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Middle Managements' Perception of the Change in Competitiveness

A Study of the Strategic Merger between Toyota and BT in Germany

Master thesis within Business Administration

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Abstract

Mergers and Acquisitions (M&As) are a popular strategy companies undertake in order to create value and synergies, and also to increase the competitiveness of the firm. Findings from previous studies show that many M&As fail to create value, however there is also existing evidence that they do, where the execution plays a major role. The success of an M&A depends on both internal and external factors such as the competitive strengths of the firm, strategic fit, and growth of the market.

It is argued that problems such as poor management within M&A processes could affect the outcome of the M&A in a negative way. Previous research shows that middle managers play a key role in strategic change processes such as M&As. When companies go through strategic change, the entire company gets involved; however the middle manager is the one who must keep in contact with co-workers, customers, suppliers, and top management at the same time.

The purpose of this thesis was to investigate middle managements' perception of changed competitiveness after an M&A has been completed. In order to fulfill the purpose, we used a qualitative approach where we conducted a case study and made interviews with middle managers at Toyota Material Handling's German subsidiary that had recently gone through an M&A process.

Our findings show that when a company is buying another company it needs to see the positive assets from another perspective than only through possible gains in market shares and synergies. When the two companies merge they must take advantage of each other's specific resources that have made each company successful. Furthermore what fosters increased competitiveness after a merger is good information and communication about goals and strategies. What in turn hinders increased competitiveness after a merger is low flexibility in terms of not being able to adapt to market changes fast enough, and to have an organization that does not make it possible for employees to bring up their opinions.

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1 Introduction

This chapter will introduce the reader to the field of M&As and Middle Management.

1.1 Background

In the 1980s, the number of Mergers and Acquisitions (M&As) were drastically increasing (Cartwright & Cooper, 1993a) and the phenomenon is still a popular tool for companies to use in order to develop the business (Cartwright & Schoenberg 2006). M&As are used as a strategic approach for companies to get into new markets, or to gain expertise knowledge (Napier, 1989). Corporations are trying to create synergy and increase their competitive advantage on the market by integrating different businesses (Porter, 1985). In this thesis, a positive change in competitiveness is when companies strengthen their position on the market.

Findings from previous literature show that the majority of all M&As fail, or do not reach the initial expectations. Cartwright and Cooper (1996) write that two thirds of all corporate mergers fail. Other authors supporting the statement that M&As usually fail are Hazelkorn, Zenner and Shivdasani (2004:81) who say that "most acquisitions fail to create value for acquirers". However, according to Seth (1990) there is existing empirical evidence that M&As can create economic value. Furthermore, Hazelkorn, et al. (2004) argues that the execution of the M&A is a vital factor in order to create economic value. Other factors mentioned by Hazelkorn, et al. (2004) important in the sense of a successful outcome of M&As are for example; whether the acquisition is in the same industry or not, and whether the target is domestic or foreign.

Some of the reasons for why organizations undertake M&As are: getting into new markets, achieve economies of scale, and create value through synergy between the two businesses (Zhou, Shin, and Cannella Jr., 2008). Another reason for an M&A is to increase the competitiveness of the firm, and that was the reason for the M&A between the companies BT Industries and Toyota Industries Corporation (TICO).

In the year 2000 the Japanese truck manufacturer TICO, acquired the Swedish truck manufacturer BT Industries in order to strengthen their position even further in the global forklift truck market. As a consequence of the acquisition, the two companies started a merging process in 2006 which was finished in 2010. Toyota Material Handling Group (TMHG), part of TICO, therefore became the largest forklift truck manufacturer in the world with strong positions in Europe, North America, Japan and other International markets. In this thesis we will use TMHEurope and their subsidiary TMHDeutschland as our investigation subject.

1.2 Problem Discussion

In order to gain benefit from an M&A, "a corporation must bring some significant competitive advantage to the new unit, or the new unit must offer potential for significant advantage to the corporation" (Porter, 1987:49). The question is if it really does, the result

from different studies provides different result. While both Seth (1990) & Chatterje (1986) argue that M&As overall create value, Hazelkorn, et al. (2004) argue they do not. However they also claim that the execution will play a major role in the overall performance.

Middle managers are closer to the employees than senior managers which give them a chance to identify conflicts and play a key role in change processes. This in turn makes them become very important in order for the organization to reach desired goals from strategic change such as an M&A (Kumarasinghe, 2010). Keyes and Bell (1982) argue that middle managers have been faced with many names such as followers, integrators, and playing coaches. However, the middle manager is the one who must keep in contact with co-workers, customers, suppliers, and top management at the same time. There is much ambiguity among middle managers about what their actual roles in their company are, that appears to be one of their largest difficulties (Keyes & Bell, 1982). McConville (2006) argues that while it is easy to recognize and define top management within an organization, middle management is harder to define since their roles are often unclear.

Our intention with this thesis is to investigate middle managements' perception of the change in competitiveness that results from an M&A. The company we have chosen to investigate is TMHD which is the result of the M&A between BT Deutschland and Toyota Gabelstapler Deutschland. BT Deutschland was part of BT Industries, operating at the German market and Toyota Gabelstapler was part of TICO operating at the German market. The merger in the German market was only a part of the full integration that TICO and BT conducted.

In the German speaking region of Europe, Jungheinrich and KION, TMHDs largest competitors, are very strong controlling more than 50% of the units sold and thereby TMHE position (as compared to the position in the rest of Europe) is relatively weaker. Germany is by far the largest market in Europe as ~25% of all trucks sold in Europe are sold in Germany. In addition, German companies expanding their business abroad also tend to purchase the same forklift trucks as purchased in Germany which is beneficial for Jungheinrich and KION sales also outside Germany.

Our interest lies in the middle managers' opinion about the integration and how they perceive the changed competitiveness due to the chosen strategy. Datta (1991) argues that problems such as poor management within M&As can lead to a decrease in market shares and an unsatisfactory result in terms of value creation. This study is relevant since it is important for companies to understand how middle management perceives their work situation since it is those who supervise the daily operation of the business. The middle managers are also directly involved in the M&A process and thus should have the information about how the process went and what could be improved. That is why it is important to collect the opinions and the point of view from middle managers that have recently been involved in an M&A.

1.3   Purpose

The purpose of this thesis is to investigate middle managements' perception of changed competitiveness after an M&A has been completed. To fulfill our purpose we conducted a qualitative study of middle managements' opinions about the perceived change in competitiveness that came out from a merger between two companies that were in the same industry. With this thesis we hope to contribute with better knowledge of how middle management perceives the M&A process and the result from it. By collecting middle managers opinions we will be able to contribute and complement existing research within the area of M&A and provide some suggestions to ease the process of reaching the intended goals of the integration.

1.4   Delimitation

1.4.1   Geographical

The Toyota Corporation is a huge worldwide company and due to its size we have chosen to scale down our study to a limited area. The area we have chosen is TMHE and even further specified to the German market. This will give a result that may not correspond to the entire corporation of TMH, however Germany is the largest market within Europe and can therefore provide us with a rewarding result.

1.4.2   Concept of M&As

During our research, we have found that the concept of M&As is often interpreted differently by different authors. However in our thesis we are referring to a merger as when two companies integrate. Furthermore by an acquisition we mean when a company acquire another company without merging, as well as when a company acquire another company and thereafter decides to merge. The latter description was the example of TMH.

1.5   Research Questions

To be able to fulfill our purpose, these research questions will be examined:

1. How did middle management perceive the competitiveness of the firm before the merger?
2. How did middle management perceive the competitiveness of the firm after the merger?
3. What fosters and hinders an increased competitiveness after a merger?
4. What can be learnt about increased competitiveness in future M&As according to middle managers?

1.6   Abbreviations

M&A *Merger and Acquisition*

TICO *Toyota Industries Corporation*

TMHG *Toyota Material Handling Group (consists of Europe, Japan, North America, and other international markets)*

TMHE *Toyota Material Handling Europe*

TMHD *Toyota Material Handling Deutschland*

TGD *Toyota Gabelstapler Deutschland*

2 Theoretical Framework

This chapter will examine previous theoretical perspectives that have been presented by numerous of researchers. The theoretical perspective includes M&As, Competitiveness, Middle Management, and market oriented models such as Porter's Five Forces and SWOT.

2.1 Introduction to Theoretical Framework

Since the purpose of this thesis is to investigate middle managements' perception of changed competitiveness after an M&A has been completed, an introduction of the concept of M&As will be found in the beginning of this chapter. The aims with M&As are most often to create value and to gain a competitive advantage by a strategic fit both inside the organization but also to the market (Lubatkin, 1983), however recent literature about M&As shows that many of them fail (Cartwright & Cooper 1996). In order to succeed with an M&A, the integration/merger process is essential and there are many steps that must be considered in order for success. Therefore in part 2.3 we included a description by De-Pamphilis (2012) about how companies should go about to succeed with an integration, what steps they should take, and how they should handle all the employees involved.

Part 2.4 in the theoretical framework describes the phenomena of competitiveness and its subheadings such as market power and knowledge management. To us, market power appears to be the main thing companies try to achieve by increasing their competitiveness towards their competitors on the market. Also, since the aim for TMHD was to strengthen their position on the market and to accomplish synergies, it even further confirmed our thoughts about the importance of the paragraph.

According to Balogun, (2003), middle managers play a key role in change processes. Therefore we decided to investigate about middle managers instead of senior managers since they are more often linked to the employees and to the daily operations. It also appears that they are the ones' who get the blame for problems that arise, both from their managers and their staff. Furthermore, middle managers most often have to solve conflicts among employees and communicate and help them go through strategic change processes (Balogun, 2003). Part 2.5 displays the importance of middle managers in change processes such as M&As.

In order to get all different parts from the theoretical framework together, we decided to use the Porter's five forces model. It is a well-known model one can use to analyze the competition in the market. Since we wanted to investigate whether a firm became more competitive after an M&A it is important for us to be able to analyze the market the company acts on. Therefore we argue that using Porter's five forces was a good idea and a description of how the model works will be found in part 2.6. Since the model only examines external sources we decided to supplement with the SWOT analysis since that model also examines the internal sources. By using these two models together, we were able to analyze both the market and the company itself, and its strategic fit to the market. Part 2.7 de-

scribes how the SWOT analysis could be used to analyze the internal and external environment of a company.

Part 2.8 brings up a possible reason for an M&A failure which is in this thesis is cultural clashes since it has appeared to be a huge problem within companies going through M&As. It is also a matter of competitiveness since companies who fail to integrate on the cultural level, also fail to integrate on the human level which may lead to a failure in being a strong player on the market. This is because without satisfied employees, the firm cannot perform as it is required to. Below, the concept of M&As will be described.

2.2   Merger, Acquisition, & M&A

One of the major reasons for why companies decide to implement an M&A as a strategy is to create value (Shelton, 1988). The author describes an M&A as; when two companies combine the resources of the firms. Value is then created when the two companies are using the resources more efficiently than they would have done if they still were separated. Shelton (1988) also argues that even if the M&A itself generates value, some combinations of these resources could in fact destroy value.

Salter and Weinhold (1979) have classified different types of acquisitions in a model below:

Table 2.1 Different types of acquisitions. Source: Reproduced Salter and Weinhold (1979)

Strategic Fits Between a Target and a Bidder Business

	Related-Complementary	Unrelated
Adding New Products	New products Similar customers	New products New customers
	Identical	Related-Supplementary
	Similar products Similar customers	Similar products New customers

Serving New Customers

The model above describes the four different types of M&As as Related-Complementary, Unrelated, Identical, and Related-Supplementary. The different types of M&As are depending upon the products produced and the customers served. For example, the related-complementary M&A will serve the same customers but with new products. By merging, the two companies will be able to add new products to their already existing customers and synergies will be made through reduced cost of marketing and production costs.

The identical type of an M&A is to have the same type of customers, as well as providing the same type of products. Shelton (1988) argues that the M&As creating the most value

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are the ones that allow a company to expand into new markets or expand within the same business. These types of expansions are what identical and related-supplementary types of M&As enable, and that makes them the best choices for value creation.

Another interesting point raised by Chatterjee (1986) is the problem of M&A announcements, the idea with M&As might be to gain some sort of competitive advantage that rivalry firms cannot access. Chatterjee (1986) further argues that when announced, rivalry firms might be able to gather the information needed to gain the same advantage and thus remove the original incentive for the M&A.

2.2.1 Strategic Fit

The question still remains whether M&As actually improve a company's performance or not. It all depends on many different factors such as growth of the market, strategic fit, and competitive strengths (Lubatkin, 1983). The better the strategic fit are between the two different companies, the better the two companies will perform together. Lubatkin, (1983) argues that managers can simply do mistakes when choosing to merge with another company.

Furthermore, Lubatkin (1983) argues that the process of choosing the right company is an art rather than science due to all the factors that can affect the outcome. The factors could be risk, possible future earnings, and simply the usage that the acquiring company can have of the newly acquired firm. Lubatkin (1983) also points on administrative problems that can occur and which in turn can be the reason for the loss of benefits to the M&A. The problems can occur due to differences in management styles such as the difference of hierarchy between BT and TMH in Sweden and Japan for example. Problems might also occur when different departments are being consolidated and suddenly there will be two employees per position. If there is no other available position for that unfortunate employee, s/he will be laid off which in turn may cause bad mood in the company (Lubatkin, 1983).

2.2.2 Synergy

One of many reasons for why companies involve in M&As is because they want to achieve different types of synergies. These synergies could be for example lower production costs which may lead to gaining more competitive advantages (Lubatkin, 1983). Lubatkin (1983:218), describes synergy as "when two operating units can be run more efficiently", he also describes the major purpose for M&As to be to improve the organization's results.

Chatterjee (1986:121) defines the three broadest and mostly used categories of synergy as:

"**Collusive synergy** – represents the class of scarce resources leading to market power.

Operational synergy – represents the scarce resources that lead to production and/or administrative efficiencies.

Financial synergy – represents the class of scarce resources that leads to reductions in the cost of capital."

Furthermore, collusive synergy can be described as the same thing as a horizontal merger which means that the two merging companies were producing similar products before the merger took place. This in turn should lead to economies of scale that is caused by the "synergy". Operational synergy is somewhat similar to collusive synergy since it leads to reduced costs through being more efficient, for example in production. However it can be both a related merger (the two merging companies are related in some way) and a vertical merger (at least two companies from different levels of the supply chain merge).

Financial synergy is the same thing as an unrelated or a conglomerate merger which means that the two companies were not involved within the same business area before the merger which implies that the gain will only be financial. However a financial synergy can also be a horizontal merger (two companies from the same industry merge) which makes it difficult to classify different sorts of mergers (Chatterjee, 1986) it all will depend form case to case.

2.3 The Merger and Integration Process

According to DePamphilis (2012) there are typically six phases that firms go through when they merge with another company and those are; premerger planning, resolving communication issues, defining the new organization, developing staff plans, integrating functions and departments, and building a new corporate culture. Some of the phases such as building a new corporate culture and resolving communication issues (with stakeholders for example) are phases that are continuous and will take longer time than some of the others. Below the phases proposed by DePamphilis (2012) will be described.

Premerger Integration Planning This phase enables the acquiring company to "polish" its original goals and estimations about the value from the acquisition. The phase also gives the purchaser an opportunity to finalize the agreements with claims and guarantees and conditions that enables the closing of the post-merger integration process. A post-merger integration organization with clear goals and accountabilities must be put in place before the closing of this phase. When the merger is "friendly", creating the organization is a much easier task than when the merger is hostile. However, it is important to get the integration manager involved and informed about the process as early as possible in order to minimize confusion. To get the best result, they should even get involved before the negotiations have begun (Uhlaner and West, 2008). The post-merger organization should consist of a management integration team and integration work teams that focus on specific tasks assigned from the integration plan (DePamphilis 2012).

