an example related to equality of opportunity between women and men. His perception was that women do not have the same opportunities for advancements in Germany as women have in Sweden. He pointed out that this was not something formally written down by Siemens, however, *"if Germans have such an attitude towards women, then how are we to work with such issues here at SIT?",* he said, and continued to say that *"it is very important for us to counteract the German attitude and hold on to our values".* Even though, this manager believed that this will somehow have an influence on the company he said that *"we live in Sweden and the Swedish society values equal opportunity…therefore the Swedish national values influence our values at SIT more that Siemens can influence them".*

Why so Few Clashes with ABB and (ABB) Alstom Power?

If one is to make an attempt to understand of why managers in Finspång have experienced rather few cultural clashes with the management style of ABB and (ABB) Alstom Power, we have found one explanation related to the mode of acculturation (Nahavandi & Malekzadeh, 1988) used.

Nahavandi and Malekzadeh (1988), argue that when the acquired and acquiring firms agree of the mode of acculturation, there will be less acculturative stress and result in a successful implementation of the merger. As argued above the company in Finspång is assumed to have preferred the integration mode of acculturation at all occasions. This is also the mode of acculturation we believe that both ABB and ABB Alstom Power have used. If one assumes that the two companies in both mergers (ABB and Stal, and ABB Alstom Power and ABB-Stal) prior to the acquisition had agreed on the integration mode of acculturation, it is in accordance with the theory proposed by Nahavandi and Malekzadeh (1988), and may therefore be an explanation to why managers experienced few cultural clashes with ABB and (ABB) Alstom Power.

5.5.2   Preferable Circumstances to Diminish Cultural Clashes

It is not be excluded that other factors than the mode of acculturation lead to less acculturative stress and that managers perceived to experience less cultural clashes during the ABB-Stal and (ABB) Alstom Power epochs, and more cultural clashes today as a subsidiary of Siemens. Two further explanations that can be read from our empirical findings follow. These explanations are related to what circumstances managers perceive as preferable to diminish cultural clashes in cross-national M&As.

Mergers versus Acquisitions

To begin with we believe that the concepts of mergers and acquisitions respectively are not as related as indicated by most authors within the field (e.g. Risberg, 1999; Gertsen et al., 1998). Our empirical findings indicates that the concepts are alike as no matter if there is an acquisition or a merger the less dominant party experiences pressures from the dominant party. However, this domination by one party is perceived by managers to be less promi-

nent in mergers than it is in acquisitions and basically we believe that the concepts should not be used interchangeably.

We believe that it is not only due to corporate cultural and national cultural differences in management style that managers' perceive to be influenced by more or less cultural clashes, but also due to whether the company has been involved in a merger or exposed to an acquisition. The general view among managers' in Finspång is that there is a *"fundamental difference"* between the two concepts and one manager said that *"Siemens is the acquiring firm and we are acquired, this is a fundamental difference from Alstom and ABB, as we now have less right and less power to influence"*. When managers expressed their frustration they often related it to the early integration process. Attempts were made by managers in Finspång to impinge on the integration process. However, they did not feel that their voices were heard. One manager said that it was like *"talking to deaf ears"*, and another argued that it was very frustrating as *"we thought that we were in an integration process but realized that the majority of decisions were decided on beforehand"*. The fundamental difference between mergers and acquisitions that managers experienced is thus related to their possibility to influence the outcome. This possibility to influence is perceived to be higher in mergers since management from both companies has greater possibilities to team up, and create an outcome where requirements are appropriate for both companies' preferred management style.

The Importance of Having Representatives in the Global Board of Directors

The final explanation, of why there were fewer clashes with ABB and (ABB) Alstom Power than with Siemens, is related to the importance of having representatives from the local company in the global board of directors. Although the merger with the Swiss BBC was supposed to be 50/50, there were more Swedish managers within the top management group, whereof many came from Finspång, than Swiss or German managers. Therefore, the cultural fit managers at ABB-Stal experienced can be explained by the simple fact that it was, as several managers expressed it, *"Swedish management at ABB"*, and consequently managers experienced less national cultural clashes.

