

KYMENLAAKSO UNIVERSITY OF APPLIED SCIENCES

Master's Programme in International Business Management

Tiina Porkka

COMMUNICATION IN A MERGER

Master's Thesis 2012

ABSTRACT

KYMENLAAKSO UNIVERSITY OF APPLIED SCIENCES
Master's Programme in International Business Management

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Competition in logistics markets has increased and its nature has become more global. Entering new markets can be too risky alone and that is why mergers and acquisitions can offer benefits. Finding the most effective organizational structure and agreeing common ways of working is not easy inside one company but when two companies with different histories and values are combined, the work is much more demanding. Communication is one of the most important part of any phase of a merger or an acquisition. Choosing the correct way to share information and instructions is crucial for the new company.

My objective was to find an answer to a question of what makes a merger successful in terms of communication from middle management point of view. There will surely be new mergers and acquisitions in the future. The thesis could be a guidebook or at least give some tips to management on what could be done better in future projects.

The research was carried out as a case study. The target of the theoretical part was to introduce what issues merger will and can include. The research material was collected with semi-structured interviews. Direct and participant-observations were used to collect the data. The interviews were analyzed by using Thematic (content) analysis. As interviewees' names were not published, one had a chance to get honest answers compared to a situation in which names would have been mentioned. Themes were created on the base of interviews and data. After that, finding and analysis were done and proposals for the future were given in terms of communication and communication plan.

Change resistance is a normal part of any change process. The situation of uncertainty can cause lack of motivation and more resistance if employees are not kept informed. The target of a merger is always to gain some benefits, for example intangible resources like knowledge and know-how. With efficient communication, information and values can be shared and synergies be reached. Vice versa, with poor communication they can be lost.

ACKNOWLEDGEMENTS

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Last but not least I would like to say thanks to my family and friends. I really appreciate that you have understood how much studying has taken my time. Now I finally have time to do something other than be in front of the computer. Thank you for being there for me!

The names of companies and figures which are mentioned in the thesis are not real as the commissioner is considering them as classified information.

Hamina, 17.9.2011

Tiina Porkka

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Appendix 2: Themes and questions of the interviews of COMPA

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1 INTRODUCTION

Competition in logistics market has increased and its nature has become more and more global, which has created lots of new opportunities but new threats as well. Entering new markets alone can be too risky even for large companies. That is why cooperation, partnerships, acquisition or merger have become in many cases a necessity or at least beneficial when striving to share in foreign or new markets. Strategic alliances can be the solution for the market where everything is uncertain and things change rapidly, such as in Russian markets.

The amount of mergers has increased as it can be seen in figure 1. Finnish companies have been very active in the field of mergers and acquisitions. According to ETLA's research (2002, 1&19), *"Finland is ranked 1st out of the EU member states during the 1990s. Finland's share of total mergers and acquisitions volume in the EU area is more than double compared to its share of GPD in EU."*