Resolving Communication Issues In this phase, it is of importance for the acquiring company to create new communication plans with the key stakeholders such as employees, customers, suppliers, investors, and communities. The employees are interested in all facts that may affect them such as major changes about the daily operation, strategy, compensation, and job security. In order for the company to keep the employees and make them feel safe, continuous communication and information about the process is vital. In order for the "newly" created organization to keep the customers and suppliers, it is important to show realistic commitment in terms of improving customer service and seek long-term relationships with

the suppliers. In order to keep the investors, it is important to prove value and a convincing vision for the future.

Creating a New Organization This phase emphasizes on the importance of establishing a structure. In order to be able to build a new reporting structure, knowledge about the old structure within the target company is important to understand. The next step is to use the knowledge and to create a new structure that is suitable for the new organization, where the effectiveness is optimized. It is proposed that a central organizational structure is appropriate in the beginning of an integration process since it has to be very well managed, however that does not imply that the organization should be driven only top-down. It means that one should translate the most accurate information in order to take appropriate and timely action. When the integration is moving towards an end, the organization should adopt to a more decentralized structure.

Developing Staffing Plans The plans with the staffing should be developed as early as possible in order to get the key employees from both organizations into the new one. There are other benefits with an early start as well such as; better team building and better commitment to the new organization. The figure below describes the logical flow in the staffing plans and other issues associated to the subject.
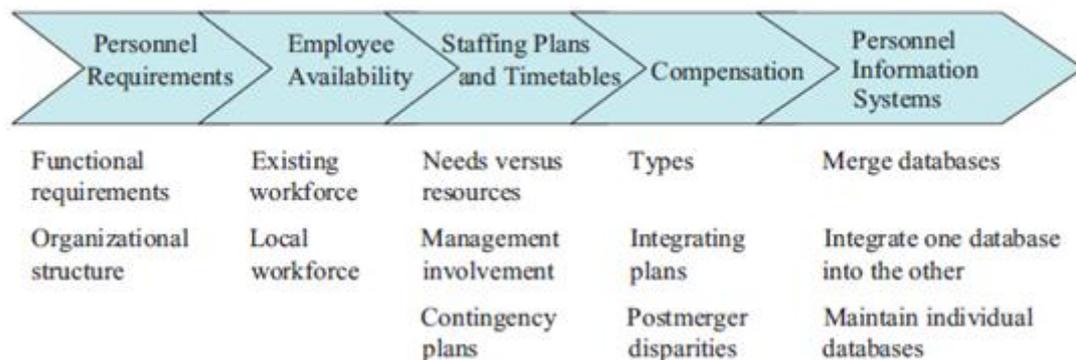
Figure 2.1 Staffing strategy sequencing and associated issues. Source (DePamphilis 2012).

Personnel Requirements: An appropriate organizational structure meets existing functional requirements and is flexible in order to be able to meet future functional requirements. This implies that there must be a good mix of managers from all levels and the structure must also be committed to the new organizations strategy.

Employee Availability: Refers to the number of each kind of employee necessary to the new organization. This implies that the new organization must collect data on the skills of the existing work force which must be compared to future requirements.

Staffing plans and timetables: After the preceding steps are accomplished, staffing plans can be developed. The new organization should prioritize to fill the positions mostly needed.

Compensation: This must be done carefully and in line with regulations. In this sense compensation means base pay, bonuses, benefits, and incentive plans.

Integrating Functions and Departments In this phase, the execution begins. As a first step, the management integration team must decide if the company's operations and support staff should be centralized or decentralized. The operations of importance are IT, manufacturing, sales, marketing, finance, purchasing, and R&D. However, it is also important to revalidate data collected during the due diligence. This is due to many reasons but one of them could be that in order to reduce the time given to due diligence, the sellers often only allow the purchasers to meet senior managers. This implies that the risks and opportunities that may exist in smaller divisions within the company that are managed by middle managers may not be known to the purchaser. Since this is of importance for the buyer to know, revalidating the data collected in the early stage of due diligence is vital.

Building a new corporate culture The values, traditions, and beliefs that make the employees and managers of an organization to behave in certain ways is the corporate culture of a firm. Very often when two companies integrate, a new culture different from both the acquirer and the target company's culture will be created. The cultural differences that still might occur may cause poor creativity and create a combative atmosphere. In order to avoid this, the first step is suggested to be to create a cultural profile where both companies present their corporate cultures. The information gathered should then be used to explore similarities and differences. To be able to overcome the problems that might occur with cultural differences, it is appropriate to make sure to have common goal to strive for. (DePamphilis 2012)

2.4 Competitiveness

Feurer & Chaharbaghi (1994:58) define competitiveness as: "Competitiveness is relative and not absolute. It depends on shareholder and customer values, financial strength which determines the ability to act and react within the competitive environment and the potential of people and technology in implementing the necessary strategic changes. Competitiveness can only be sustained if an appropriate balance is maintained between these factors which can be of a conflicting nature."

Despite the definition, Feurer & Chaharbaghi (1994) argue that an exact definition does not exist which implies that competitiveness means different things to different firms. However, they also state that when firms are about to implement a new business strategy, they do that in order to create a more powerful competitive position which is done through improving the entire competitiveness of the firm. Some organizations view competitiveness as their strengths towards their customers in terms of the ability to convince them to buy their products/services, while other organizations measure it in terms of the ability to advance in their process competencies (Feurer & Chaharbaghi, 1994).

As stated in the background, we view increased competitiveness as when companies strengthen their position on the market. Therefore we define a firm's competitiveness as something that can be estimated in terms of market share.

2.4.1 Market Power

Creane & Davidson (2004) argue that the majority of M&As do have a positive effect on market power even if they do not have any type of synergies. They further argue that there are other types of strategies that can be exploited for multidivisional firms such as so called "staggered competition". By staggered competition Creane & Davidson (2004) mean that the companies should, instead of a full merge, create internal competition that will make the different divisions compete with each other instead of working together towards the same goal. By doing this, companies will still benefit from the share of information between the companies at the same time as they compete with each other. Creane & Davidson (2004) also argue that the company will achieve higher market shares since there are more companies in the market competing for the same costumers. This can be compared to a fully merged company were only one brand is marketed that have the same products but it is competing for the same market share.

An example used by Creane & Davidson (2004) as an alternative to an M&A is the car industry where corporations such as Ford and General Motors have many different car brands competing with each other. The different brands are slightly differentiated to be able to attract as many costumers as possible. Creane & Davidson (2004:955) describes it as "the increase in the number of industry participants drives down industry profit, but the multidivisional firm now earns greater share of those profits". Their work implies that by using staggered competition, the company will earn larger profits than if the company would have been fully integrated.

2.4.2 Knowledge Management

Carneiro (2000:88) simply argues that "knowledge influences competitiveness".

Carneiro (2000) further argues that knowledge management is a way for strategic formulation and to increase competitiveness, and that is why knowledge management is an important factor to consider. Today a company needs the right information in order to make the right decisions which in turn can lead to competitive advantages towards its competitors. Knowledge management is defined by Pearlson & Saunders (2009:347) as: "the process necessary to generate, capture, codify, and transfer knowledge across the organization to achieve competitive advantage".

Pearlson & Saunders (2009) argues that in order for companies to fully exploit their business strategy and to fully take advantage of opportunities, managers need to combine the right information and the right resources. Carneiro (2000:90) has a similar view; "Management has to analyze in the right time all the environmental elements because they affect the organizational performance".

2.5   Middle Management

Guth & McMillan, (1986) argue that when a new strategy is to be implemented and there are differences among middle managers and general managers about the goals with the strategy, differences in their perceptions of the popularity of strategy may also occur. Furthermore, Guth & McMillan, (1986) argue that differences in the information about the strategy available to general managers compared to middle managers, may also lead to different perceptions of the predicted outcome of the strategy implementation. The result of these differences may lead to low commitment and poor tractability among middle managers. Even worse, this could also result in "upward interventions" (Guth & McMillan, 1986:314) by the middle managers, on a scale from personal arguments bottom-up to create coalitions among the colleagues to prevent the strategy from being implemented.

Schweiger, Ivancevich, and Power (1987) describe the personal reactions among employees at acquired firms. According to them, employees are very attached to their existing work situation in terms of the organization, their co-workers, and work routines, and when that is threatened to be taken away from them, they no longer feel belonging. In a study made by Schweiger and DeNisi (1991), they found that communicating the company's objectives with the M&A would decrease the employee's hesitations about the M&A and also lead to increased trust between employees and managers. Furthermore, it is not only the employees who may suffer from an M&A, managers may get "wounded" from working too much with the integration as well. Walsh (1989) describes wounded as health or career problems caused by the M&A.

An important factor within M&As is the similarity of management styles between the two companies involved. When two firms integrate it is important that the managers go in the same direction and use similar approaches in their management styles, if they do not it may cause some disturbance. The usual approach for this dilemma is that the acquiring firm adopts their management style into the acquired firm (Datta, 1991). It is of importance that companies chose to be flexible in this dilemma in order to create the best solution. Lubatkin, (1983) argues that problems with managing the merger process may remove the possible benefits of the merger due to the complex running of the firm that occurs during the process. This means that if the organization does not manage to merge the two firms successfully it can destroy the value that it was supposed to create.

Autonomy removal is argued by Hambrick & Cannella (1993) to be some kind of an indicator of decreases in positions for managers during M&As, and it may also lead to changes of staff which in turn may lead to reduced monetary performance. Moreover, when two firms integrate they must have contact with each other, especially in the decision-making process and between the different top management teams. One of the reasons for conflict among employees involved in an M&A is the lack of this contact and that may have led Hambrick & Cannella to write: "the greater the cultural gap between the acquired and acquiring firms, the greater the diminishment of the acquired executives, and the greater their rate of departure" (1993:757).

2.5.1 Sensemaking and Sensegiving

When organizations are imposing strategic change, there is one important way where middle managers affect it; namely by choosing when, where, and how to bring the problems to the attention of the top managers within the organization. It is argued that middle managers play a critical role within strategic change and decision-making processes since it is those who can provide the decision-maker with relevant information (Dutton et. al. 1997). Rouleau (2005) argues that middle managers must communicate to people outside the organization about the change process and also tell them why the company decided to change the strategy.

When involved in a strategic change process such as an M&A, it is very important that the middle manager understands why it is happening and how s/he can in the best way affect it in order to help his/her employees go through it. Sensemaking and sensegiving are two concepts widely used in change processes and therefore they will be described below.

"Sensemaking involves the ongoing retrospective development of plausible images that rationalize what people are doing", (Weick, Sutcliffe, & Obstfeld, 2005:409). There tend to be clear efforts put on sensemaking when people perceive the world differently than what they predicted. It is more about the interchange between action and understanding rather than the impact of evaluation of choice. To make it even more descriptive, sensemaking is about the question: How can something new be the reality for the employees within an organization? (Weick et al. 2005).

"Sensegiving is concerned with the process of attempting to influence the sensemaking and meaning construction of others toward a preferred redefinition of organizational reality", (Gioia & Chittipeddi 1991:442).

Rouleau (2005) distinguish between the concepts of sensemaking and sensegiving as two complementary processes where sensemaking has to do with the way managers understands and creates sense for themselves within strategic change processes. Sensegiving has to do with the way managers communicate this understanding and how they try to influence the outcome of the strategic change.

A study made by Rouleau (2005) examines a strategic change case in a Canadian clothes manufacturer where the aim of the study was to find out how strategic sensemaking and sensegiving processes were attached in middle managers' tacit knowledge and how they were enclosed in social structures in two ways. The first way is the strategic change process the organization was going through where the interest lies in how and if middle managers engaged in the process. The second way was the fact that the management team within the company consisted of different ethnics and genders and therefore it was necessary to take the social context into account in order to get a rewarding result of the study.

Rouleau (2005) spent four days every week for six month in order to investigate middle managers by following them on a daily operational basis and to participate in activities that took place during the change period. The study shows that middle managers, through their tacit knowledge, form strategies by constructing a set of micro-practices that are produced

in each routine and conversations surrounding the change. These micro-practices consisted of translating, disciplining, overcoding, and justifying the change, mostly to people outside the organization such as customers (Rouleau, 2005).

Translating in this case in Canada means telling customers the stories they wanted, overcoding means using the right socio-cultural codes, disciplining means producing emotional effects, and justifying means simply providing good reasons for the customer to accept the new product. In conclusion Rouleau (2005) states that strategic sensemaking and sensegiving consists of these four above mentioned micro-practices. It is these practices that middle managers use on a daily basis when communicating with people outside the organization such as customers.

2.5.2 How Middle Managers Affect the Change Implementation

Even though middle managers often get blamed for problems that arise when organizations undertake strategic change, there is research suggesting that they can make strategic contribution. One must understand that the role they are supposed to fulfill is very complex and may therefore lead to conflicts (Balogun, 2003). Balogun (2003) made a study that aimed to investigate how middle managers view the process of change implementation. Balogun (2003:72) further divides the study into three deeper questions: "1. how middle managers experience the implementation of strategic change; 2. the different aspects of their role as implementation progresses; 3. what helps them to fulfill their role and what obstructs them".

The changes these middle managers had to deal with were structural, systems, and cultural. The change implementation followed a top-down strategy which meant that consultants and senior managers were making the big decisions such as job roles and staffing levels, whereas the middle managers were responsible for details such as how the new structure should work. The process of the change were communicated clearly to the employees through roadshows and vision workshops and the middle managers were given a lot of information and were allowed to ask questions during this time. (Balogun, 2003)

Findings from the study shows that the middle managers were acting a role as a "change intermediary" (Balogun, 2003:75) since making changes in their divisions was only one of the roles they had to fulfill. Moreover they not only had to change their roles, they also changed their view about their own roles and this was one of the largest changes for them. According to Balogun (2003) the middle managers also had to deal with other things such as helping the other employees through the change process and making them understand what was happening. They became role models and were responsible for communicating the change process to their team.

Balogun (2003) further describes another role they had to take which was to keep the business going meaning they should make their staff understand that they have to keep working with what they have done until now, until the new structure is fully implemented. This was sometimes problematic in the sense that some middle managers were moved to depart-

ments they had not worked in before and therefore did not know about all the processes there. According to the middle managers in the study this role required them to prioritize their time on the most important thing while keeping in mind both the staff and the managers (Balogun, 2003). The forth and the last role the middle managers had to undertake was to implement the changes needed. These needs involved developing new working practices, re-engineer existing working practices, and to lower costs, and the middle managers had to support with this (Balogun, 2003).

According to Balogun (2003), the last two parts (keep business going and implement changes needed) in the above paragraphs are roles that middle managers are expected to do on an everyday basis however the first two parts (undertaking personal change and helping others through change) sometimes get ignored even though they are very important in terms of interpret the change into something concrete both for the middle managers themselves but also for their teams (Balogun, 2003). Balogun (2003) suggests that undertaking personal change is the key middle manager task due to the fact that it informs all the other roles.