A similar explanation can be given to why managers perceived few cultural clashes with (ABB) Alstom Power. Two managers from Finspång were represented within the board of directors of Alstom Power. These managers are perceived to have done a tremendous work protecting the Finspång subsidiary from the French management style. To exemplify this one manager referred to one of these managers and said that *"managers here in Finspång were not confronted with the differences in the French culture to the same extent as we are today, he acted as a filter and encountered the clashes, of course some went down on managers in Finspång, but not as today, today it falls straight down on us"*. We therefore believe that having representatives in the global top management group, which trust and protect the interests of the local organization, is a factor which may reduce the amount of cultural clashes experienced by managers of the acquired company. Today, as a subsidiary to Siemens, SIT has a very weak representation in the top management team. As a matter of fact, the top management team of the business area in Siemens to which SIT belongs has an apparent overrepresentation of German managers, and a very weak representation of managers from any other nationalities. This is believed to contribute to major culture clashes with the German management style as the management from SIT cannot influence the very different view the management of Siemens has on globalization compared to what managers in Finspång are used to.

5.6   Summing Up

In order to meet the purpose of this thesis which is to investigate the managers' perception of cultural clashes in relation to the perceived extent of cultural integration and the perceived cultural distance, five research questions were formulated. Based on these research questions and the conceptual model presented in the frame of reference we have in the previous sections analysed the empirical findings together with theories. The following section aims to sum up the analysis and answer each research question.

To what extent has the acquiring firm culturally integrated the acquired firm?

Regarding the extent to which the acquiring firms have attempted to *culturally* integrate the acquired firm, our findings indicate that ABB and (ABB) Alstom Power have used the integration mode of acculturation, while Siemens has made attempts to assimilate their Finspång subsidiary into their cultural and behavioural assumptions. This means that managers at the Finspång subsidiary during the ABB and (ABB) Alstom Power epochs only perceived structural integration, but not that the parent companies wanted them to be culturally integrated. Consequently, the extent of cultural integration is perceived to be high in the acquisition by Siemens, but low during the ABB and (ABB) Alstom Power epochs.

To what extent are the two firms culturally distant?

When it comes to the extent to which the firms are culturally distant, managers perceive that the management style in Finspång is culturally distant to (ABB) Alstom Power and the French managers as well as Siemens and the Germans. On the other hand, they perceived that the management style of ABB was similar to what they were used to.

As a result, there was a low level of integration as well as cultural distance in the merger with ABB, a low level of integration and high cultural distance in the M&A with (ABB) Alstom Power and a high level of integration as well as cultural distance in the acquisition with Siemens (see figure 5-7).

Figure 5-8 Perceived cultural clashes in the M&As of this thesis
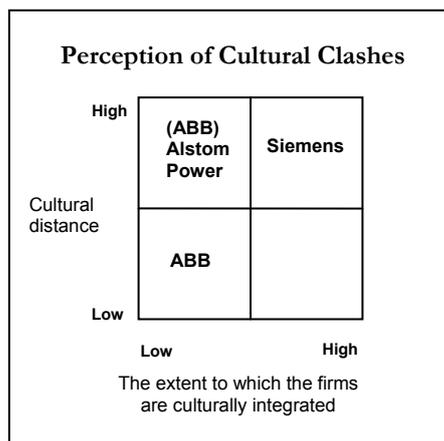
Why do managers perceive few versus many cultural clashes in the post-acquisition process?

In the case of ABB managers perceived cultural fit, low extent of integration and few cultural clashes. In the case of (ABB) Alstom Power managers also perceived a low extent of integration and few cultural clashes, despite of the fact that the cultural distance is per-

ceived as high. Subsequently, this study shows that cultural fit is not the only explanation to why managers perceive few cultural clashes in the post-acquisition process. This is believed have its origin in that the Finspång subsidiary remained rather independent from the parent company during the ABB and (ABB) Alstom Power epochs. However, it can also be explained by the use of Nahavandi and Malekzadeh's (1988) modes of acculturation. Nahavandi and Malekzadeh (1988) argued that if the companies agree on the mode of acculturation, less cultural clashes will occur. This explanation is found suitable for this study as both ABB and (ABB) Alstom Power are argued to have used the integration mode of acculturation and that this mode also was preferred in Finspång. Thereby, managers perceived less acculturative stress and few cultural clashes with ABB and (ABB) Alstom Power, despite the fact that managers perceived the French management style being culturally distant.

In the case of Siemens, on the other hand, managers perceived many cultural clashes. In this acquisition the cultural distance is perceived as high and the extent of cultural integration is perceived as high. Siemens is argued to have used an assimilation mode of acculturation and therefore the acquisition has resulted in many cultural clashes as this mode was not preferred in Finspång. Another explanation can be given by the use of Malekzadeh and Nahavandi's (1998) later theory where they state that assimilation does not work in cross-national M&As. According to this theory managers in Finspång will not lose its Swedish national roots and assimilate to the national culture of Germany no matter how much Siemens wants them to do so and therefore cultural clashes occur.