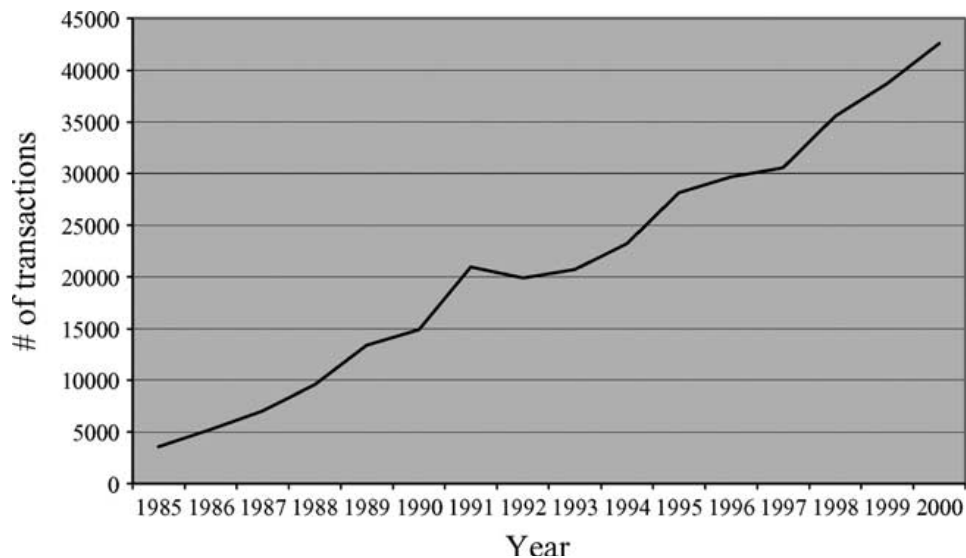


Figure 1. Number of newly established mergers and acquisitions per year 1985-2000 Source: Thomson Financial (<http://arno.unimaas.nl/show.cgi?fid=9830>)

Russia is a market full of challenges and opportunities. Local logistics markets are still quite undeveloped compared to Western markets. Another crucial challenge is the size of the cities or metropolises which sets some demands on infrastructure and logistics. At the same time, it also means huge potential for the business as the great amount of purchasing power has centered around the metropolises.

Russia is an important market for Finnish companies. In 2010 (1-9 months), export to Russia was worth of 3,3 billion euro, which is a 12% increase over 2009. (Finnish customs statistics, 2010 1-9) Companies nowadays concentrate on their core business, and logistics is often more or less outsourced to professional logistics companies. Not so many companies in Finland can offer a full package of logistics with value-added services, from distribution in Finland to end users in Russia.

The discussion of topic of the thesis started in autumn 2010 when I started MBA studies at the University of Applied sciences of Kymenlaakso. I asked several persons in senior management if they had be any ideas for the development project. During the autumn of 2010, COMPA began to make an integration plan for COMPB which was acquired in July 2010. As it is important to include people from different levels of the organization in the integration and merger process, the issue for the thesis became topical.

The target companies of the research, COMPA and COMPB have already gone through the integration phase at the beginning of 2011. The merger will be legally completed during the autumn 2011. As I work for COMPA, which is the one to set up the rules and regulations, I feel it is highly important to learn and gain an understanding of the process itself. I represent the middle management between the management and employees. I will be receiving instructions from the management which I should implement in practice with employees. Communication and an efficient way to spread information are key factors for success. As the ongoing merger will not be the last one for COMPA, it is important to gain knowledge what could

be done better in the future in integration plans and in implementing them in terms of communication.

Finding the best and most effective organizational structure and agreeing on common ways of working is not easy inside one company, but when two companies with different histories and values are combined, the work is much more demanding and difficult. Merger is a change both for management and employees. Somehow the two companies should be combined so that two different histories can create one successful story of the new company. Therefore, change management and questions related to it, such as communication and human relationships, cannot be ignored.

1.1 COMPA

Southern traffic Oy Ab was founded 8th of May 1920 as a state-owned company and its purpose was to take care of Finland's foreign trade needs via the port of Petsamo. Initially the ownership of the company lay with the Ministry of Supply and, starting from December 1940, with the Ministry of Trade and Industry. In the 1940s, Southern traffic established links between Petsamo and Rovaniemi, and also serviced military troops. In the 1950s, after the war, the company started new services: on-carriage railway deliveries, distribution, and retrieval.

In the 1960s, the manufacturing of consumer goods increased rapidly and with it the number of parcel deliveries. This growth continued, and 1975 AB and Southern traffic Oy Ab launched a programme called YTT. The company YTT Ab was founded in 1987 and it quickly gained a strong market position in Finland. In the autumn of 2003, Southern traffic bought 50% of Forwarder Oy's share stocks from Transportation company X. The acquisition included an option of purchasing the remaining 50% within 5 years which was taken in March 2007.

On account of this acquisition, Transportation company X changed its name to COMPA. The acquisition covered COMPA Finland's subsidiaries in the Baltic States and Central Europe, and the company's Russian operations. Hence, Southern traffic had only one logistics brand: YTT. Logistics operations were divided into two separate sub-groups: YTT (domestic market logistics) and COMPA (international logistics).