Nature of activity

	Sensemaking	Cordination and management
Peers/self	Undertaking personal change	Keeping the business going
Orientation		
Team	Helping others through change	Implementing changes to departments
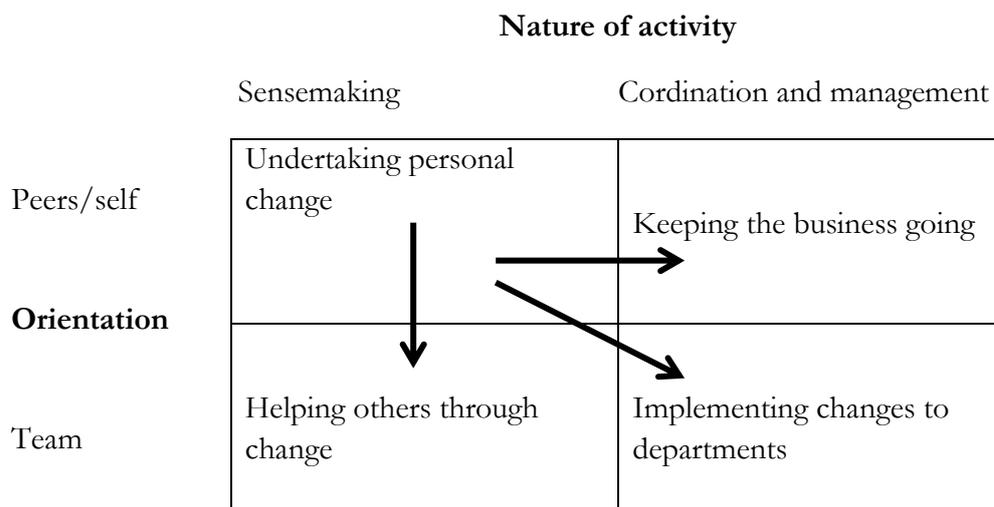
Figure 2.2 Interpretation as the key middle-manager task Source: Balogun, Reproduced (2003:79.

In the model above, provided by Balogun (2003), one can see that the three roles keeping the business going, helping others through change, and implementing changes to departments all departure from undertaking personal change. How middle managers interpret the changes do not only affect themselves, but also their staff which they are trying to help out during the process (Balogun 2003). It also affects how they keep the business going and how they implement the changes in their departments. So, one can conclude that what the middle managers did was to enact from their interpretations and these enactments created a new environment leading to new interpretations for the future (Balogun, 2003).

Another important aspect raised by Balogun (2003) is the process of communication within the change process, both between the middle managers themselves but also between the middle managers and senior managers. What can be seen from the study is that the middle managers regularly shared stories and comments of others, especially about senior managers, between each other (Balogun, 2003). The study is important for practice since if the middle manager role remains to be perceived as in old days (reluctant to change), the great job they are doing throughout change processes may not be appreciated, one will not see how they are struggling to cope with problems. Instead they will be seen as people who are reluctant to change (Balogun, 2003).

2.6   Porters five forces

A manager has numerous of different factors to consider in order to analyze the environment and to create the business strategy (Pearlson & Saunders 2009). Langois, Yu, & Robertson (2003:246) describe business strategy as "how a company will compete in a given business and position itself among its competitors" and these decisions are probably one of the hardest things that managers need to make.

A way to help a manager make the right decisions is to use the five forces model by Porter (1980). Porter (1980:3) argues that "the essence of formulating competitive strategy is relating a company to its environment. The core of this is the company's environment in the industry it competes in. "The competition in an industry is rooted in its underlying economic structure and goes well beyond the behavior of current competitors" (Porter, 1980:3).

The competition in an industry is determined by Porter's five basic competitive forces, the model is presented below:
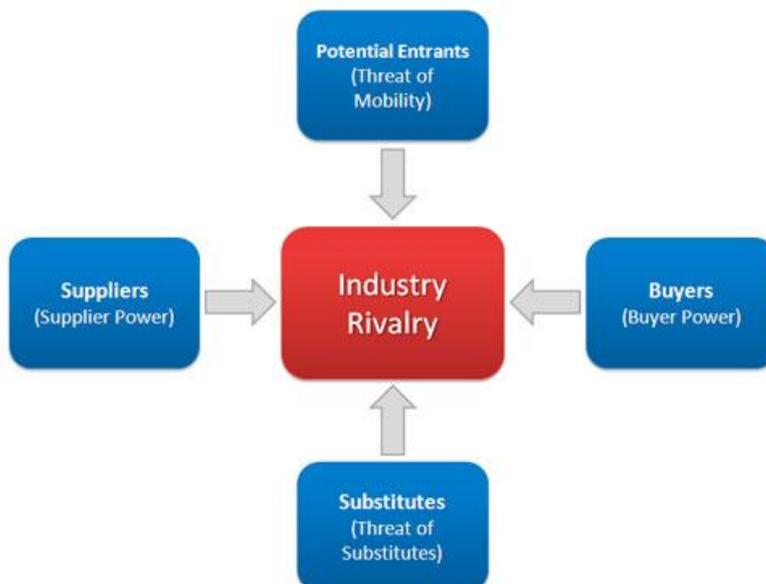
Figure 2.3 Porters five forces. Source: http://notesdesk.com/notes/strategy/porters-five-forces-model-porters-model/.

All industries differ when it comes to potential profit however by using the model one can determine the eventual profits in the industry (Porter, 1980). This thesis is investigating middle managements' perception of the change in competitiveness and whether they argue that the market position became stronger or not after the merger. Therefore we claim that Porter's five forces is a good model to use in order for us to capture the whole market situation. Furthermore since Porter's model is a well-known and proven model we can be more certain that it works and that we do not lose any important aspects.

Industry Rivalry among Existing Competitors

In the middle of the model we have the Industry Rivalry, that is the core surrounding competition that a company faces and that produces similar or substitute products. The companies' geographical focus can differ largely due to the size of the company and its position in the market. Ways of competing is through price or marketing campaigns for example.

Threat of Potential Entrants

The next force is the Threat of Entry which is the potential of new competitors that can join the market. Entrants of new firms can bring new capacity to the market and affect market price and other firms' profitability. There are different ways for a company to enter a new market; however one of them is through M&As. Obstacles that might exist when trying to enter a new market are the barriers of entry which will affect the number of firms trying to enter the market. Porter, (1980) describes seven sources of barriers to entry:

Economies of scale are the decreasing production costs coming from an increased production which makes the production price per unit decrease. Economies of scale can be achieved in almost every division of the company such as in manufacturing, purchasing, marketing, and research & development.

Product Differentiation is the differentiation one product may have compared to another and it could be for example customer loyalty that has been created through marketing, supreme service, or simply by being the first player on the market. For a company to overcome this barrier, intense marketing campaigns might be needed in order to create brand knowledge among customers.

Capital Requirements is capital or money needed for a startup in the industry. Once again it could be the marketing costs for a product or the cost of building up production facilities.

Switching Cost is the cost of switching from one product to another. This could be for example educational cost for employees to learn how to use the new product, or the cost of surrounding products like compatible hardware to computers.

Access to Distribution Channels is the cost of distribution to retail stores. Costs can occur when trying to get your products on the shelf of a food retail store or the like.

Cost Disadvantages Independent of Scale are the advantages that existing firms may have that is hard for a new entrant to replicate. This can be government subsidies, patents, advantages of being first in a location, or being able to get hold of the best raw materials. These costs can also be dependent on firms' experience within the industry making costs decrease as the experience increases and reduce the risk of costly failures.

Government Policy is the last main source according to Porter (1980) and it is the different types of government policies that can hinder a company from entering the market. This can be emission licenses for carbon dioxide or the government monopoly in different countries.

Pressure from Substitute Products

A substitute product is a product with similar benefits and functions to the customer, which makes it possible for the customer to vary between the products without a larger change. An example of substitute products are the petrol driven cars versus electrical driven cars, right now the most used fuel is petrol due to the high prices of an electrical car. However a sharp decrease in electrical car prices would probably lead to an increase of the demand for electrical cars which in turn would become a threat for the petrol driven cars.

Bargaining Power of Buyers

Buyers are negotiating to get the best deal possible and their power to do so will depend on the competitive situation on the market. If many competitors are trying to reach the same customer, the buyer can play them against each other in order to get better price or quality for example. Another example can be if a specific customer is buying larger amounts of products which in turn make this customer very important to the seller, then the customer will have larger negotiation power due to his/her importance to the seller.

Bargaining Power of Suppliers

Increase the price or lowering the quality are two things suppliers can do in order to reach negotiation power towards their customers. Through this sort of negotiation, suppliers can have a large impact on an industry's profitability; however the degree of power will depend largely on the market. For instance, if there are other suppliers or substitutes that the customers can change to, the supplier's power will decrease and vice versa.

Porter (1980) also argues that another sort of suppliers are the labor, or employees of an industry; they can affect the profitability for the industry through unions by demanding higher wages or better working conditions. The degree of their power will also be affected by the supply of highly skilled workers and the importance of their knowledge to the company.

2.7   SWOT

Another tool one can use and that has a similar approach to Porter's five forces is the SWOT analysis. It focuses on an organization's critical strengths, weaknesses, opportunities, and threats (Kotler, Wong, Saunders, & Armstrong, 1996). The two models overlaps

to some degree but we still argue that it is necessary to use both of them since they have a slightly different approach and we want to make sure not to lose any important aspects.

The largest difference between the two models is that Porter's five forces focus only on the external company environment while SWOT focuses on both the external and the internal. As mentioned above SWOT stands for Strengths, Weaknesses, Opportunities, and Threats where the first two are used to make internal analyses and the latter two are used to make external analyses.

A company's strengths could be for instance to be a market leader or having a good worldwide distribution chain while a company's weaknesses are things that the company can only perform poorly compared to their competitors, such as having a smaller budget or weak market position in a certain area (Kotler, et al. 1996).

Furthermore the opportunities for a company are new potential changes in the market such as an increasing demand for a certain product or an economic upswing in a certain area. In turn the threats for a company are things that can deteriorate the company's performance, for instance a competitor making a move in the market by spending a lot of money on a marketing campaign or a new legislation banning a certain product from the market (Kotler, et al. 1996).

2.8   A Reason for an M&A Failure

2.8.1   Cultural Clashes

As can be seen from recent literature, many M&As fail, and there are many reasons for these failures. One reason that various authors of previous studies emphasize on is the problem when two different cultures clash. Culture has been defined in many different ways, however Adler and Jelinek (1986:74) defines it as "culture, whether organizational or national, is frequently defined as a set of taken-for granted assumptions, expectations or rules for being in the world". Since culture affects almost everything human beings do when they interact with each other (Weber, 1996), it is easy to understand that it will influence the outcome of an integration as well.

There are two types of culture one must take into account when talking about problems that might occur due to M&As and those are; national culture and the corporate culture. National culture is described by Hofstede (1980) as the united programming of the human mind. Corporate culture is divided into three elements by Cremer (1993:12) and those are: "common language or coding, shared knowledge of different facts, and knowledge of certain established rules of behavior". Since culture is deeply incorporated in human beings, cultural differences within M&As may have destructive effects (Weber, 1996).

Schein (1985) discusses the importance of senior management's role in communicating the corporate culture to all the employees. It is also argued that when differences in culture at the top management level are noticeable, that will most likely influence the company's abil-

ity to realize the possible outcomes of the M&A (Davis, 1968; Kitching, 1967; Sales & Mirvis, 1984). To be able to understand the implications of different cultures in M&As, there must be connection between the two cultures. This is where the importance of top management comes in since it is those who are involved during the entire process and are also the ones who create the connection between employees and other management levels from the very beginning of the integration (Weber and Scweiger, 1992).

The term cultural distance could be defined as the degree to which cultural norms in one country is different or similar compared to cultural norms in another country (Kogut & Sing, 1988; Shenkar, 2001). The concept of cultural distance is based on the famous work by Hofstede (1980) where he describes his four dimensions of national culture; individualism-collectivism, power distance, uncertainty avoidance, and masculinity-femininity. Cultural distance could lead both to the encouragement of new learning among managers and employees (Ghoshal, 1987; Morosino, Shane & Sing, 1998), however it could also lead to misinterpretations and conflicts among them (Black and Mendenhall, 1992).

2.9   Conclusion

The theoretical framework has provided a pre-understanding about the main topics; M&As, competitiveness, and middle management. The thesis has both the market orientation and the perception of middle managers orientation. These orientations combined together create an environment where companies are allowed to be more competitive in terms of reaching a stronger market position. They will do that by understand the importance of the middle managers' influence in the change process the company goes through. What can be concluded is that when companies fail to involve middle managers in strategic change processes such as M&As, and has only top-down decision making, the organizations often fail to create value through the newly chosen strategy.

2.10   Research Questions

As stated in the introductory chapter, our purpose is to investigate middle managements' perception of the change in competitiveness after an M&A has been completed. Based on the theoretical framework above, and in order to fulfill our purpose, these research questions will be examined:

1. How did middle management perceive the competitiveness of the firm before the merger?
2. How did middle management perceive the competitiveness of the firm after the merger?
3. What fosters and hinders an increased competitiveness after a merger?
4. What can be learnt about increased competitiveness in future M&As according to middle managers?

3   Method

This chapter describes the qualitative research approach in which we used a case study approach and interviews to gather our data.

3.1   Research Method

The aim of this study is to investigate middle managements' perception of changed competitiveness after an M&A has been completed. The subject could be differently interpreted and therefore we have limited our study to M&As, competitiveness, and middle management as our main topics. We chose to do a case study with a qualitative approach conducting interviews with middle managers that had recently gone through a M&A. Investigating the perceptions that people have means that there is no right, no wrong, and therefore one needs to be open minded and let people say everything that come to their mind.

Qualitative research is generally intended to investigate and get the results of how people understand and perceives a given situation (Jacobsen, 2002). Since the purpose of this thesis is to investigate middle managements' perception, a qualitative study is preferable because we wanted a deep understanding of both opinions and behaviors of middle managers. One advantage with qualitative methods is the openness which is assumed to be a keyword in the process. Other advantages are for example, high reliability, closeness, and flexibility (Jacobsen, 2002).

There are also some disadvantages such as it is resource demanding, problems with generalization, and flexibility. Here flexibility is both advantageous and disadvantageous, due to the flexibility we could adjust the problem as new information arrives, however one can also sense a feeling of never getting the result one wants since too much new information arrives (Jacobsen, 2002).

3.2   Research Approach

Patel & Davidsson (2011) argue that the researcher works to produce pieces of theories that aim to give knowledge about reality. The foundation for the theory is data; the information about a specific part of the real world that aims to be studied. This is what is called empirics and the researchers' work is to relate theory and empirics. This can be done through induction, deduction, and abduction (Patel & Davidsson, 2011).

When using inductive research as the main approach, the researcher tries to find a correlation between some particular cases that have been observed. The correlation should also be able to be generalized which implies that there is a leap from a collection of particular cases into general facts. The approach is based upon empirics. A weakness with the approach is the fact that the underlying situation, that makes the observed cases become the way they are, is not taken into account (Alvesson & Sköldberg, 2007).

In contrast to the inductive approach, there is the deductive approach which is based on theory and general rules. The approach claims that the general rule explains a particular

case of interest. A weakness with the deductive approach is the fact that it assumes that the general rule is always the truth (Alvesson & Sköldberg, 2007).

A third approach described by Alvesson & Sköldberg (2007) is the abduction approach. The approach infers that the researcher interprets a particular "live" case from a theoretical perspective that aims to explain the case. The interpretation should later on be substantiated with new cases. The method is somewhat drawn from both the inductive and the deductive approaches, however Alvesson & Sköldberg (2007) claim that one should not simply call it a combination since it contributes with new steps.

Since this thesis is based on both theory and empirics, we claim that the approach we have used is abduction. During the research process within abduction, the empirical scope develops gradually and the theory adjusts and cultivates. The difference between inductive, deductive, and abduction is that the latest includes an understanding for adjusting the theoretical part to the empirical part (Alvesson & Sköldberg, 2007).