What circumstances do managers perceive to be preferable to diminish cultural clashes?

By interpreting the circumstances managers perceived as beneficial in the M&As with ABB and (ABB) Alstom Power compared to Siemens, and then drawing parallels to the amount of cultural clashes managers have perceived in respective M&A, two main circumstances are believed to be preferable in order to diminish cultural clashes. These circumstances are related to if the acquired company has been targeted by a merger or an acquisition and whether the acquired firm has had representatives in the global board of directors or not.

ABB and ABB Alstom Power were mergers, and in these, few cultural clashes were perceived. Therefore, the findings indicate that being targeted by a merger is less destructive than being targeted by an acquisition such as the one with Siemens where the cultural clashes were many. Furthermore, the Finspång subsidiary of ABB and (ABB) Alstom Power had representatives in the global board of directors. These representatives are perceived to have protected the interests of the local company. This is shown to be beneficial for managers of the acquired firm as it is perceived to have reduced the amount of cultural clashes they otherwise would have been exposed to. In the case of Siemens the representation in the global board of directors is weak which may be an explanation to why managers perceive many cultural clashes.

What consequences do managers perceive that they encounter due to cultural clashes?

Our findings show that when the cultural clashes are perceived as many, managers encounter consequences that more or less affect their managerial role and the organizational behaviour. As a pattern is found that shows that the consequences have either major or minor effects, a distinction is made by dividing the clashes into explicit statements and implicit agreements (illustrated in figure 5-7). After being acquired by Siemens managers per-

ceive many cultural clashes that lead to different consequences depending on if the clashes are evolved from explicit statements or implicit agreements.

Explicit Statements

The explicit statements are written down and affect the structure, work processes and routines. The explicit clashes are perceived as many and the consequences evolved from these are major. The cultural distance between SIT and Siemens is perceived as high which can be explained by cultural differences of which the uncertainty avoidance and the preferred level of centralization generate many clashes between the organizations. High uncertainty avoidance involves a management style that prefers much structure in the organization, much control and rules. These aspects become clear in a much centralized structure at Siemens and the cultural clashes in management style therefore become even greater in a decentralized organization, such as SIT, with low uncertainty avoidance. This explains the Swedish managers' feeling of less freedom and the frustration over being controlled and not having the same authority to make qualified decisions that usually was related to their managerial role before the acquisition by Siemens. Siemens' management style constitutes much formal control and Siemens has strongly implemented its way of doing things. Being a manager at SIT and not any longer being able to develop new processes, and instead having to follow Siemens' way of doing things, is leading to frustration, lack of motivation and loss of creativity. Managers also perceive that they are overqualified to perform some of their new managerial tasks. These are often felt as useless when the managers do not understand why these tasks have to be done. Managers fear that the power of initiatives in the organization will be obstructed by the authoritarian culture. This indicates that clashes are perceived as a threat to their corporate culture in the long run. A surprising result is that despite the clashes and the consequences that the managers feel, it does not lead to stress and negative attitudes that obstruct the integration process. This we believe to be due to the strong loyalty to the company in Finspång which makes the managers committed. This is something that permeates the whole organization and the commitment makes people overcome difficulties.

Implicit Agreements

The implicit agreements are not written down but are seen in the managers' behaviour. Influenced by the low uncertainty avoidance SIT prefers a management style in which it is OK to by-pass hierarchical structures for pragmatic reasons. This preferred management style is clashing with Siemens' management style that characterizes high uncertainty avoidance in which organizational hierarchy is clear and respected. As this is clashing with the Swedish management style, managers emphasize that the control is to some extent good but a balance is needed. There are also clashes in how decisions are made. As the Swedish managers are perceived as individualistic, decisions are taken by the manager which is similar to the German management, however, the clash occurs as the Swedes are feminine and strongly prefer consensus. Having a dialogue is emphasized as crucial in order to involve colleagues and subordinated in the decision making process. This behaviour is also reflected in the low power distance which encourages that managers consult with subordinates before making decisions. This is seen as more effective in the long run as decisions become better. However, it is clashing with the German managers' preferred management style which emphasizes authoritarian decisions where the manager makes the decision and you just do what you are told. This is evolved form the high uncertainty avoidance in which control is emphasized. The clash therefore occurs when the Swedish managers ask *why* as they want an explanation to why things are done. This is perceived by the German managers as questioning. The management at SIT is strongly influenced by the national character-

istics which are clashing with the German management style. However, none of the implicit clashes mentioned above lead to negative consequences affecting the manager's position and managerial role and are therefore minor. The implicit clashes affect the managers in their interactions with the German management and their behaviour must in these cases adapt to their German colleagues' behaviour. Locally the managers' behaviour remains the same since the cultural behaviour can not easily be changed as it is evolved from characteristics of the corporate culture that are deeply rooted in national cultural characteristics.