In 2009, AB GROUP launched an extensive restructuring plan in order to be able to respond to the changes in the markets. COMPA is a transportation and logistics company which is nowadays part of AB GROUP. AB GROUP consists of five different divisions: Logistics, Passenger Services, Corporate Services, AB-Track Ltd, and Russia and International Business. Subsidiaries are located in Estonia, Czech Republic, Hungary, Latvia, Lithuania, Poland, Russia, Slovakia, and the United Kingdom. The head office is located in Tampere and COMPA also has an office in Kotka. (www.XXX.com)

Key Figures 2010 of COMPA

- Turnover 101.3 million euro
- Volume 210000 ton/month
- Number of personnel 522
- 16 terminals
- 670 trucks and trailers

Key services

- Export and import transports
- Warehousing and customs clearance services
- Refrigerated, thermo-controlled and ADR ¹⁾ transports
- Oversize transports
- Express service (24h Helsinki-Riga)
- Intrastat ²⁾
- Tailored, 3PL/4PL services ³⁾

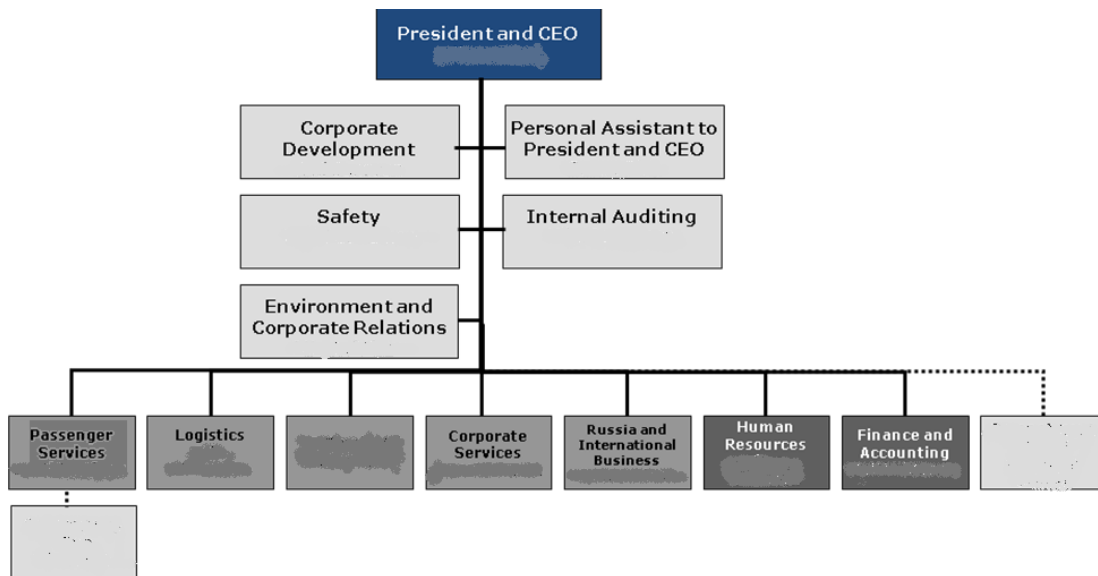


Figure 2: AB GROUP organization structure

1) "European Agreement concerning the international carriage of **D**angerous goods by **R**oad"
(<http://www.ake.fi/AKE/Ammattiliikenne/ADR>)

2) "Data on the trade between Finland and other EU countries is collected from statistical declarations submitted by companies. This procedure is referred to as the Intrastat system." (http://www.tulli.fi/en/finnish_customs/statistics/intrastat/index.jsp)

3) **3PL**="A firm [that] provides multiple logistics services for use by customers. Preferably, these services are integrated, or "bundled" together, by the provider. Among the services 3PLs provide are transportation, warehousing, cross-docking, inventory management, packaging, and freight forwarding." **4PL**=(Fourth-party logistics provider, abbreviated 4PL, lead logistics provider, or 4th Party Logistics provider), which were originally just consulting firms specializing in logistics, transportation and supply chain management such as Rollins, Deloitte, SCMO (company), BMT Limited, or Accenture. Now a new crop of companies have emerged who are actual transportation companies too. While a 4PL is sometimes described as non-asset-owning service provider, their role is to provide broader scope managing of the entire supply chain. (www.barrysbest.net/EDIToolBox/EC/3PL4PL5PL6PL.pdf)