In summary, the aim with the theoretical framework developed from our literature study was to provide us and the readers with a pre-understanding of the topic chosen. It was also aimed to work as an illuminating guide when analyzing the empirics. Since this implies that we rely on both theory and empirics, we claim that we have used an abduction research approach in this thesis.

3.3   Research Design

3.3.1   Interviews

Since we wanted to create a deep understanding, interviews were chosen as our primary data collection method. Warren & Karner (2010:126) describe research interviewing as "a special kind of conversation in which the interviewer questions the respondent on a topic of interest to the interviewer, and of some relevance to the interviewee". Yin (2011) argues that when conducting qualitative interviews, the researcher will have questions as a mental framework and questions asked will therefore differ due to the situation. One of the advantages with conducting qualitative interviews is the ability to adjust the questions to the particular situation in a different way than when using standardized questionnaires (Ahrne & Svensson, 2011).

Qualitative interviews do almost always have a low degree of structure, meaning the interviewer gives the interviewee the chance to answer questions with their own words (Patel & Davidsson, 2011). We wanted to investigate the perceptions from middle managers in THME's German market, therefore only middle managers at TMHD were interviewed. We used the concept of semi-structured and open-ended interviews which implies that we gave the participants the chance to add anything they felt needed (Patel & Davidsson, 2011). Since the purpose of qualitative interviewing is the evocation of the participants feelings and meanings they give to the questions that responds to the researcher's topic (Warren & Karner, 2010), we argue that semi-structured interviews were necessary in order to gather

all information we needed. By using such an approach, we had the chance to also observe how the respondent behaved during the interview.

3.3.2   Selection of case

When we have a special interest in a specific case, we will study that case in order to catch the difficulty in it. When conducting a case study, the aim is to get an understanding for the accuracy that appears due to certain circumstances (Stake, 1995). When selecting the case, the first criterion should be for the researcher to maximize his or her learning. Scholtz et al. (2006) argue that the case study approach is valuable when there are complex problems one will research. Since the purpose of this study is to investigate middle managements' perception of the change in competitiveness after a merger, a case study of a company that recently has gone through a merger is therefore appropriate.

Stake (1995) describes three types of case studies which he labels *intrinsic, instrumental, and collective*. The intrinsic case study is described as a case we have a particular interest in and need to learn about. This could be exemplified by a teacher who must evaluate why his/her students are having difficulties. The instrumental case study could be described as when we have a research question and we need to get a general understanding of a particular problem. At last, the collective case study could be described as when we collect a number of different cases in order to investigate some general problem. We argue that the chosen case of TGD and BT resulted in an instrumental case study. We have chosen to approach the case study through interviews.

3.4   Data collection

This thesis includes different types of data. On the one hand, the data takes the form of interviews and case study. Even though the interview data was the most important and put the ground for the thesis we also gathered written data in order for us to get a deeper understanding about the concept of M&As, competitiveness, and middle managers as well as the company we examined in our case study. This data was gathered trough journals, books, company website, internal presentation by the company, and some other materials that were published and linked to our case.

3.4.1   Interview

Since the company we chose as our case study is located in the city of Hannover in Germany, we spent five working days in Hannover conducting all of our interviews. We argue that this was the best way for us to do the interviews since we wanted them to be face-to-face interviews. That made it easier to capture not only words, but feelings and body language of the respondents as well. When doing qualitative interviews, the number of respondents does not have to be large (Silverman, 2010). We were offered to conduct eleven interviews during our time in Germany due to the workforce available that week, and we argue that eleven interviews was enough in order to gain a trustworthy result.

The interviews were booked through a secretary at the office in Hannover due to our lack of information regarding the appropriateness of the respondents. The questions were re-

vised several times before we conducted the interviews due to new insights from theory and also because of consultation with our supervisors at JIBS and TMHE. All interviews were anonymous however names and contact information was gathered in order for us to be able to make contact in later scenarios if problems such as misunderstandings arose. The interview questions can be found in Appendix 1.

The interview questions were based upon the topics this thesis involves, the theoretical framework, and other relevant questions needed in order for us to get the wide picture of the respondents and of TMHD. The interviews were recorded and then transcribed into text.

3.4.2   Respondents

We had some requirements regarding the respondents. These requirements included that the respondent should have worked at either BT or TGD before the integration, s/he should be a middle manager, and that they could speak English. We also asked for an equal distribution of BT and TGD middle managers in order to get a result that reflected the situation of both companies. This type of sampling could be called theoretical or convenience sampling which implies that the we looked for respondents that could be connected to the research question (Warren & Karner, 2010). In the table below, there are times details on each interview however the names and specific dates are taken away in order to guarantee anonymity.

Table 3.1 List of respondents

Name	Date	Duration
A	201203??	40 min
B	201203??	1 h 22 min
C	201203??	1 h 46 min
D	201203??	46 min
E	201203??	1 h 9 min
F	201203??	57 min
G	201203??	52 min
H	201203??	53 min
I	201203??	44 min
J	201203??	1 h 5 min
K	201203??	1 h 24 min

3.4.3   Limitations

The merger (integration) between TICO and BT started during 2006 and was finalized in 2010; this implies that the respondents may have to answer some questions based on their memories. However, we do not think this will have impact on the reliability of our study since most of the questions take the form of comparing the past with today. The aim was

also to catch the perceptions and opinions of the respondents and therefore exactly correct answers to details were not needed, nor asked for.

During the interviews we found that everybody had great knowledge within their areas however some questions were difficult to give answer to for some of the respondents due to their position in TMHD. Many answers were similar so one could believe that the middle managers have similar views in many different areas. However if we should be critical to our result, one could ask if some of the information gathered were deeply incorporated in the middle managers by the company from meetings, training, and reports or if it really was the perception of the middle managers.

One also has to remember that many of the employees working at either TGD or BT before the merger now is gone since they left the company before the merger was fully completed. That may affect the result of this study in the sense that they may have more negative opinions than those who stayed.

3.5   Data Analysis

After having conducted our eleven interviews we ended up with approximately eleven hours of recording and eighty-six pages of empirical material. In order for us to analyze our data we needed to structure it so it would be easier to interpret. Malhotra & Birks (2006) describes four stages for analyzing qualitative data and they consist of Data assembly, Data reduction, Data display, and Data verification.

Data assembly is a way in which one gathers the data from different sources that for instance consists of notes from interviews, theoretical support, or audiotapes. In our case our data consisted of audio recordings and notes that had been collected from the interviews. The data from our notes and recordings had in turn been transcript so it would be easier to interpret. The questions were structured according to different headers and those were: introductory, individual/organization/integration, customers, market, competitors, other/competitiveness, and SWOT. Some of the answers could also be answers to other questions so therefore we had to arrange the questions afterwards in order for us to know which fitted to which research question.

The second stage Malhotra & Birks (2006) describe is the data reduction which is the step were the data is being organized and structured and were some data gets thrown away due to its lack of relevance. Malhotra & Birks (2006) also describes the term of coding data which means that the data is being organized and sorted into different categories depending on for instance people with similar opinions or belonging of some sort. In our case we started this phase by coloring the answers to the questions according to some of the categories from our theoretical framework. The following categories were chosen: Competitiveness, Strategic Fit, Middle Management, Porter's five forces, Cultural Clashes, and SWOT. Then we could easily see what information given by the respondents was the most important to our study.

Next stage is the data display and this is the way in which the author chooses to display and organize the data so that conclusions can be drawn. It could be for instance through dia-

grams or through some sort of a matrix model were dots are connected to each other or through a spreadsheet. Through these models others will also be able to see the results and see the connections that the authors have made (Malhotra & Birks, 2006).

In our case we chose to make a matrix with the categories described above, derived from our theoretical framework. We did one matrix with the respondents that worked at BT before the integration and one other matrix with the people working at Toyota Gabelstapler before the integration. We also made four matrixes with the different SWOT analysis', one for BT, one for TGD, one for TMHD, and one for TMHD in the future. This helped us to draw parallels, see the difference, and to make an analysis based on both theory and empirics. Below an example of the matrixes with the chosen colors' and categories are shown.

	Competitiveness	Strategic Fit	Middle Managers	Cultural Clashes
BT/TGD	Key words	Key words	Key words	Key words

	Strengths	Weaknesses	Opportunities	Threats
BT	info	info	info	info
TGD	info	info	info	info
TMHD	info	info	info	info

	Strenghts future	Weaknesses Future	Opportunities Future	Threats Future
TMHD	info	info	info	info

The last stage of the process of analyzing the data is the data verification which implies that the author start looking for explanations, patterns, and starts drawing vague conclusions. Furthermore, the authors also needs to show that the results and outcomes not only reflects their own view, is also good to start looking at other research findings and theory to give the authors confidence that they are on the right way (Malhotra & Birks, 2006).

3.6   Quality of results

In qualitative research, the quality comprises the entire study. The validity of a qualitative study should impregnate all parts of it, from the predisposition to the data collection. Even though each qualitative study is unique, there may be some problems according to validity such as how the researcher collected the data. A concept widely used within this context is triangulation. Triangulation means for example that the researcher used several methods of data collection and used the information gathered to make the analysis more robust (Patel & Davidsson, 2011).

3.6.1 Interviews

Patel and Davidsson (2011) argue that when transcribing interviews into written text, the researcher must be aware of that the process of transcribing may affect the base for the analysis. This is because spoken language and written language is not the same thing. When writing down what has been said, body language, facial expressions, and irony may get lost. In order to reach the validity the researcher wants, it is important that s/he reflects over the choices made in the usage of the information and that s/he is aware of how it may impact the analysis (Patel & Davidsson, 2011). After transcribing all the interviews we sent them back to all the respondents to give them the ability to adjust if we had interpreted something they said in the wrong way.

It was the perception we were asking for while doing the interviews, therefore even if the respondents did not have the correct answer to the question, we tried to make them contribute by expressing their opinions and thoughts. Some did easily answer by saying, "I have heard that…" however some refused to speculate or express their opinions and therefore did some respondents not answer all the questions.

3.6.2 Case Study

We chose to study the TMHD case for several reasons, it is TMHE:s most competitive market, meaning they sell the most trucks there due to Germany being one of the largest countries in Europe (measured in inhabitants). It is also the market where local producers are very highly valued. Toyota is the world's largest truck manufacturer, however in Germany local manufacturer such as Jungheinrich are stronger. TMHD face huge competition they have to struggle against every day and therefore it is very interesting for us to know if the middle managers perceive that the merger led to any advantages towards their competitors.

Choosing only to investigate the German market may seem limited however it is still the perceived change in competitiveness among middle management we are investigating. Since different countries (markets) where TMHE acts have different shares of market and different starting positions on the market we argue that it is reliable to only investigate the German market. A comparison between different countries may instead have provided us with a misleading result due to the different circumstances between the countries.

3.7 Reflections

We made the choice of using a qualitative method with interviews and case study since we argued that it would help us fulfill the purpose in the best way. We value the information we were able to gather by interviewing the middle managers in Hannover, very high. Spending a week conducting the interviews at the office were both very interesting and at the same time rewarding. In that way we learned a lot both about the company, but also about the middle managers we were interviewing.

Since we are two authors of this thesis, we are also two interviewers, therefore we decided that while conducting the interviews, one of us would be in charge of asking questions and

one would be in charge of studying the environment and the behavior of the respondent. However this may lead to differences among us on how one perceive the answers and the environment. Recording the interviews helped us deal with part of these problems.

Another issue was the language barriers we had to deal with during the interviews, Swedish, English, and German were represented which in turn could have caused some misunderstandings. However since the interview questions were e-mailed in advance our respondents had the chance to prepare themselves before the interview. Also the transcript interviews were e-mailed back to the respondents afterwards to further prevent any misunderstandings from occurring.

We chose to work abductively which also was very good since new information arrived at the interviews that we had not mentioned in the theoretical framework or did not even ask the respondents about. Using the abduction approach allowed us to add such new topics to the theoretical framework.

The way we chose to approach the data analysis were also very rewarding since it helped us draw parallels and really dig deep into the answers we received. Developing the matrixes and the categories were a very good way of getting an overview of the results and thereafter analyze it using the concepts from the theoretical framework.

4   TICO and BT

This chapter starts with information about the companies involved (BT, TGD, and TICO) in the M&A this thesis investigates. Thereafter a description of how TICO and BT became TMH will follow.

4.1   BT

BT Industries was founded in 1946 in Stockholm by Ivan Lundqvist. The primary goal of the company was to provide the forestry and transportation industry with appropriate equipment. In the beginning all equipment sold were imported by BT, however a year after the startup of the company, the first hand pallet truck was developed and the production of BT's own products kept increasing. In 1949 the famous EUR Pallet was constructed as a result from a co-operation between BT and the Swedish railway company (SJ) which led to a breakthrough for BT hand pallet truck sales. In 1952 BT moved to Mjölby where the connections with the trains were very good. The production grew and in 1968 BT moved in to the facilities where they are located today. Besides from the factory, TMH's European and International headquarters are still situated in Mjölby. (BT, 2006)

4.2   TICO

Toyota Industries Corporation (TICO) was founded in 1926 by Japan's "master of invention" Sakichi Toyoda. TICO is the world leader in material handling and ranked 28th in Fortune magazine's 2007 list of the world's most admired corporations. TICO's material handling business is mainly composed of the Toyota Material Handling Group (TMHG) (Toyota, 2012).

Below TICO:s five business segments are shown:
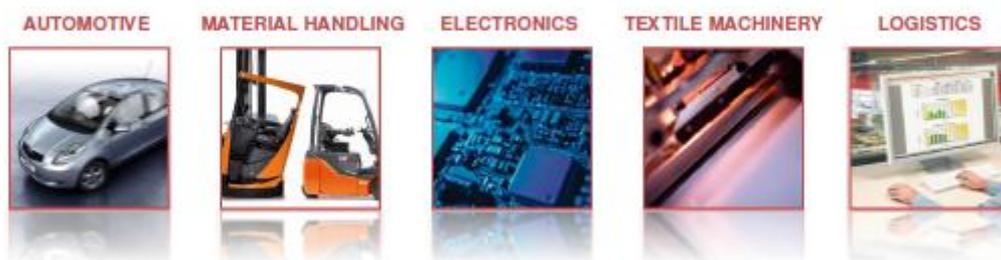

Figure 4.1 TICO:s five business segments.

4.3   Toyota Gabelstapler

Toyota Gabelstapler has its roots back into the year of 1971 at that time named Tomen Transportgeräte, owned by a Toyota Motor subsidiary. In 1991 it renamed to Toyota

Gabelstapler and become a subsidiary of TICO, Japan. The company was organized with fully owned distribution center and independent dealers.

4.4   The Toyota way

Almost everyone is familiar with the expression "The Toyota Way", however here comes some clarification about what it really means. Toyota's success stems from vision and dedication to a set of common principles - the Toyota Way. Its five core values express the beliefs and values shared by Toyota. All Toyota team members, at every level, are expected to apply these values in their daily work and relations with others.

By going to the source of information to make correct decisions, by continuous improvement, by embracing challenges, enhancing teamwork, and by respecting customers and each other - more than 700,000 people worldwide contribute every day to the success of the Toyota team.

Genchi Genbutsu Going to the source to find the facts to make correct decisions, build consensus and achieve goals.

Kaizen Continuous improvement. As no process can ever be declared perfect, there is always room for improvement.

Challenge To maintain a long-term vision and meet all challenges with the courage and creativity needed to realise that vision.

Teamwork Toyota stimulates personal and professional growth, shares opportunities for development and maximises individual and team performance.

Respect Toyota respects others, makes every effort to understand others, accepts responsibility and does its best to build mutual trust (Toyota, 2010).