6   Conclusions and Final Discussion

This chapter summarizes the conclusions made in relation to the purpose of this thesis. Parallels are drawn between our conclusions and those of previous research. Moreover, practical implications for management and academics as well as directions for future research are outlined. Finally, some reflections are made on the study as a whole.

6.1   Conclusions

The purpose of this study was to investigate managers' perception of cultural clashes, in relation to the perceived extent of cultural integration and perceived cultural distance, in cross-national M&As. The most reasonable interpretation of our findings is that the relation between the extent to which the firms are culturally integrated and the level of cultural distance are determining whether or not the managers of the acquired firm perceive that they encounter cultural clashes in cross-national M&As.

If the extent of cultural integration is low and the cultural distance is low, managers perceive few cultural clashes (see figure 6-1). This is not surprising as cultural fit in previous studies has been argued to diminish cultural clashes. On the other hand, we found that cultural fit is not necessary for managers to perceive few cultural clashes. In this study it is found that when the cultural distance is high but the extent of cultural integration is low, managers perceive few cultural clashes that affect their managerial role and organizational behaviour (see figure 6-1). This result is explained by the fact that the two companies agreed on a mode of acculturation as well as the fact that the local company was left rather independent. Furthermore, managers perceive that having representatives in the global board of directors is preferable as it diminishes perceived cultural clashes that management at the local company is exposed to.

On the other hand, if the cultural distance between the two firms is high and the extent of cultural integration is high many cultural clashes are perceived by the managers of the acquired firm (see figure 6-1). In other words, when the acquired firm is to be assimilated into the culture and behavioural patterns of the acquiring firm, the outcome is likely to result in many cultural clashes that in turn lead to several consequences. As illustrated in figure 6-1, the effects of the consequences evolved from these cultural clashes differ depending on whether the clashes are due to explicit statements or implicit agreements.

An interesting finding is that the implicit clashes do not lead to such negative consequences as the explicit clashes. Clashes evolved from implicit agreements are deeply rooted in national and corporate cultural characteristics and despite differences in management style and organizational behaviour the effects of implicit agreements are minor. This means that the managers must be aware of the cultural differences and try to adapt to the preferred behaviour when interacting with managers from the other culture, but it does not affect the managerial role or the managers' position.

The explicit clashes on the other hand conduce to consequences that have major effects on the managerial role and the organizational behaviour. The explicit statements are written down and usually concern changes in structures, work processes and routines that are implemented by the acquiring management. The explicit clashes are found to affect the manager's position, authority for decision making, his or her managerial role and the organizational behaviour. The consequences of the clashes evolved from explicit statements are perceived to lead to frustration, inefficiency, dissatisfaction and lack of motivation. In the

long run, these incompatibilities in management style may lead to negative effects on the power of initiatives, creativity and communication patterns in the acquired organization.

A surprising result, however, is that despite the frustration and other consequences evolved by the clashes, these are not perceived to obstruct the business performance. This we found to be due to that the managers' loyalty and commitment to the company help the managers to overcome the consequences and in that way it does not obstruct. Yet, it is perceived by managers that the frustration evolved may affect the business in the long run and that it is not possible to adapt to all imposed changes due to national cultural differences. Therefore, we believe that the acquired firm should not be assimilated to the acquiring firm's culture in cross-national mergers and acquisitions.
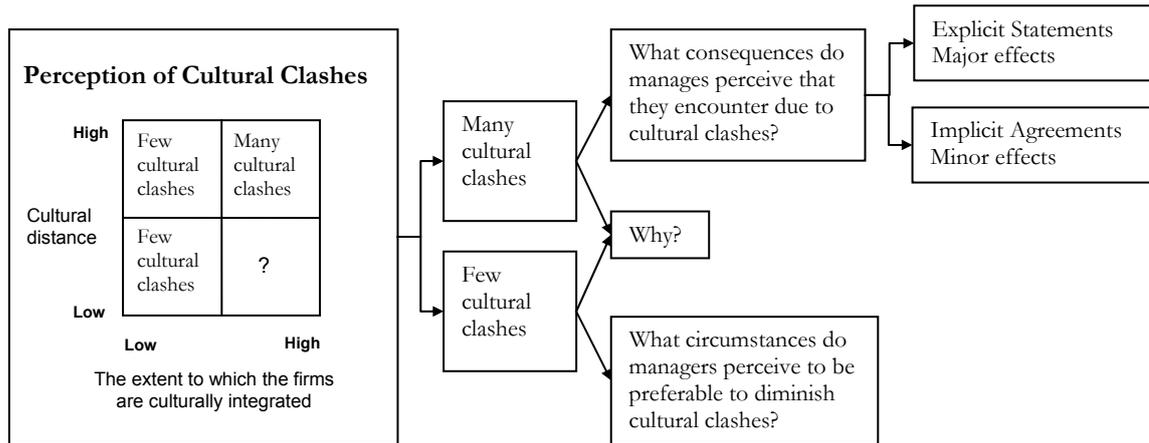