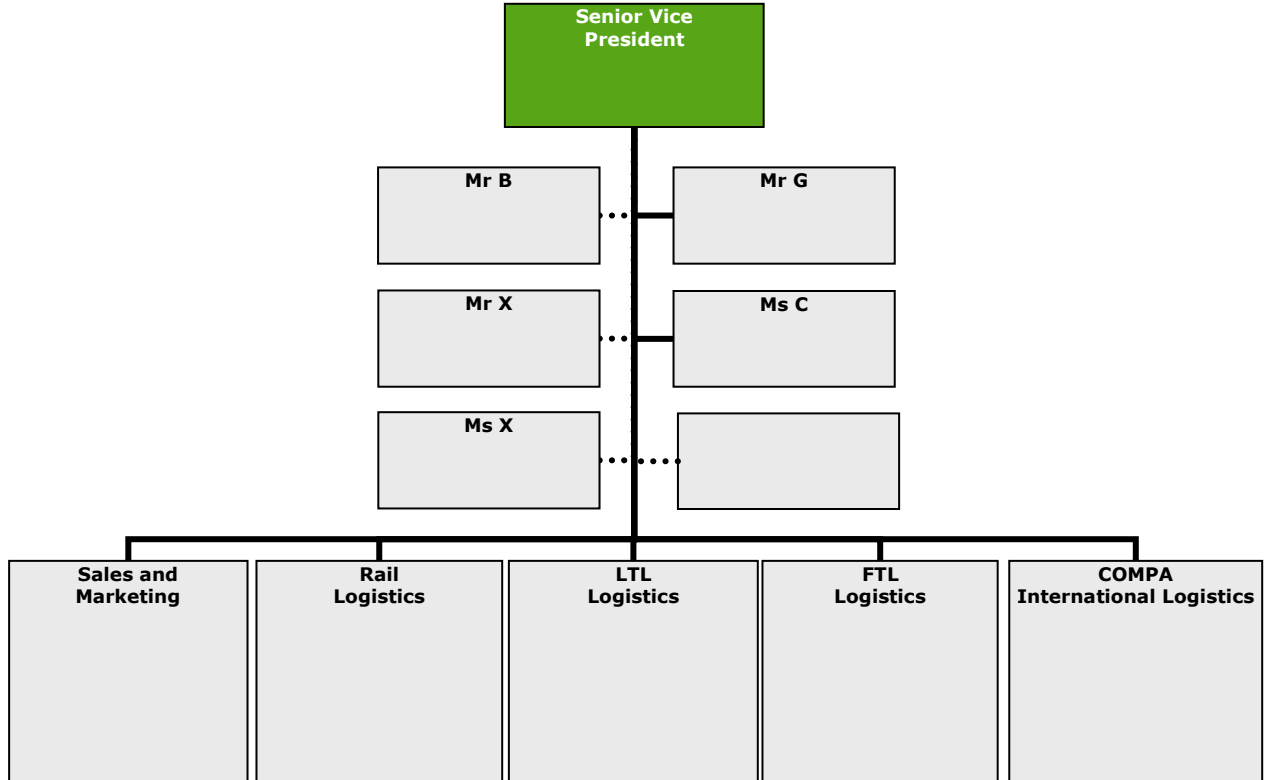


Figure 3: The Organization structure of AB Transport

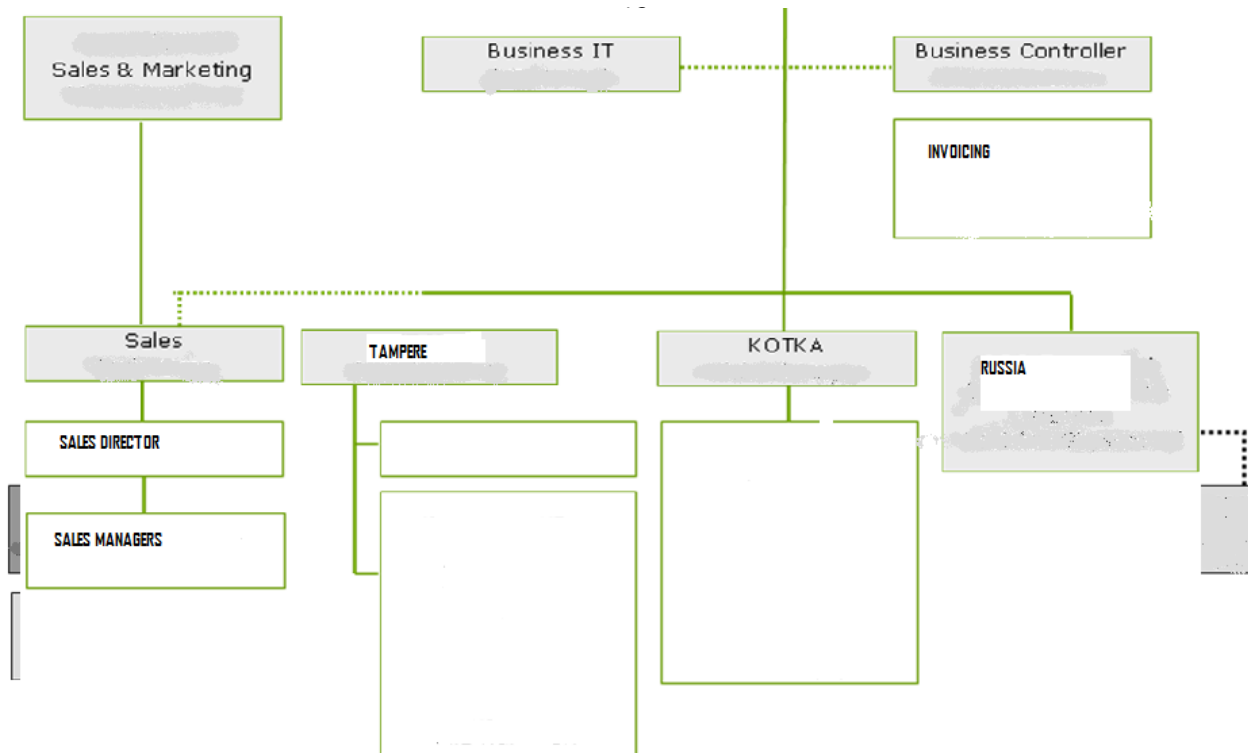


Figure 4: The organization structure of COMPA.

1.2 COMPB

COMPB was established 1992 and was originally a family owned company. Its head office is located in Lahti, where administrative operations such as marketing, production planning and traffic management are carried out. There are five persons working in the Lahti office. Turnover in 2009 was 8 million euro and profit 850 000 euro.

Companies in Russia, ZAO BBB in St. Petersburg and ZAO BB-Transport in Vyborg, were established in 1997 (BBB) and 1998 (BB-Transport). ZAO BBB does international transportation and also distribution in St. Petersburg and Moscow and in other regions for companies like Lehrman and Soto Partners. ZAO BB-Transport concentrates only on international transportation. These companies employ approximately 200 people.

Before the above mentioned companies were established in Russia, COMPB was operating in Russia under the name DDD-Transport. Distribution services for Lehrman were started in 1993 in St.Petersburg, and later the operations spread to other places in Russia. In 1997, a distribution center was opened in Moscow. (Interviewee 5, 2010)

As a part of strategy of AB GROUP for 2010-2014, COMPA bought COMPB in order to penetrate deeper into the Russian market. In Russia it is quite complicated to build a new company from scratch, which is why the acquisition of COMPB was the solution to the problem. COMPB has already established subsidiaries in Russia and has a working distribution system in St. Petersburg and Moscow. They also have many years of experience of operating in Russia. Understanding of Russian markets and business culture is a long learning process and knowledge can be gained only in practice. Relationships are vital for any businesses in Russia. COMPB has already gained quite wide network that helps to get things to work in Russia.