4.5   TICO and BT become TMHG

In the year 2000, TICO acquired the Swedish truck manufacturer BT Industries in order to strengthen their position even further in the global forklift truck market. BT Industries, at that time, was one of the world's largest producers of warehouse trucks (mainly used indoor) and Toyota, at that time, was one of the world's largest producers of counterbalanced trucks (used mainly outdoor). As a consequence of the acquisition, TMHG, part of TICO, became the largest forklift truck manufacturer in the world with strong positions in Europe, North America, Japan and other International markets.

After the acquisition, between the years 2000 – 2005 the business remained as-is. BT Industries was owned by TICO but business was managed as prior the acquisition. Thus, TMHG was controlling two businesses, Toyota Industrial Equipment and BT Industries, as

separate business being competitors in the market. Besides minor synergies within the back-end of the value chain (for example in manufacturing) no attempts was made to fully integrate the two businesses. However, in 2005 a strategic working group was put together to investigate how further growth could be accomplished in the European market (for example market share and profit growth). Several strategic options were explored. The final conclusion was to focus on synergies within the front end of the value chain (for example the sales network) and the decision was to integrate the two businesses in Europe and create "one channel" to the market, being Toyota Material Handling Europe, aiming to become more competitive in the market place.
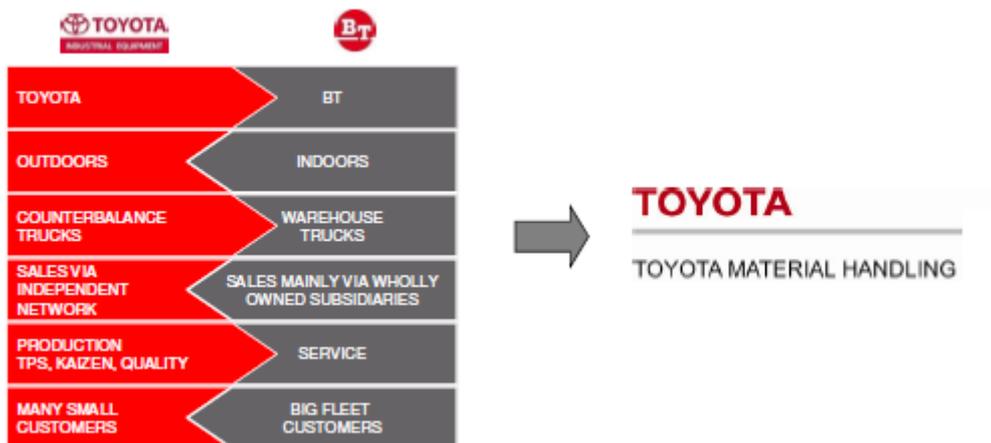

Figure 4.2 The perfect fit.

Figure 4.3 Locations of TMH.

4.6 TMHE

The complexity of the integration was fairly large as BT mainly operated in Europe via fully owned subsidiaries controlling its own salesmen and service technicians and thereby relations to customers were "direct". Toyota, on the other hand, was approaching the market with a different business model. To meet the customer Toyota produced main parts of its product range in Europe but used independent country distributors and local regional dealers in the majority of the European markets, thus having "indirect" relations with customers via local entrepreneurs. The actual integration was to be done with minimum customer impact and remained sales volumes. The change/integration of the two businesses started in 2006 and was finalized in 2010.

The European forklift truck market is dominated by three big companies Jungheinrich, KION Group (with its brands and three sales networks Linde, Still, OM) and Toyota Material Handling Europe. Jungheinrich and KION are both German based companies. Minor market shares are controlled by American and Japanese producers as well as various Chinese manufacturers which are increasing its presence in Europe.

TMHE are having relatively strong positions all over Europe. However, in the German speaking region of Europe, Jungheinrich and KION, TMHE's largest competitors, are very strong controlling more than 50% of the units sold and thereby TMHE position (as compared to the position in the rest of Europe) is relatively weaker. Germany is by far the largest market in Europe as ~25% of all trucks sold in Europe are sold in Germany. In addition, German companies expanding their business abroad also tend to purchase the same forklift trucks as purchased in Germany which is beneficial for Jungheinrich and KION sales also outside Germany.

In conclusion, in order to win the battle in the market place and capture more market share and profit TMHE performance and competitiveness in the German market is of high importance to the overall performance of TMHE in the rest of Europe as well.

During our visit in Hannover the middle management got the announcement that a new head office will be built within the next 18 months. This means that the two current locations (Duisburg and Hannover) will be closed and brought together in one brand new head office for Toyota Material Handling Deutschland. This also means that the rest of the operation currently located in Duisburg will be moved to Hannover.

5   Empirical Findings and Analysis

This chapter will provide the reader with the empirical findings which in turn will be analyzed according to the different categories developed from the theoretical framework. The categories are competitiveness, strategic fit, middle management, Porter's five forces, cultural clashes, and SWOT.

5.1   Competitiveness

From the questions regarding competitiveness we got a lot of interesting information from our respondents and both problems and advantages were described. The most common advantages described were that the company is accepted as a big player today, that the Toyota brand has become stronger, that they can attract more customers than before, and that it is also easier to attract them.

Feurer & Chaharbaghi (1994) argue that an exact definition of competitiveness does not exist, however they also state that when a firm are about to implement a new business strategy, they do that in order to create a more powerful competitive position which is done through improving the entire competitiveness of the firm. The M&A performed by TMH is a form of business strategy which they did in order to become more competitive and to be able to challenge the German manufacturers.

Our respondents agreed on that TMH today is accepted as one of the big four in the German market and that they under the name Toyota could reach much more customers than before. One of our respondents described the situation in BT before the M&A as:

"BT was only this Swedish company and we did not have the full product range and we were not accepted as a big player". (Respondents F)

Another of our respondents described the situation today as:

"The Toyota name is a door opener, you can come everywhere and say hey, here is a Toyota forklift, warehouse machines, and they will listen". (Respondent C)

A third respondent described it as followed:

"Because we have a wider range of products, we are bigger and we are known as the name Toyota, so we are much more attractive for customers, especially for big customers". (Respondent E)

When interpreting our data we could see that almost everybody had provided us with the same answers regarding the advantages mentioned earlier. So from our result we could see that almost all of our respondents believe that TMHD is more competitive now than when TGD and BT were on their own. Considering market power, one of our respondents answered:

"Jungheinrich and Still are strong in the German market and perhaps the European market but not in the rest of the world. Toyota can be a partner all over the world". (Respondent F)

Creane and Davidson, (2004) argues that a majority of mergers do have a positive effect on market power even if they do not have any type of synergies. They argue that by using so called "staggered competition" a company would be able to reach higher market share through internal competition. In the case of TMH they removed this type of staggered competition when they merged, however some competition still exists within the company since the different brands still exists today. However it will not be the same thing as having the two companies competing against each other.

Since TMHD decided to keep their two different sales approaches, there is a possibility that internal competition may occur in the future. The reason for this could be that TMHD fail to clearly define the geographical sales areas and to make sure that the salesmen stays in their allocated territories. This was one of the problems discussed by the middle managers since some complications according to this were occurring today. If the company grows, this type of conflicts may happen much more often in the future. (Respondent L) put it as:

"I don't think that the solution we have today is the right one for the German market in the long run. If Toyota want to grow to its target market share, there will be a lot of collisions between Toyota salesmen, dealers salesmen, BT salesmen and then they will start fighting about the same customers and that is competition that will not be helping us."

Feurer & Charbaghi (1994) argue that when firms are about to implement a new business strategy, they do that in order to create a more powerful competitive position which is done through improving the entire competitiveness of the firm. There are many ways to increase competitiveness and some of them were mentioned by our respondents during our interviews. One way is to react more to local and national demands such as special products. Many of our respondents argued that the company should work more on special requests that only existed in the German market. Some of them also argued that TMHD is too slow to react to changes in the market and that it simply takes too long to get new products into the market.

Carneiro (2000) argues that knowledge management is a way for strategic formulation and to increase competitiveness. He argues that the managers need to evaluate all environmental aspects in time since it will affect the company's performance. An example of an environmental issue that was discussed was the emission-problem. Today the trend moves toward fuel efficient- and environmental friendly machines, which seem to be a big trend in most companies and branches today.

Furthermore one of our respondents provided a very interesting answer on the question: "What do you view as the main factors for keeping the position in the market?", the respondent answered:

"Deliver the right product, at the right price, in time, we can offer the best service, advances to the customer problems." (Respondent K)

And on the question of "And does TMH meet them?" the respondent answered:

"Not to the extent as we should to, otherwise our market share would be bigger." (Respondent K)

5.2   Strategic Fit

When looking into the findings from the questions relating to strategic fit we could see that many of the middle managers argued that the two companies were becoming stronger together and that they could complement each other. Shelton (1988) argues that it is the identical and related –supplementary M&As that earn most value. In her model, TMHD is placed in the identical field since BT and TGD both had similar products and similar customers and thus should have had the possibilities to produce most value. However it is hard to say since we do not know how it would have ended if BT and TGD would not have been in the same business.

Furthermore according to Lubatkin (1983) the better the strategic fit between the two companies, the better they will perform together. He also discusses the difficulty to choose the right company to merge with due to all different factors that can affect the end result. Our findings show that people believe that the process was long and complicated with for example the communication but that it in the end was providing a good result.

Lubatkin (1983) also discusses the administrative problems that can occur when new management is taking over in a company and the large differences in management style that can occur because of that. Our result provided us with a large number of problems however the most frequently mentioned problems were poor communication, loss of knowledge, slow to react to market changes or demands, and complications when arranging the new sales setup. The problem with the poor communication was affecting many areas in the company and an example of the cause was that TMHD now is much larger than it was before which have made the communication routes much longer.

 As a former BT middle manager described it:

"At BT you could discuss everything with your boss in order to find the best solution. Today you have to make it yourself. At BT you could work more in your own direction; At Toyota you take the order without discussion." (Respondent B)

At the same time a former TGD middle manager described it as:

"The Toyota Company always had a Japan as an executive, but this disappeared with the merger and some people in Duisburg believed that they lost the Toyota Way because of that. It was very strong to have a Japanese person in the company since it shortened the decision way between TICO and the company." (Respondent D)

Another issue was the IT systems that were both to old and not advanced enough for such a big company. Different departments used different types of IT systems which made it even more complicated. The different types of IT systems were referring to different types of ordering systems in the factories which made it complicated to order the products. Many of our respondents answered that there were possibilities for further synergies and they mentioned everything from suppliers and prices to ordering and technology. However the most frequently discussed synergy possibilities were the creation of the new head office, the IT system and the factories. Many argued that the new head office would be an official

ending of the merger process since it now hopefully would erase the BT/TGD thinking that still existed in some places. Some also believed that it would be more efficient for the company to be in one place instead of two. Some of our respondents also argued that the IT systems needed to be improved since the factories and the rest of the organization today have different systems causing problems as those mentioned above.

Chatterje (1986) describes three different types of synergies:

Collusive synergies – represent the class of scarce resources that lead to market power. When it comes to the merger of Toyota and BT collusive synergies were attained when they combined their market shares that made them stronger on the market.

Operational synergies – represent the scarce resources that lead to production and/or administrative efficiencies. In our study, the creations of the new head office for TMHD is such a synergy, also by improving the IT-structure and the communication with the factories would create such a synergy.

Financial synergies – represent the class of scarce resources that leads to reductions in the cost of capital. In our study this type of synergy have probably occurred in a numerous of locations during the merger; however one of the areas in which new synergies could be attained according to one of our respondents were in the logistics area. Today, spare parts are being transported through Europe to Mjölby and then back to the distribution centers in for instance Germany. Here cost efficiencies could be made by improving this process.

Another problem discussed among our respondents was the loss of knowledge due to the merger, when different departments were moved from Hannover to Duisburg and vice versa some people just did not want to follow the company to its new locations. Some of our respondents argued that this have caused some loss of knowledge due to that some people with certain expertise had left the company and sometimes started working for competitors.

Lubatkin (1983) discusses the administrative problems that can occur during an M&A, in our study, decisions were made to move some departments to new locations which in turn caused loss of some of the working force due to the unwillingness to move or to be a part of the integration. This is one example were there can be loss of benefits to the merger since the loss of some of the workers may cause a loss of knowledge which in turn can affect certain areas in the company. In our study we found that one of these areas was the inspection of the newly delivered trucks, or as one of our respondents put it:

"*They did not understand the BT products over there which created problems with the quality*". (Respondent B)

Another area where the company had managed to keep the knowledge was with the sales setup. The two companies had different types of sales network where the new company chose to use a combination of the two. This was seen by a majority of the respondents as the best way to do it and many also agreed that by using this type of strategy the company would reach some customers that the company would not have been able to reach other-

wise. Many respondents also said that it was complicated to arrange the new sales setup, but again many of them also believed that the whole merging process had been complicated. However many argued that the company was becoming stronger together and that the company had potential to grow even further. One respondent even said that:

"I've never heard that such a big integration has gone so smoothly, without any problems to the market, to the costumer, we haven't lost any business, we have increase our business and that is also why we feel a little bit stronger today". (Respondent E)

Some of our respondents also mentioned the problem with the slow reaction to market changes; it simply takes too long to get a new product on the market. This is problematic but it prevents other problems due to TMH's accuracy to ensure very high quality. The size of the company was also a reason for the slow reaction to the market changes since that affect the time it takes for decisions in this area to be made. Our respondents argued that improvements need to be made in order to keep the position on the market and to increase competitiveness.

5.3   Middle Management

The first question asked during the interviews according to this category was "what was your opinion when you first heard about the merger?". Some of the answers were more irrational with the middle managers thinking about their own situation in the company, what changes it will bring to their specific position and other changes that may occur. Some said they felt uncertainty about what will actually happen due to the changes. One can sense a bit of non-existing information from top managers about the merger process. According to Balogun (2003) middle managers have the role of helping others (employees) through change processes, however if they do not have the right information about what will happen due to the change, it will be hard for them to help others.

Another aspect of the importance of the right information is that if employees do not feel that they know the aim of the merger or if they feel that something is going to be taken away from them, they may no longer feel affinity to the organization (Schweiger, et al. 1987). One of the largest uncertainties for the middle managers working at TGD was the fact that TGD's head office was located in Duisburg while BT's head office was located in Hannover. This was leading to middle managers being afraid of having to move to another city. Some middle managers from BT were worried too, however not as much as the ones' from TGD.

As one of the respondents describes it:

"That was one of the difficulties, changing place of work and at the new place change the social network, friends, and family" and *"about 20 people had to move, they had to decide if they should go or not, some did, some did not, we got new colleagues', the movement was most difficult".* (Respondent G)

This applies mostly to the TGD people since they were the ones', who in the end had to move to Hannover, and many of them still have their family living in Duisburg, meaning they do not completely live in Hannover. One of the respondents said:

*"I had to move to Hannover and that was difficult, I am working with the things I like to do but it is in the wrong city, my family still live in Duisburg". (*Respondent D)

On the more rational side, most of the respondents were very positive about the merger since they argue it would lead to benefits for both companies. Almost everybody said that the name Toyota was the most important characteristic, it works as a door opener, especially for the salesmen in their interaction with new potential customers. Another positive aspect many of the respondents mentioned is that they can now provide the customer with the full range of products when BT and TGD are combined. Having the fully range of products helps the middle manager translating and justifying the change to outside stakeholders such as the customers. Translating and justifying are two of those micro-practices described by Rouleau (2005) which means telling the customer what s/he wants to hear and simply providing reasons for the customer to accept the new product.