Figure 6-1 Managers' perception of cultural clashes in relation to cultural distance and the extent to which firms are culturally integrated

Complementing and Contradicting Findings to Previous Research

The conclusions drawn from this study contribute to previous research in the field of cultural aspects of M&A in both complementary and contradicting ways. Our findings correspond to Cartwright and Cooper (1993) in the sense that if the two organizations are not to be assimilated, the two corporate cultures do not have to fit. The investigation made by Cartwright and Cooper (1993) is made in the context of domestic M&As. Therefore, our findings, that indicate that high cultural distance and low extent of cultural integration lead to few cultural clashes, are an excellent complement to theirs in the context of cross-national M&As. Yet, we did not find the potential for cultural clashes to be higher in the integration and separation modes of acculturation as suggested by Cartwright and Cooper (1993). This is believed to be due to the cross-national setting of our research. We found the assimilation mode of acculturation to have the highest potential of cultural clashes since people will not change their national culture, a finding which supports the assumptions made by Malekzadeh and Nahavandi (1998).

Most previous research suggests that cultural clashes evoke stress and negative attitudes (Philippe et al., 1998; Weber & Schweiger, 1992), which in turn influence commitment, cooperation, satisfaction and business performance (Datta, 1991; Philippe et al., 1998). Although we did not aim at investigating financial performance in this study we find it important to highlight that business performance at SIT, in spite of cultural clashes, has been very successful also since the acquisition by Siemens. Our findings suggest that cultural

clashes lead to negative attitudes as imposed changes that are clashing with the management style and organizational behaviour lead to ineffective and time consuming work. Furthermore, the clashes lead to frustration and influence satisfaction. Yet, managers perceive that it does not influence business performance or cooperation. This corresponds to the results of Weber (1996) as he found that perceived cultural differences are negatively associated with the effectiveness in the post-acquisition process, but not with the financial performance of the firm. We believe that business performance is not affected thanks to the strong corporate culture of the acquired firm. This strong corporate culture and the loyalty employees have towards the company are also believed to contribute to the fine cooperation.

Several researchers that previously investigated cross-national M&As have found that due to increased cultural awareness, cultural clashes are less destructive in cross-national M&As than in domestic M&As (e.g. Larsson & Risberg, 1998; Risberg, 1999; Weber et al., 1996). In this study we found an alternative explanation. We believe that increased awareness diminishes cultural clashes since acquirers that are aware of cultural differences would not attempt to culturally integrate the acquired firm to a high extent. Firms that culturally integrate the acquired company to a high extent we believe may be less aware of cultural differences and thereby cultural clashes occur. Furthermore, we found that the cultural clashes are perceived differently and are therefore divided into explicit statements and implicit agreements. No matter if the cultural integration is high or low we believe that clashes in implicit agreements are likely to occur in all cross-national M&As. However, as long as the management of both firms is aware of these differences, such clashes are found to be less destructive. Cultural clashes in explicit statements, on the other hand, are believed to be more likely to occur when the extent of cultural integration is high, as managers of the acquired company are required to change business practise and organizational behaviour. Such differences, that affect the individual manager as when he for example loses his position or authority for decision making, are found to be frustrating. Subsequent to this discussion, we believe that the extent to which the acquiring firm culturally integrates the acquired firm gives indications of how aware the management of the acquiring firm is and thus if destructive cultural clashes are to evolve.