2 RESEARCH SETTINGS

2.1 Research problem

The thesis will concern the merger of two companies, COMPA and COMPB. COMPB was acquired in July 2010. According to the integration plan, the merger should be completed in autumn 2011. Before the merger is completed, there are lots of tasks, operations, and plans that should be executed and implemented. Success and failure are almost unavoidable themes in the context of mergers and acquisitions. Problems arise from poor communication: employees do not find a common way to communicate.

This thesis is an attempt to find correct, practical and effective ways to communicate when merging two companies with different backgrounds and histories. By

those adjectives is meant that everybody in the company should feel that they have the relevant information at the right time about what will happen, when, to whom and why. It is also crucial to find how the information should be shared and spread.

2.2 Aim

Being dramatic phenomena, mergers are always changes in organizations. Therefore mergers have huge consequences for the organizations and for employees and their life involved in them. The aim of the study is to find a merger process in which communication is satisfied from both the management and employees points of view. The thesis should also make clear what actions it will and can include.

Based on my own experience, and as has been said in the media and discussions over the years, the competition in railway logistics in Finland will most probably be opened in the future. It will mean that new and global competitors will establish businesses and services in Finland. AB GROUP can succeed in the competition only with a diverse and quality package of services and products that it is possible to offer with reliable partners. New innovations will also be needed. Employees are the ones who make those innovations and plans to come true. That is why it is very important to have motivated employees who are satisfied with their employer. Expanding the services will require AB GROUP to make more acquisitions. In order to make new mergers successful, there is always something to learn from previous ones. That leads to the research question which is, in brief:

- “How is a successful merger implemented in terms of communication from the middle management’s point of view?”

2.3 Objective

The objective of the study is first of all to understand what merger means in theory and in practice, and what effect it has on companies which are merged. Secondly, the objective of the study is to reflect what should be learnt from this merger process for the future in terms of communication and how the integration plan could be better implemented.

The theoretical section should clarify what different aspects should be taken into consideration when making and implementing an integration plan. Research material will be collected from the relevant literature, interviews, internal documents, and observations. As forwarding manager of COMPA, I will also personally participate in the meetings and daily work of integration.