"The goal was before the merger to sell stackers and forklifts and it is the same goal after the merger. Off course we had a little change with the products from the BT cargos to Toyota forklifts, we got vehicle training for that, very good education with theoretical parts and practical parts, so it was not as difficult as we imagined, or as I imagined in the first place". (Respondent C)

This statement proves that the middle managers were provided with support to be able to learn about the new products and to learn the customers about the new products as well.

When asking the respondents if their opinions had change from the beginning of the merger until now, most of them who were uncertain in the beginning said yes, for example:

"Yes, I think I should not have been so scared in the beginning, most things that changed, changed to the better, so the merger in my opinion was a very good thing and enriched the whole company and the full spectrum of our products, and I think it was the right step at the right time" (Respondent C)

and *"Yes off course, it is very positive for us now, especially the decision for the new building and yes I think it is very good for the company and I know that we can make a much better job than the old BT it is more professional, the name Toyota is very good for us"*.(Respondent J)

However not all were fully positive at the moment;

"Opinions are changing from time to time so after the merger it was a really big step for this company and in the end I am not sure if it is really finished since we are changing again and again the structures and the opinions, but in the end BT and Toyota is a quite good combination to be successful on the market", and *"My opinion has not changed today; like any merge, there are a lot of negative and positive issues. The most negative I believe is related to the people and their history to their old company and culture"*. (Respondent A)

Overall the middle managers seem happy about the merger and the result of the merger however it also seems as they do not believe that the merger is completed even though it is officially closed.

According to Balogun (2003) middle managers do not only has to change their roles in the organization but also the view of their role. This means that they have to interpret their

new roles differently than before while also helping others changing their roles. Perhaps this could lead to difficulties finding one's own place and know what to do. It is important that the management styles from both companies in an M&A are similar to each other (Datta, 1991). Otherwise conflicts may arise, however in the TGD-BT case that does not seem to be a large problem.

According to Dutton et. al. (1997) middle managers play a critical role in strategic change processes since they are the ones who are expected to bring the problems that occur in front of the senior management in the company. When asking one of the respondents if s/he were allowed to tell their opinions to senior management s/he answered:

"*Yes, but I do not know if it is asked for*". (Respondent C)

If the middle managers have the feeling that what they have to say is not asked for, perhaps they will not say what their employees think either, which implies that the communication within the company is not as smoothly as the organization considers it to be. What can be seen from a study by Balogun (2003) is that middle managers regularly share stories and comments of others, especially about senior managers, between each other. This can in turn lead to bad relationships among employees and if it becomes worse, it can affect the reputation of the entire company.

One can conclude that most of the respondents were positive to the merger itself; however one can sense a feeling of BT-middle managers being a little more positive than the TGD-middle managers. This can of course depend on the fact that TGD's head office was located in Duisburg and that almost every one of them had to move to Hannover in order to keep their jobs. Though, while we were in Hannover collecting the empirical material, the middle managers and employees received good news; namely that a new head office was going to be built in Hannover during the next eighteen months. Everyone seemed very happy about the news however there is still a building and employees left in Duisburg and now they may also have to move or leave their jobs.

"*Just a couple of minutes ago I had the announcement that we will move the head office and build a new one here in Hannover within the next 18 months so that will become the next change but I am looking forward to that since we are strictly limited with the place here, we need more room to expand, to grow and I think the new head office will bring all this and that it will fix a few problems we still have here, for example we need shorter communication ways*" and "*it is very positive for us now, especially the decision for the new building, I think it is very good for the company I think and I know that we can make a much better job than the old BT*".(Respondent C)

The respondents were also asked about what they perceived as the largest changes due to the merger and the answers varied a lot according to their different positions in the company. The two parts keep business going and implement changes needed in the model proposed by Balogun (2003) are roles that middle managers are expected to do on an everyday basis. This means that while doing their daily work which is a full time work, they also have to implement changes and make them work. According to one of the respondents:

"I think it is very difficult being a middle manager in a merger, you get shit from the boss, you get crap from the workers, you get crap from the project manager. It becomes stressful, much responsibility lies on them".
(Respondent L)

Balogun (2003) says that the key task for the middle managers is to undertake personal change since what the middle manager does affects all the other employees. Even though undertaking personal change as a result of the merger is probably the most difficult for the respondents, it may not be the first thing they think of when receiving the question of what main changes happened. What most respondents are positive about is the fact that they can now provide the customer with the full range of products. Some answered the question according to their own situation, for example:

"Much more responsibilities, so much more people, much more responsibilities concerning sales contribution". (Respondent E)

According to one of the middle managers, everything changed:

"We changed everything, it was a really big step for BT. When you are working a long time for a Swedish company and you are doing a merge with a Japanese company you have two worlds, we are not changed in everything but it is a total different culture and different processes. In the end, it is a company who is selling and doing service on trucks but everything was changed and everything was really affected due to the merger". (Respondent A)

In total, almost all of the respondents seem quite pleased about the merger and the result of the merger so far, however almost all of them also argue that it is not finished and more work has to be done on the human side of the merger. According to some of the middle managers the integration with the people concerned is not finished yet since there is sometimes still a feeling of "we are TGD" and we are BT" and there is a difference.

"For most of the employees, I think it was a very cultural shift that they now had to work with former competitors. Everything else like new systems and dealers is maybe difficult in the beginning but such things are easy to learn. What is harder to learn is to understand that the people in Duisburg are our colleges' now, it happened very fast but one must learn to deal with that". (Respondent L)

Even if the financial result is rewarding for TMHD, there are some other issues such as middle managers and other employees feel they lack information sometimes and this has to be dealt with. There may also have to be some work done in trying to integrate the people to each other even more. As written above, there is a new head office that is going to be built during the next eighteen months and this may definitively help solving some of these problems.
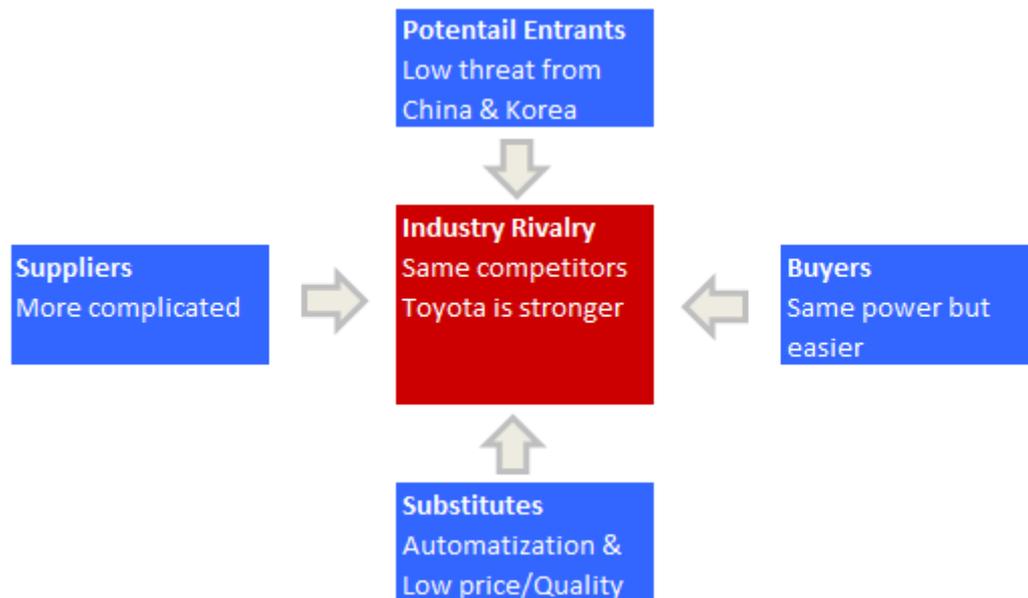
5.4   Porter's five forces

Figure 5.1 TMHD:s Five Forces.

First of all we would like to say that the questions relating to this part of our thesis were the most difficult to get good answers to. The difficulty was especially related to the substitute products question and to the question related to the bargaining power of suppliers. How-ever through further explanation to our respondents, and after some adjustments, we argue that the problem was solved. A further explanation of these adjustments will be provided later to the relevant subject.

On the question regarding bargaining power of buyers, many of our respondents believed that it was a really hard fight about the customers and that the prices were pushed to the limit. This was both caused by the German mentality of saving money through negotiations of lower prices, but also because Linde, Still, and Jungheinrich had their home market in Germany. One of our respondents said that:

"Toyota, they have good quality but German people prefer made in Germany." (Respondent C)

However some of our respondents believed that the company now has better margins so that they could adjust prices to a larger degree than before. This together with a much bet-ter organization of Key account, which is the largest customer that can exist in several countries, had made it much easier to get the big deals. This should be very helpful accord-ing to Porter (1980) since if a customer tries to play the companies against each other to get better prices or overall deals, TMHD should have a better chance for success.

On the question of industry rivalry we could see that most of our respondents believed that the competition was the same before, it is a hard struggle between the biggest four, but it is

about the same compared to before the merger. However as discussed in earlier sections the competitors seem to feel as they really must keep an eye on Toyota today which was not the case in the past. Our respondents also argued that the brand Toyota has become stronger and that this has caused a change for the better within the industry rivalry, making TMHD more competitive.

On the question regarding <u>the threat of potential entrants</u> there were a discussion of threats from China among our respondents and some of them also mentioned that some potential threats could come from Korea. Most of our respondents believed that the Chinese manufacturers were a threat; however most of them also argued that the Chinese manufacturers were not playing in the same league. As one of our respondents put it:

"Everybody can sell a forklift, but as soon as it breaks down and you need a service technician fast, otherwise the whole production will stop. So the hardest thing to do is to be able to offer service quick and that is why there is hard to break into the market". (Respondent L)

The Chinese manufacturers simply lack the quality and have no spare parts or service network or so called "after sales". When it comes to Korean manufacturers the opinion were similar but there were fewer respondents that agreed upon it, this in turn made it not as widely discussed during the interviews as the Chinese manufacturers. Porter (1980) argues that there can be many barriers of entry when trying to enter a new market, some of them is Product Differentiation, Capital Requirements and Distribution Channels. These three barriers of entry are examples of the obstacles that the Chinese and Koreans manufacturers need to overcome according to our respondents and it seems as they still have some work to do in order to get there.

On the question of <u>substitute products</u> it was first proven to be hard to explain the meaning of substitute to the respondents. The problem occurred in almost every interview; however the solution to this problem was to translate the word into German which in turn made it easier for the respondents to understand.

When discussing the subject of substitution it was difficult for the respondents to find a direct substitute to a forklift. One of our respondents argued:

"A customer who is buying a forklift needs something that lift and carries, it is hard to find a substitute." (Respondent J)

Finding a direct substitute to a forklift was very hard however we got some examples from our respondents which could be seen as a substitute. Some of them argued that automatization of the factories that reduces the need for forklifts could be one substitute. Other respondents argued that one could see Chinese manufactured forklifts as one type of substitution, meaning that one substitute high quality and high prices for low quality and low prices.

A third possible substitute was so called "towing trucks" which also could be seen as one type of automatization. Instead of having forklifts operated by human beings the material that needs to be transported could be moved by automated towing trucks that move in a

pre-determined route. Porter, (1980) argues that a substitute product is a product with similar benefits and functions to the consumer. This makes it possible for the customer to vary between the products without a larger change and the examples provided by our respondents should fit within this definition.

We directly realized during our first interview that the question regarding <u>bargaining power of suppliers</u> did not fully work. The problem was that TMHD only has one sort of supplier and that is the TMH's own factories. In order to clarify this during the interviews we decided to change the question to "how is the relationship with the factories today?". One could argue that this problem should have been obvious during the construction of the interviews, but we claim that the problem occurred for two reasons. The first reason was that the questions related to the model of porters five forces was constructed with the five forces as a template in order to be able to reproduce the model later on. The other reason was that we did not know exactly how the supply network to the TMHD was constructed. However the change in the question will not affect the overall outcome of Porters five forces since cost structures and relationships that Porter discusses still will be of great importance.

When we look at the result from our respondents we can see that both BT and TGD middle managers were happy with how it worked before the merger, however after the merger it seem to have become more complicated. As mentioned before there are some communication and culture problems with the factories. If one look at the overall view our results it displaying deterioration in the relationship with the factories. A respondent argued like this:

"It's really different today, we have more factories and it is more complex. We have different order administration for contact and different ways of work. Before we only had to contact the factory in Ancenis and then they took contact with BT. Today we have to contact the BT factory directly, it's different." (Respondent H).

5.5 Cultural Clashes

The term culture was not brought up by the respondents during the interviews however it was mentioned among the respondents, especially cultural clashes, as a problem that occurred due to the merger. First of all, BT and TGD come from two different countries, Sweden and Japan. One can immediately understand that even though both companies were located in Germany and almost all of the managers and employees were German, the culture that comes from the companies' origin country affect the companies' corporate culture in some way. Cultural clashes are described as one way of making an M&A fail (Jelinek, 1986) however that was not fully the case with BT and TGD.

Toyota and Japan is known for their hierarchical, bureaucratically culture, both corporate and national. National culture is described by Hofstede (1980) as the united programming of the human mind. Corporate culture is divided into three elements by Cremer (1993:12) and those are: "common language or coding, shared knowledge of different facts, and knowledge of certain established rules of behavior". In the previous chapter the "Toyota

way" was described, and the fact is that it is not just something that is famous; it is actually used within Toyota companies among employees. Many of the respondents talked about it and let us know that they do work according to those values and that they are very important to them.

While conducting the interviews we had the feeling that middle managers from both sides (BT and TGD) had a picture of how the other company's culture turned out to affect the employees within that company. Said from two former BT-middle managers:

"*BT was "swedishness" and here in Hannover we were talking very much with our employees and we were also always solving problems together with the employees. Toyota is very restrictive organized, top-down*" (Respondent E)

and "*It is a totally different company culture. If you compare it to BT which were an open company and much information was flowing freely. Toyota is totally different; you do not get so much information*". (Respondent B)

In turn said from a former TGD-middle manager:

"*The largest problem was the different people. BT people have problems with the Toyota way, and the people at Toyota thought they were the better company. So it was difficult to make them work together, there are still some people in Duisburg that want their old Toyota organization back. The Toyota Company have always had a Japanese as an executive, but that disappeared with the merger and some people in Duisburg believe that they have lost the Toyota way because of that. It took a long time to establish the Toyota way in the head of the BT guys. They believed that they had the BT way but that was nothing*". (Respondent D)

One must remember that the people still working in Duisburg may not feel as integrated in the newly formed TMHD as the ones who moved to Hannover. This is because those who moved to Hannover also moved into the office of BT, met the BT people directly and is now working together with them. However the people still working in Duisburg are still in the TGD office which of course is characterized by only TGD and not BT. Therefore they may feel and think that TGD is better and thus want it back as in the old days before the merger.

It is very important that the senior managers communicate the corporate culture to all the employees (Schein 1985). It seems to be clear that this was done in both BT and TGD before the merger, when asking the BT-people about the changes that occurred due to the merger many of them said that BT was a small, familiar company and that it was very informal.

"*At BT you could discuss everything with your boss in order to find the best solution, at BT you could work more in your own direction, At Toyota you need to follow the order without discussion*". (Respondent B)

It is also argued that when differences in culture at the top management level are noticeable, that will most likely influence the company's ability to realize the possible outcomes of the M&A (Davis, 1968; Kitching, 1967; Sales & Mirvis, 1984).