6.2 Practical Implications

From the conclusions of this study implications for both managers and theorists can be drawn. Therefore, we will in this section start by giving suggestions for managers of both the acquiring and the acquired firm in cross-national M&As. Thereafter, research implications and directions for future research will be given.

6.2.1 Implications for Management

The findings of this study have important implications for management of both the acquiring firm and the acquired firm. In order to diminish cultural clashes in cross-national M&As, the management of the acquiring firm is recommended not to make attempts to assimilate the culture of the acquired company. It is found in this study that it is highly unsuitable to synchronize work processes and routines in detail. This is because corporate culture is argued to be grounded in national culture and we believe that it is not to be possible to change somebody's national culture. Thereby, the way the employees of the acquired company conduct their work is rooted in national culture and if the acquiring company aims at changing the business in such depth it is believed to be to the disadvantage of both companies.

Furthermore, we recommend the acquiring company to allow representatives from the acquired company to participate in the global board of directors. As acquirer one should take advantage of the knowledge and competence the employees of the acquired company possess. A good opportunity to do so is by allowing them representation in the global board of directors.

Also from the perspective of the acquired company, representation in the global board of directors is seen as highly beneficial. As acquired the company needs someone who looks after and protects the interests of the local company. If the acquiring firm is reluctant to allow representation, we suggest that a main priority for the management of the acquired firm is to persuade the acquiring company to give them a place in the global board of directors as this will be to the advantage of both companies in the long run.

Furthermore, it was found in this study that critical success factors were related to the strong loyalty employees of the acquired company have to the local company and the fine cooperation between departments. Managers perceive that it is important to keep together and work as 'one' company despite being divided into global business divisions. This does not mean that one should be defiant towards the acquiring firm. The acquiring firm may in fact view this as something valuable. Therefore, a recommendation is to set up a board that looks after the interest of the 'whole local company' and makes sure that cooperation functions well between divisions.

6.2.2 Research Implications and Directions for Future Research

Research implications and directions for future research within the area of M&A are numerous. To start with, our empirical findings revealed that how managers perceive that cultural clashes influence their managerial role is strongly related to if they, and their company, have been subjected to a merger or an acquisition. Therefore, we suggest that research in the future separates the concepts of mergers and acquisitions in order to investigate its various implications for managers and organizations.

Furthermore, this study is left with unanswered questions. An interesting aspect found in this study is that cultural fit is not necessary when the companies are not to be assimilated. However, nothing is known about the opposite situation in cross-national M&As. That is, it is not known if high cultural integration evolves cultural clashes when the two companies experience cultural fit in cross-national M&As. Therefore, we suggest further research regarding managers' perception of cultural clashes in relation to low cultural distance and high extent of integration in cross-national M&As (see the box in figure 6-1 with a question mark).

Since globalization and cross-national M&A activity is much common, further research regarding global assimilation is necessary. This study found that global assimilation has high potential for cultural clashes and problematic consequences. Yet, further investigations are needed on the same phenomena and in such a study it is suggested to also include the perceptions of the managers of the acquiring firm.

Our findings indicate that the long history of success and the strong corporate culture may help an acquired firm to handle changes induced due to a merger or acquisition. We therefore suggest further research in that matter in order to reveal the importance of a strong corporate culture in cross-national M&As. An interesting point of view would be to draw parallels between companies with a lot of history and newly founded enterprises that are exposed to M&A activity. This is since the long history of the company of this study is be-

lieved to have been advantageous in the post-acquisition process while newly founded enterprises do not have such a history and the circumstances may be different.

6.3   Reflections

When reflecting upon the empirical findings and results of this study some aspects are important to consider. Concerning cultural distance and differences in management style our findings did not in all cases correspond to Hofstede's (1980) findings. As our interpretations are affected by our own culture and the fact that we did not interview Swiss, French and German managers this can be considered as a weakness of our study. However, our intentions were to investigate the acquired managers' perceptions and managers from the parent company would therefore not help us to answer the purpose of this thesis. The contradictions with Hofstede's (1980) study can also be explained by the fact that his study was made in the early 1980's and we believe that much has been changed in society since that time. We also believe that the increased globalization and managers moving across national borders may increase cultural awareness that in turn affects how people adapt to other cultural behaviours and react towards cultural differences in the work place. This we believe is a crucial difference for our study and other studies within the field made in the early 1980's.

Furthermore, the fact that we did not analyse the cultural distance between Swedish and Swiss management as we originally aimed to do in this study, could be criticized. However, the fact that the Swiss cultural differences could not be analysed did not impede our possibility to answer our purpose. What we found is that the respondents perceived that since the Swedish management was in majority the managers in Finspång did mostly interact with Swedish management and the cultural distance was therefore perceived as low. Yet, the merger took place in the global arena and is therefore suitable in the context of cross-national M&As.

Finally, our empirical findings revealed that there is fundamental difference between mergers and acquisitions. Therefore, we believe that the two concepts should not be used interchangeably, and have suggested that research in the future separates the concepts. Nevertheless, it can be viewed in the frame of reference of this thesis that we have used the concept interchangeably. The reason for this is that most existing theories within the subject draw the concepts interchangeably. Therefore, the literary circumstances today do not allow one to make an in-depth study regarding mergers or acquisitions separately.

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Appendix 1 - Interview Guide SIT Finspång

Background of the Respondent

- How long time have you been employed within this organization?
- What is your position today?
- What was your position within (ABB) Alstom Power, ABB and Asea-Stal?
- Explain your managerial tasks related to your managerial role today and previous positions?
- In what way do you have/have you had contact with managers of the acquiring firm?

Corporate Culture

- Explain what culture means to you?
- How do you perceive that the company's history is affecting the organization and the work today?
- Are there any historical events or important people that have affected the organization and/or how people work today?

Extent of Cultural Integration

Give examples of your experiences from the mergers and acquisitions with ABB, (ABB) Alstom Power and Siemens.

To what extent or how much do you perceive that Siemens, (ABB) Alstom Power and ABB have tried to change your corporate culture and your routines?

How do you perceive that each parent company has succeeded in the integration?

Have you perceived cultural clashes due to the integration?

- What to you perceive is the reason to success/failure in the integration from the parent company's point of view?

Has any of the parent companies adapted any of your routines and processes that you are used to have here in Finspång?

Organizational Structure

Explain how/if Siemens has succeeded to implement its formal organizational structure, and if it is lived here in Finspång? *[Repeat the same question with (ABB) Alstom Power and ABB and Asea-Stal]*.

- Compared to Siemens in Germany, do you perceive that they follow their formal organizational structure?
- That they follow or do not follow, does it affect the efficiency of performing your managerial work?

In what way does the formal structure affect your managerial role and your work?

- Explain how the structure affects the internal communication
- Explain how it affects your administrative tasks?

Communication & Relationships

How would you explain the communication flow and the relationships between you and your subordinates and your bosses here within SIT?

- Give examples.
- Can you disagree with your boss?
- How important are the communication flow and the relationships for you in order to be efficient in your work?
- Describe the relationships between the divisions.
- Is communication different today than it was before?

How do you perceive the communication flow and the relationships between the managerial levels at Siemens in Germany? Is it similar or different from relationships within SIT's corporate culture? *[Repeat the same question with (ABB) Alstom Power and ABB and Asea-Stal]*.

- Explain in what way differences in management style affect the efficiency of your work and your managerial role?
- Give examples of how you perceive that these similarities of differences affect the efficiency when performing your work?

Level of Centralization

Do you perceive SIT as a decentralized or centralized company? *[Repeat the same question with (ABB) Alstom Power and ABB and Asea-Stal]*.

- Do you perceive Siemens in Germany as a decentralized or centralized company?

Where is/was the authority for decision making within the organization?

- Do you perceive that the same position today has the same authority for decision making irrespective of parent company?
- Give examples of your experience of such situations.
- Give examples of how you perceive that this affects the efficiency of your managerial work/role?

Authority for Decision Making within SIT:

- Are decisions made by individuals or at group level?
- Are decisions made by the person with the most authority and power or in mutual understanding?

Authority for Decisions Making within Respective Parent Company: *[Repeat these questions for (ABB) Alstom Power and ABB and Asea-Stal]*.

- Do you perceive decisions to be made by individuals or at group level?
- Do you perceive decisions to be made by the person with the most authority and power or in mutual understanding?
- Give examples of how you perceive that this affects the efficiency of your managerial work?

Encouragement of subordinates' power of initiatives:

- Explain how subordinates at SIT can influence the decision making process.
- Explain the importance of the encouragement of the subordinates' initiative within the organization.

How do you perceive that this view is similar or differs from the parent companies?

- Give examples of how similarities/differences have affected your managerial work?

Rewarding system

[Repeat these questions for respective parent company].

Do you have incentives within the organization?

Is it given for individual work or is it given for the group? How does it differ between the parent companies?