This implies that if the middle managers coming from BT feel that they now have to totally change their way of working, they may not do such a good job as they did before. This in turn may affect the result of the merger over time. According to Weber (1996) culture affects everything humans do; therefore it will also affect the work efficiency among the middle managers and thus the outcome of the merger. However this does not only apply to the former BT people, it also applies to the old TGD people since they were not allowed to fully keep their corporate culture either. Even though TMHD is named Toyota and follows the Toyota way, the BT people left in the organization do of course have an impact on the organization.

One of the middle managers expresses the situation today as:

"Better, it is not entirely completed, there is still little difference between Duisburg and Hannover, but it has become much better. All the new people coming in after the merger has never been aware of the BT culture nor the Toyota culture which helped in this issue". (Respondent L)

So getting new "fresh" employees into the organization that did not know how it worked before at either BT or TGD seemed to help out with the cultural clashes that have appeared.

According to Weber and Scweiger (1992) for the employees to understand the implications of the different cultures there must be some connection between the two. In this case, BT and TGD were selling products in the same industry; they were competitors before the merger. They were from different countries, Sweden and Japan however there were almost only German workers at their German local offices. Of course that leads them to an understanding for each other however they did not at all have the same corporate culture. In this situation, it is important that top management take action and tries to create the connection between middle managers and the employees, and it is essential that this is done in the beginning of the process (Weber and Scweiger 1992).

The question still remains if they did? We could not gain a proper answer for that in this case but if one is looking back and think of the reactions and the answers of the respondents we got the feeling that this was not done in the beginning of the process. It seems like it is an ongoing process still continuing at the moment. When asking about the situation today, a former BT-middle manager said:

"Yes, we have now found a mix, it is necessary to find the Toyota culture as Kaizen, as teamwork, as challenges. But we also work as before, especially in my department. The BT-way is also integrated in the Toyota-way but it has another name at Toyota, Kaizen, which is a special process to minimize problems and to develop departments. This is something we also did with BT but we didn't name it and structure it as Kaizen". (Respondent E)

However, one of the former TGD-middle managers does not seem to agree:

"They believed that they had the BT-Way that was nothing. Now we have established the kaizen way here in Hannover". (Respondent D)

Cultural distance is described as the degree to which cultural norms are similar or different to each other between countries (Kogut & Sing, 1988; Shenkar, 2001). As mentioned before, the origin countries culture (Sweden and Japan) do have an impact on the corporate culture of the companies and in this case there is a huge difference. The former BT-middle managers describe BT as a small Swedish familiar company. They also said that everybody knew each other and that there was an open climate where everyone could give voice. One can therefore understand the difficulties when doing a merger with such a big company as Toyota. One former BT-middle manager argues that integrating the people was the most difficult within the merger:

"So many people were working in different companies and with different mentalities so to integrate it and find a new culture, a TMH culture, I think that was the biggest challenge for the company and also for our general manager to be able integrate everybody in our company TMHD". (Respondent E)

One can conclude that the cultural distance between BT and TGD were quite large when they first started the merger. Cultural distance could lead to different things; firstly it could lead to encouragement among employees to learn from each other's cultures (Ghoshal, 1987; Morosino, Shane & Sing, 1998). We would argue that this happened since the Toyota-way and the values that come from it now are widely known and used within TMHD. The question is still whether TGD learned something from BT?

"The flexibility at BT is a little bit gone; it is not as flexible today". (Respondent B)

This statement comes from one of the former BT-middle managers; however the loss of flexibility can be the cause of TMHD being a much bigger company than BT. In larger companies, the decision-making processes sometimes takes longer time.

Secondly, cultural distance could lead to conflicts among the employees (Black and Mendenhall, 1992). We would not say that huge conflicts arose due to the cultural distance however some problems did arise. Some of them are mentioned above such as the loss of flexibility for BT people and TGD people arguing BT was not as professional as TGD. However it does not seem as these problems were communicated or discussed, we got the feeling that the middle managers were keeping these opinions to themselves. Of course we do not know why, but if one were allowed to speculate we would say that they were waiting for "better days", it felt like they knew why these problems occurred and that they were probably going to be solved as time went by.

In conclusion, even though BT and TGD experienced some problems with cultural clashes between the employees, it does not seem as it affected the performance for TMHD. However it may have affected the employees in the way that they left the company since many of them did that according to some of the respondent. The question is if it also affected the competitiveness of the firm, we do not think that since the position of the market has not decreased.

5.6   SWOT

5.6.1   SWOT BT & Toyota Gabelstapler

As mentioned before, we constructed four different SWOT analyses, one for BT, one for TGD, one for TMHD, and one for TMHD's future. The BT and TGD SWOT analyses will not be developed any further, however they are used as a reference from the past. We wanted to show them in order for TMHD and other readers to see the difference between the situation before the M&A and the situation today. When reading the different SWOT analyses below, one can see that BT and TGD took away each other's weaknesses, put together each other's strengths and created a new company were they became stronger together.

Table 5.1 SWOT BT

	Strengths	Weaknesses	Opportunities	Threats
BT	• Swedish • Special customers • Flexibility • Communication • Familiar • Small • Open and friend-ly	• Small • Growing too slow-ly • Too expensive products • Not taken seriously by competitors • Counterbalance trucks	• Catching new customers • Special products • Flexibility • Transmitting the family-feeling to customers	• Financial crisis • Not full assortment of products • Too small • Could have been purchased by competitors

Table 5.2 SWOT TGD

	Strengths	Weaknesses	Opportunities	Threats
TGD	• The Toyota way • Short ways of communication	• Sold mostly forklift trucks • Only dealers • No service organiza-tion • Not good at key ac-count • The broad setup of the operation • No management sys-tem	• Get sales of market share from dealers • Good quality trucks on the market • Dealer distribution	• Inability to sell warehouse equip-ment • Financial crisis • Smaller range of products • Dealers terminating contracts • Competitors

The name Toyota and the fact that Toyota is a global player, actually number one in mate-rial handling in the world, was something that almost everybody mentioned as a strength that can be seen in the model below. Even though the people working at TGD were work-

ing under the name Toyota before, it seems as they can use it as a strength even more to-day, as Toyota Material Handling.

5.6.2   SWOT TMHD

Table 5.3 SWOT TMHD

	Strenghts	Weaknesses	Opportunities	Treaths
TMHD	• Market position • Wide range of products • Global player • Toyota is a very strong brand • Distribution setup	• Communication problems • Not so flexible • Hierarchy • Put too little focus on customers/the market • The integration is not finished	• The new head office • The dealer and direct sales mix • Can get more customers • Toyota can be no 1 in Germany • The name Toyota • Being a learning organization	• The biggest competitors • No improvements with communication • Not using our strengths fully • Must look more into the future demands • Parts pirates • TMHE decisions not suitable for Germany • Japanese decisions not suitable for Europe • Exchange rates

Communication is one of the weaknesses that most of the respondent mentioned. What they meant was the communication both within the two offices in Germany (Hannover and Duisburg) but also with the different factories (Sweden, Italy, and France). What make the communication difficult are the different IT-systems that are used throughout the entire organization. There are different systems in different countries; however in Germany they are at the moment implementing a new one.

Another weakness mentioned was the low flexibility, the main reason for that is that TMHD is much bigger than both BT and TGD were before, however the size of the company is also seen as an advantage since it makes it easier for them to get new customers and to sell more products. The lower flexibility is mostly about longer times for decisions to be made.

The new head office that is going to be built is seen as one of the major opportunities, the respondents argued that it will make the employees closer to each other, all in one place. It will also make it easier to bring customers for visits since it is a much more representative building than the one they have now. However there is also a threat related to the new building, namely losing competent employees now working in Duisburg. That office will be closed down and all of them will probably not be willing to move to Hannover.

Another issue raised was the fact that the biggest decisions were made in Japan by mostly Japanese senior managers. It was argued that even though the Japanese managers often visit the European market and there is almost always one Japanese manager in every country which is willing to learn about the market, Japan is different. Therefore the decisions made in Japan may not always correspond to the European market. Also the fact that the central organization TMHE's decisions may not always correspond to the German market may also create problems sometimes.

The weakness hierarchy was mentioned among the former BT-middle managers. They argued that before when they worked at BT they had an open environment where they could discuss problems with everybody. However today they argue that it is not open in that way, now they do not have discussions about problems and the decision making process is slower. Perhaps this is also a problem following Japan's reputation about being very hierarchical. If the former BT-middle managers had such preconceptions in the beginning of the integration, that could have affected them to be more negative towards Toyota as a company.

The middle managers argue that the market position TMHD is having now is a strength however it is not as high as the targeted market position. We are not allowed to reveal the actual target in this thesis however we can say that it is better now than when BT and TGD were separated. Viewing the market position today as a strength could be interpreted as the middle managers are satisfied with the result that the merger has led to so far. Most of them also argue that TMHD has high potential for growing which implies that they will work in order to reach the targeted market position.

A threat mentioned was the fear of not looking into the future demands on the market. However this was not a general threat since many of the respondents also argued that they have the capabilities needed in order to meet future market demands such as the ability to offer service 24 hours, financial services, and integrating computer systems with the customers. Therefore this could be seen as both a strength and a threat, since they know that they have to work on these issues they will probably do it.

In conclusion, the majority of the respondents seem very satisfied with the decision to make BT and TGD become TMHD. It has created large opportunities for them to grow, they can do their work more professionally, and they seem to like the fact to work with a brand that is no 1 in the world in material handling. As long as they act according to the upcoming trends on the market they will be able to satisfy their customers and compete with the other big truck companies in a professional manner.

5.6.3 Future SWOT TMHD

In the future SWOT, we asked the respondents to speculate on what may happen in the future in order to for TMHD to gain possible advantages from the information. One can conclude that the middle managers view the future very positively. The weakness "Working too much internally, forgetting the customers" is perhaps both a weakness and a strength in the sense that TMHD are aware of the fact that they have internal processes they must improve. However forgetting the customers because of that is not good in terms of sales and reputation, both among customers and competitors. If the competitors will get the sense that TMHD lack in focusing on the customers, they may use it as an argument and win those customers.

Table 5.4 Future SWOT TMHD

	Strengths	**Weaknesses**	**Opportunities**	**Threats**
TMHD	• New head office • Continuously improve market share • Becoming more attractive for future employees • Living/working the Toyota way • More synergies • We have a great vision • The trends on the market, i.e. fleet systems, training, financial services	• Lose the competent people in Duisburg • Working to much internally, forgetting the customers • Importer	• Learn from our experience all over the world • Reach the target market share	• Competitors improving • Chinese products • Need more salesmen • Price strategy • Not reacting fast enough to trends • Exchange rates

While asking the respondents questions regarding Porter's five forces and substitute products, the issue of Chinese producers trying to compete in the German market was raised. At the moment, the TMHD middle managers do not perceive Chinese products as a problem since they do not hold the same quality and they do not provide the service the customers demand. However as can be seen from the future SWOT, they argue that it may be a threat in the future as far as the Chinese producers improve the quality for example.

According to the middle managers of TMHD, the German customers are very patriotic meaning they rather buy from German manufacturers than for example Japanese. Therefore being an importer is viewed as a weakness. Even though the customers know that Toyota- and BT-trucks are high quality products, German produced trucks are preferred.

Being an importer also means buying trucks in different currencies and therefore the exchange rate can in some cases be a threat to TMHD. If the Swedish krona and the Japanese yen are stronger than the euro, the trucks sold in Germany will be much more expensive, which would be a problem.

Since the German customers are very patriotic, the biggest competitors such as Jungheinrich, Linde, and Still are also a threat for TMHD. As long as the customers will prefer German produced products, TMHD will have a problem to strengthen their market position. However the middle managers were positive about their ability to do that since they have very high quality, very good service network, and the Toyota name will keep attracting new customers. They also said that BT and TGD separated would not have been able to be stronger on the market.

Another strength mentioned was "living/working the Toyota way", it has been mentioned a lot among the middle managers. However, it has mostly been mentioned among the former TGD-middle managers. Probably this is so because it takes some time for the former BT-middle managers to adapt to these values that the Toyota way implies. Even though they have had quite some time to adapt, many of the respondents argue that the integration is not finished yet, and this may be one of the reasons for that. Since values are intangible, it is not something that external stakeholders will sense if the company follows in the first place. However it is rather an issue for the employees inside the company, for them to feel commitment to the company itself and to their co-workers.

Since TMH is the world no 1 player in material handling, some of the respondents mentioned that they have the opportunity to learn from the experience TMH have worldwide. Taking advantage of that and bring it into the German market may help them improve their own processes, both internal and external. That is also an issue of taking advantage of the name Toyota. They can use it as a selling argument, that they are a very stable company in the whole wide world and therefore the customers take very low risk when buying from TMHD.

Continuously improve market share is a strength the respondents argue that TMHD will have in the future. This is also in line with the goal of the entire merger. It implies that they have the ambition to work towards a larger share of market, and that they believe that TMHD have the ability to increase it as well. This is important since if the middle managers do not have the trust in their company, it will not grow and that would of course be devastating.

In conclusion, the middle managers at TMHD view the future positively in terms of ability to grow, keep living/working the Toyota way, and learn from the worldwide experience that TMH have from being the market leader in the world. If TMHD keep focusing on their internal processes such as making the employees becoming more united, but also on their external processes such as customer contact and following the market trends, they will have the ability to grow and reach the targeted market position.

5.7 Table with Keywords from the Empirical Findings

In the table below one can see the most important issues derived from the empirical findings and analysis. These were the most mentioned issues among all of the respondents. SWOT and Porter's five forces are analyzed separately and therefore not included in this table. The table will be discussed further in the next section "Discussion and Further implications".

Table 5.5 Keywords

Competitiveness	Strategic Fit	Middle Managers	Cultural Clashes
• Accepted as a big player today • Toyota brand is stronger today • Can easier attract more customers than before • Demand for more special products	• Possibilities for further synergies • Stronger together • Communication • Loss of knowledge • Complications with sales setup	• Changing place of work • "Scared" in the beginning • New building --> bring us together • Employee difficulties	• BT was Swedish and familiar • Two totally different company cultures • Different people working together • BT was more open and flexible • Toyota had the stated Toyota-way

6   Discussion and Further Implications

In this chapter a discussion about the most important topics derived from the empirical findings will be provided. The table with the keywords is used as a frame for the discussion.

The middle managers view the newly formed TMHD very positively and more competitive than when BT and TGD were separated. Their main arguments were that they are now accepted as a global player, Toyota is a very strong brand, and that they are now able to compete on the same level as their biggest competitors (Jungeheinrich, Linde, and Still) in the German market. It is also easier for them to attract new customers today however there were some arguments that the customers demand more special products today. Some of these products were provided however not to the fully extent that some of the respondents believe is necessary to increase TMHD's competitiveness.

We made the SWOT in order to provide TMHD with a broad picture about how their middle managers perceive TMHD and it did also become o good complement and strengthen our results and discussion. One thing that also became obvious through this model was that the company became stronger together. Porter's five forces provided us with further information which helped to show TMHD's external environment. The results from these two models impregnate the entire study in the sense that they affected the results in almost every area.

As from what we can see, the competitiveness of TMHD has increased through the merger; however our respondents may have a point in the issue with the demand for special products. TMHD is now providing the customers with a wider range of products but they still do not meet the demand for special products. One could argue that this could be the key for TMHD to grow even further and to beat the German manufacturers on their home market. Even though the middle managers argue that it is easier to attract new customers today, if you cannot compete with the prices, we argue that it is more likely that the customers choose the one that can provide exactly what they demand, for example special products.

The middle managers argue that there are possibilities for further synergies such as implementing a new IT-system which can be seen as a way to increase the competitiveness since it will increase the efficiency within the internal processes. An overall view was that the communication routes throughout the company need to be improved. However our view and our interpretations of our respondents view is that TMHD has become stronger than they were before as separated. Stronger together was also a watchword throughout the merger process.