Do you perceive that there are differences concerning incentives that affect your managerial work?

Appendix 2 - Background History of Parent Companies

ASEA - Allmänna Svenska Elektriska Aktiebolaget

In 1883, Elektriska Aktiebolaget in Stockholm was founded by Ludvig Fredholm. In 1890 Elektriska aktiebolaget merged with Wenströms & Granströms Elektriska Kraftbolag, and the new company name became Asea (Allmänna Svenska Elektriska Aktiebolaget). Asea played a major role in the Swedish industry, railways, and homes already in the early 20th century. In 1889 it had invented three phase system for generators, transformers and motors, and in 1893 Asea built the first three-phase transmission system in Sweden. This success enabled Asea to expand internationally and between 1900 and 1910 it had formed subsidiaries in Great Britain, Spain, Denmark and Finland. The success story continues and by 1980s it had become one of the top ten companies in the world in power technology. The year before the merger with BBC, Asea had revenues of SEK 46 billion, earnings of 2,6 billion and employed 71 000 people. (www.abb.se)

BBC - Brown Boveri & Cie

Brown Boveri & Cie (BBC) was founded in 1891, by Charles E.L. Brown and Walter Boveri in Baden, Switzerland. Shortly after Brown Boveri was the first company to transmit high-voltage AC power. In 1893 BBC supplies Euroupe's first large-scale combined heat and power plant producing alternating current. In the beginning of the 20th century BBC expands abroad and establishes its first foreign subsidiary in Germany in 1900. Soon after, in 1901, BBC builds its first steam turbine in Europe. By 1939 BBC has foreign subsidiaries in Italy, Austria, Norway, Hungary, Czechoslovakia, Poland, the United States, Canada and Argentina. By that time BBC has invented a number of major new technologies and obtained a patent for turbine rotators constructed of individual steel disks that are welded together. In 1939 BBC builds its first combustion gas turbine for generating electricity and the success continues with foreign subsidiaries and improved technology in the locomotive business. In 1971 BBC builds the most powerful transformer in the world at 1300 MVA. In the year prior to its merger with Asea, BBC has revenues of SEK 900 million, and 97 000 employees. (www.abb.se)

ABB - Asea Brown Boveri

In 1988, Asea and BBC merged to form ABB (Asea Brown Boveri Ltd). The new company is one of the largest electrical engineering companies in the world. ABB acquires approximately 40 companies in its first year. During the 1990s ABB continues its growth strategy in Europe, Asia and the Americas through a number of investments, joint ventures and acquisitions. However, in 1999 ABB divests its nuclear power, power generation and rail businesses and thereby the company of this thesis does no longer belong to the ABB group. (www.abb.se)

Alstom

Alsthom was founded by *Société Alsacienne de Constructions Mécaniques* (SACM) and *Thomson-Houston* in 1927. During the 20th century Alstom has been successful in high-speed transport, marine, shipyard and power. In 1989 Alsthom merged with the British GEC and became GEC Alsthom. In 1998, the company went public with the name Alstom. In 1999 Alstom and ABB merge their energy businesses in a 50-50 joint company known as ABB Alstom Power. In 2000 Alstom acquires ABBs share in ABB Alstom Power. However, already in 2003 Alstom sell its Industrial Turbines Business to Siemens. (www.alstom.com)

Siemens

Siemens AG was founded in 1847 in a small workshop in Berlin. Siemens has been successful within many areas through the years and has grown from a small precision-engineering workshop, producing mechanical warning bells for railways and electrical telegraph systems, into one of the world's largest companies in electrical engineering and electronics. In 1866 Werner Siemens discovers the dynamo-electric principle which made electrical energy in large quantities possible. In 1879 the first electric railway is presented in Berlin and in 1896 the first subway on the European continent is opened in Budapest. Siemens has been successful within both light and heavy-current electrical engineering. Today the company employs 430,000 people in 190 countries and is a leading electrical engineering firm. Siemens Industrial Turbomachinery (SIT) in Finspång is operating in Siemens business division Siemens Power Generation (PG). PG has over 200 offices in nearly 80 countries. It has 16 global manufacturing facilities and employed approximately 33 500 professional engineers, technicians, mechanical specialists and support personnel in 2005. PG had a net sale of 8,061 million Euro and new orders of 10, 964 million Euro. Siemens Power Generation is divided into seven divisions whereof SIT AB belongs to Industrial Applications (PGI) which employ approximately 10000 people whereof 2000 works at SIT AB. (www.siemens.com)