One could question if the opinion "stronger together" is an impregnated slogan within the company and that it has been reflected in the answers we received during our interviews. However when conducting the interviews one of us focused on the answers and one of us focused on analysing the respondent in terms of body language and behaviour. After each interview we had a discussion about the respondent where we interpreted his/her body

language and analysed whether the respondent said things s/he really thought. We had the feeling that most of the respondents said things they could stand up for but still a minority may have said some things they thought were asked for.

There have been some complications with the sale setup, the question regarding independent dealers versus their own sales force caused some debate and has already led to some problems such as dealers and sales men have been fighting for the same customers. This problem was solved by the decision of keeping both setups but each and one of them have been allocated a certain geographical area in Germany. This may have solved the problem for now but the question is if it will work in the future combined with TMHE's vision for larger market share in the German market. We argue that this is something that TMHD must consider for the future in order to be able to reach their targeted market share.

Another problem referring to strategic fit is the loss of knowledge which was caused by employees leaving TMHD because their unwillingness of moving to Hannover from Duisburg and vice versa. Loss of knowledge may also have further consequences due to the new head office that is going to be built in the coming years, since that implies that Duisburg will be closed down. We argue that it is always bad to lose competent employees/managers but the new head office will make TMHD create a synergy that has not been possible to attain when they have been located in two different places. We believe that the loss of this knowledge will have some impact in the short run since new people need to get training in their specific position before they can work as professionally as their predecessors. However we do not believe that it will be a long term loss since sooner or later the new people will acquire the skills needed to perform the job.

Changing place of work was one of the main issues raised by the middle managers from TGD. Even though the former BT middle managers did not have to move, they still sensed a feeling of anxiety due to the uncertainty of what will happen to them during the integration process. From our point of view we do understand the anxiety among the middle managers, TMHD had a clear goal with the merger, however from our empirical findings it seemed as TMHD were not able to communicate this in an understandable manner. We argue that if TMHD would have communicated the goals and provided the employees with sufficient information about the integration, they could have prevented some loss of knowledge and the anxiety among the employees. The new head office will also provide the employees/middle managers with a sense of becoming one unit and again, stronger together.

There were some cultural clashes within the integration process where the main complications were found in how BT and TGD were governed. BT was small, Swedish, and familiar while TGD was very hierarchical. At BT the middle managers were allowed to have open discussions with their bosses, which we did not hear from the TGD middle managers. Both companies also had shorter communication and decision routes before the merger which somehow seemed to disappear in the new, much larger organization TMHD.

Another problematic issue with the merger was the integration with the different people from BT and TGD. Since they were used to work in different ways before, the middle

managers said that it was hard to adapt to each other's ways of working. This is of course always a complication that occurs and the problems at TMHD may have been more obvious since the TGD people had to move in to the BT people. However this is a problem we believe can be solved by the new head office. Now all the employees will move in to the new head office at the same time which implies that there will be no differences among them in terms of BT and TGD. This is probably something TMHD should have considered in the beginning of the merger in order to avoid the feeling of "us and them" among the employees.

Former BT middle managers argue that TMHD is not as open and flexible as BT was earlier, and they give the blame to the old Toyota culture. In turn the former TGD middle managers claim that BT did not even have a corporate culture. This shows that one part feels like it is better than the other, it is not something that they talk about but it was communicated to us. Toyota has a very strong and well known culture and way of working and for a company like BT that had a very soft corporate culture it can be hard for them to accept these major changes.

Today TMHD is working according to the famous Toyota-way. This is a concept that seems to be adopted in all the Toyota companies and one can wonder if the Toyota way is one of the reasons for the loss of flexibility. It may be a reason since senior management within the Toyota Corporation has decided that the system should be implemented in all the companies without discussion. They do that because the system is well known and proven to give satisfying results however we believe that an open discussion may be good since the system may not be suitable in all divisions in all companies.

When comparing our results to the research done by (DePamphilis 2012) about the merger process, we argue that TMHD had problems with the two last steps (integrating functions and departments, and building a new corporate culture). They failed to integrate the IT systems and they kept too much of the Toyota corporate culture. The problem with the IT system will probably be solved since TMHD right now is implementing a new system made to fit the entire organization. The corporate culture problem will also probably be solved through the new head office.

Another cultural issue one should consider is the different national cultures companies must adapt to when entering new countries. If companies fail to adapt to the new culture it will affect middle management in the sense that they are the ones who will get the blame for it among the employees. Different countries and cultures require different strategies and if senior managers listen to the middle managers about how it works in their specific country/culture it will ease the merger process and perhaps lead to increased competitiveness.

Furthermore we found that senior management must accept and understand the importance of the information and proposals that middle management can provide since we argue that it is these suggestions that can make the integration process much smoother. It is also important that these suggestions will be used in practice so that middle managers feel that their ideas are taken seriously. This will show that the company takes advantage of

the knowledge and expertise within the company which in turn should affect the competitiveness of the firm positively.

Middle managers also need to understand the reasons for change processes themselves in order to make others understand why certain things happen. This is the sensemaking process which is very important for middle managers since it is often those who have the responsibility to give employees and customers an understanding which in turn is called sensegiving. In the case of TMHD we argue that the sensemaking process was problematic since the middle managers did not get the right information in every area needed. This in turn affected the sensegiving process since it was hard for the middle managers to extend the information to the employees and customers. An example of this could be decisions made in Japan that has to be extended to all different areas and departments.

We argue that the Toyota way is an excellent way of improving and create efficient factories however one can question their way of organizing and administer companies. A famous trend nowadays in Sweden is to have flat organizations where everyone is allowed to raise their opinions in order to find the best solution for the company. However when looking at the Toyota hierarchical structure, one get the feeling that it is a quite out-dated way of working. If the Toyota way is the best way of organizing factories we claim that the Swedish flat non-hierarchical structure is the best way of organizing the remaining part of the company such as finance, HR, and IT. A combination of these two structures could instead be the optimal solution for a manufacturing company.

6.1   Answers to research questions

According to the former BT middle managers, BT was not as competitive before the merger as TMHD is today. However they did have characteristics which TMHD does not have today such as flexibility, better communication, and a very familiar "Swedishness" company culture. They argued that they were not as competitive as TMHD due to its small size, slow growth pace, and that they were not taken seriously enough by their competitors. Even though they were not as competitive as today, the employees seemed satisfied with the internal organization which is also an important factor in order to be competitive on the market.

This was also the case at TGD; the employees enjoyed working the Toyota way that seemed to be stronger at TGD than it is today. The former TGD middle managers argued that they were competitive before the merger and that they could grow on their own. However both BT and TGD admitted that they would have been in a severe situation if they would have gone through the financial crisis in 2008/2009 alone. They did not know if they would have made it if they were separated.

According to Schweiger, Ivancevich, and Power (1987) employees are very attached to their existing work situation with co-workers and routines, and when this is threatened to be taken away they feel anxiety. The middle managers from BT and TGD perceive that the competitiveness has increased however the two old companies still exist within the new

one. In line with Schweiger, et. al. (1987) the middle managers may sense a feeling of anxiety since the thought of the old days still exist inside them.

After the merger, the middle managers view TMHD as a very competitive company, they do now have much more resources in terms of finance and employees. While their main competitors in Germany might beat them on their own market, Toyota is a global player that can offer their partnership (for example service networks, financial solutions) to the customers all over the world. That was seen as something that the German competitors could not. Another thing that made TMHD become more competitive is the wide range of products that they are now able to offer.

According to Rouleau (2005) middle managers play an important role in translating an understanding for why changes in organizations are made, both to employees but also to customers. In the case of TMHD the middle managers succeeded in translating the change in terms of the new products and services TMHD now can offer their customers. Today the customer relations are very good but TMHD need to work on the process of getting new customers. Therefore it is important that middle managers get more responsibilities in this area but also that they get to learn how to administer this new responsibilities. An example of a new responsibility would be to allow the middle managers to make more decisions which would ease the contact with existing and new customers.

According to our results, what fosters increased competitiveness after a merger is good information and communication about goals and strategies. Furthermore it is important to integrate the humans and make them thrive at their new working place, which would be easier if the process of information and communication works. It is also important to integrate the different IT systems which in turn will ease the information flow. Moreover, it is essential to listen to the market and customers demand in order to sustain and increase competitiveness.

Carneiro (2000) argues that if companies have the right information, they can make the right decisions which in turn give them a competitive advantage towards their competitors. This goes hand in hand with the arguments from the middle managers at TMHD. Having the right information means for example listen carefully to the market demands. Unfortunately they did not accomplish this to the fully extent. However one of the respondents argued that one of the reasons was the high quality and security thinking which made the process of providing new products to the customers slower.

Guth and McMillan (1986) argue that when there are differences in the perceptions between general managers and middle managers about the newly implemented strategy (in this case the merger), there may also be differences in their perceptions of the predicted outcome of the strategy. We argue that there may have been some differences in the perceptions since there were some lack of information between general and middle managers. The goals could also have been communicated more clearly.

What hinders increased competitiveness after a merger is low flexibility in terms of not being able to adapt to market changes fast enough, and to have an organization that does not make it possible for employees to bring up their opinions. Another issue that could cause

problems is if the old corporate culture from the companies involved in the merger exists and hinders a new corporate culture to grow. This will in turn affect the overall performance of the organization since the company needs their employees to work in the same direction and not to work against each other.

Weber (1996) argues that since culture is deeply incorporated in human beings, cultural differences within M&As could have destructive effects. In the case of TMHD it was not destructive however it was mentioned as one of the largest complications throughout the merger. According to Schein (1985) it is important that senior managers communicate the corporate culture to the employees and that differences in culture among senior management could affect the outcome of the merger. We argue that these problems could have been avoided if TMHD took advantage of both BT and TGD corporate culture instead of emphasizing too much on the Toyota culture.

When a company is buying another company it needs to see the positive assets from another perspective than only through possible gains in market shares and synergies for instance. When the two companies merge they need to take advantage of each other's specific resources that have made each company successful. However, even if the internal processes are very important, the company can never forget the focus of the customers. It is essential to have a balance between the focus of internal and the external environment in order for companies to survive. This is important to learn according to the middle managers of our study.

Feurer and Chaharbaghi (1994) argue that competitiveness is relative and not absolute however they also argue that there is no exact definition of competitiveness. That is why there is no exact way of telling a company how to increase their competitiveness, since there must be numerous of ways to do it. One way is to work with continuous improvements on the processes throughout the whole company. Improvements in one area will lead to efficiencies in another area which in turn saves costs and affects the competitiveness. However, Toyota has the Toyota-way that includes Kaizen (continuous improvements), which implies that TMHD is aware of this and it is also spread throughout the whole company. Furthermore Toyota should use it even more when it comes to structuring the whole company. Middle management wants the organization to be more flexible and one way to do this is to give them more possibilities of making decisions. This implies that they are willing to get more responsibility and want to influence more within the company.

6.2   Reflections of the study

There may be some things that we could have done differently with this study. Firstly, we should have done a pilot study since that would have made us realize that some of the questions were hard to give answer to. Unfortunately there were some complications during the first interview, it did not affect the outcome but by doing a pilot we could have avoided these problems.

Secondly we could have conducted more interviews and it would have been interesting to make a deeper comparison with perhaps another country within TMH. We could also have

discussed the cultural problems even further, since that seemed to be important for the middle managers we interviewed.

7   Conclusions

With this thesis, we contribute to the field of M&As by looking at ways in which companies can increase their competitiveness through an M&A. Companies often work with reduction of costs and to increase the efficiencies in production lines for example. We claim that companies also should work with continuous improvements when it comes to the structure of the organization. Since companies that go through M&As grow larger, they often seem to lose their flexibility because of the need for more control in the new firm. We argue that through continuous improvements with a company's organizational structure the company should be able to increase their flexibility by optimization and thus increase the competitiveness.

With this thesis, we contribute to the field of middle management by emphasize on the importance of making middle managers less dependent on senior managers to approve decisions made by them. This in turn could increase the competitiveness of the firm since decisions will be made faster and by someone directly involved with the customer for example. Middle managers most often lack sufficient decision rights which is caused by senior managers desire to control all processes throughout the company. When the market changes rapidly, decisions need to be made faster in order to follow the changes. This implies that senior managers must transfer parts of the decision rights to middle managers and give them trust in being decision makers. Since middle managers have contact with external stakeholders such as customers, being able to make direct decisions will improve for instance the negotiation power.

The purpose of this thesis was to investigate middle managements' perception of the change in competitiveness after an M&A has been completed. We referred to increased competitiveness as a stronger market position. The results show that the middle managers in this study perceived the change positively not only because of a stronger market position but also because they feel that the two companies are stronger together than separated.

A recommendation for future mergers is to start with creating a new and integrated IT-system. The communication always seem to be a problem during a merger, by integrating the IT-systems first one can avoid communication problems such as misleading information between employees and managers, and between different departments. When starting the process of integrating the people, the information will at least be able to flow freely through the IT-structure.

For further studies, optimization of the combination of flat organizations and efficient production processes need more research. Furthermore another interesting study would be to investigate how companies could focus both internally and externally at the same time in order to be successful.

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Appendix 1

Interview questions

Introductory

1. Your position before the merger?
2. Your position during the merger?
3. Your current position?

Individual/organization/integration

1. What was your first opinion when you heard about the merger?
2. Has your opinion changed today?
    a. How? In what way?
3. What are the main changes becoming TMH?
    a. For you as a person?
    b. For the entire company?
4. What is your opinion about the result of the merger so far?
    a. Good/Bad
5. Specific area?

Customers

1. What main benefits from a customer perspective do you see TMH can contribute to compare to before the integration?
2. What was the customers' opinion when they became aware about the integration?
3. How do you believe that the customers view the new company?
4. Is it easier, more difficult or unchanged to attract customers today, after the integration?
    a. Why?
    b. How?
5. How do you perceive Toyotas current setup reaching the customers?
    a. Independent/Owned?
6. Has the bargaining/negotiation power of buyers changed today, compared to before the merger?
    a. How?
    b. What is the cause
7. How do you perceive TMH ability to capture future customer trends?

Market

1. Has the new business utilized its full potential in the market or are there further possibilities for the new business to grow?

a. If there is, how and why?
2. How did you perceive the industry rivalry/competition before the merger?
3. How do you perceive the industry competition after the merger?
   a. If any changes, what was the cause?
4. Were there any threats of potential entry of new competitors before the merger?
5. How is the situation today?
6. Pressure of substitute products?
7. What future trends do you see in the market and how do you perceive TMH possibilities too meet or counteract such trends?

Competitors

1. Did you notice anything specific from your competitors when the integration became public?
2. Has the merge led to any certain advantages towards your competitors?

Other competitiveness

1. What do you view as the main factors for keeping the position in the market?
   a. Does TMH meet them?
   b. What can/should be done differently?
2. How is the relationship with the factories today compared to before the merger?
3. Do you believe there are any possibilities for further synergies in the future?
4. How do you perceive the future for the German market?

Swot Analysis

1. What were your company's strengths before the merger?
2. What are TMHDeutschland strengths today?
3. What are TMHDeutschland strengths in the future?
4. What were the company's weaknesses before the merger?
5. What are TMHDeutschland weaknesses today?
6. What are TMHDeutschland weaknesses in the future?
7. What were the company's opportunities before the merger?
8. What are TMHDeutschland opportunities today?
9. What are TMHDeutschland opportunities in the future?
10. What were the company's threats before the merger?
11. What are TMHDeutschland threats today?
12. What are TMHDeutschland threats in the future?