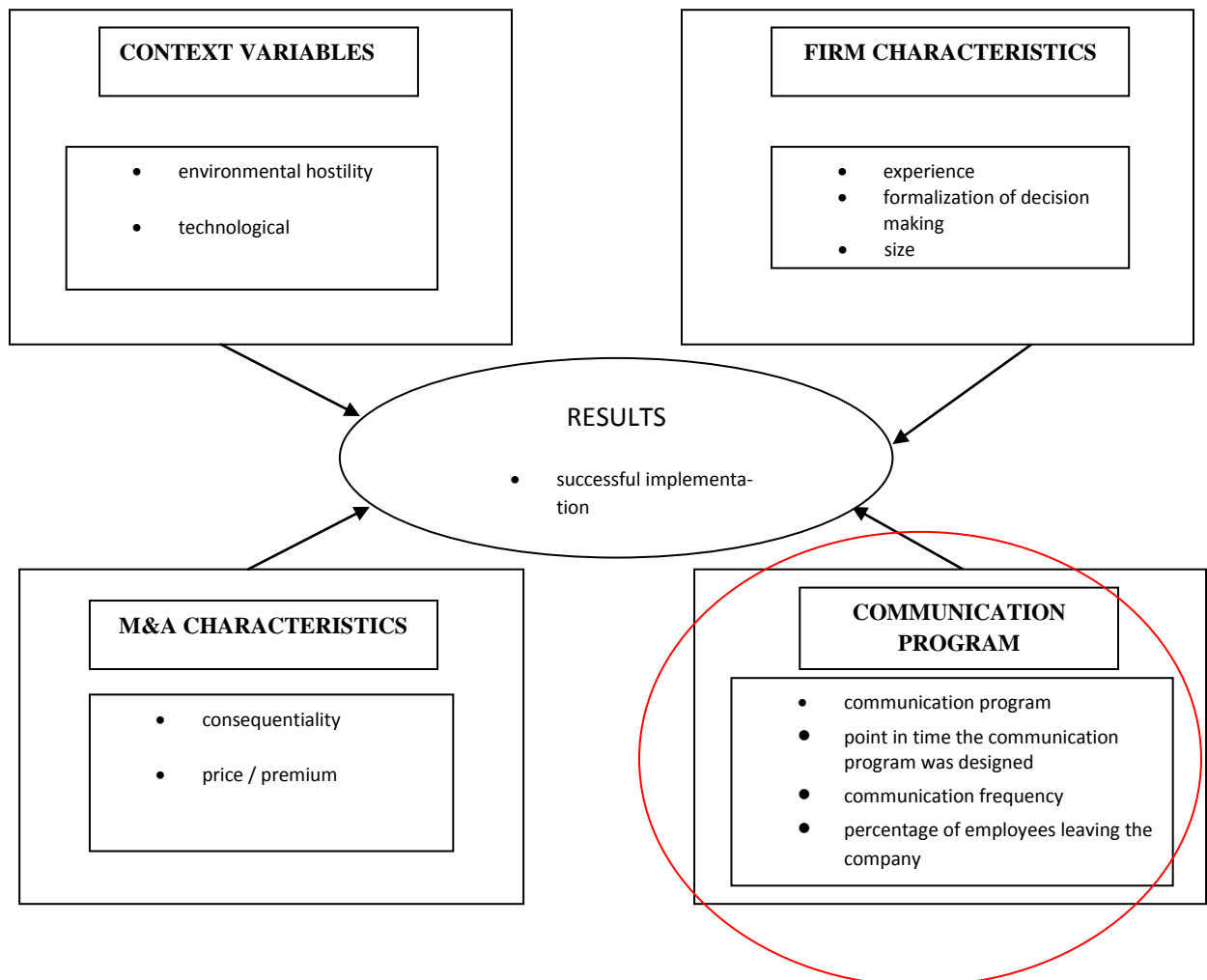


Figure 5: An integrative model of the influence of broader context on the successful implementation of an M&A. (Papadakis 2005, 242, adapted by Tiina Porkka)

2.4 Limitations

The scope of the study is to examine the integration process and merger of COMPB. Empirically, the study is based on only one case, the merger of COMPB and COMPA in Finland. Time will set some limitations for the process as keeping to the schedule of the integration plan is most important. That is why COMPB's companies in Russia will be mentioned in the study but their processes will be researched only on a general level.

Managers are key decision makers and are in important positions at different stages of the merger process. They are usually actively involved in planning as well. The integration process should also involve employees from different levels and fields of the organization in order to find the best knowledge and knowhow for the merger and the new company. In my current position, forwarding manager, I am between the managers and employees. That gives me a great opportunity to create propositions which include knowledge and experience combined from both sectors: management and employees.

Representing middle management also gives me a better opportunity to impact to some decisions which concern, for instance, the daily routines. On the other hand, I am not in a position in which I could get all the information and facts of acquisition. That may have some effect on my interpretations of the situation. But as this thesis is done from middle management point of view, I feel that it is acceptable.

3 RESEARCH METHODS

When the thesis became topical, I started to think about the method that would be most suitable for my needs. There were two choices: action research or case study. Action research is known as a soft-research method which is used when tackling real-life situations and in examining the effects of this interference. (Anttila 2006, 443) Action research is systematic even though it is not scientifically strict and accurate. The progress of action is a spiral: planning – operation – observation – reflection. The researcher goes back and forward through the cycles. (Anttila 2006, 444)

Even though action research would have been an interesting option, I decided to choose a case study. In my opinion, to make action research properly and get the usable and reliable results from it demands longer observations that I could execute within the schedule I have. In next chapters I will introduce the basic information from qualitative research and case study.

3.1 Qualitative research

Quality itself is a general concept that can mean many different things. The purpose of a qualitative research is to investigate what is quality in a specific case and how the quality can be comprehended in different meanings. Anttila (2006, 275) continues that “*The object of qualitative research is to understand the phenomenon, explain, analyze, and often to adapt it.*” In qualitative research, the interest of the researcher has an enormous effect on the results. Often, the background or the profession of the researcher guides those aspects which are chosen for the research.

Qualitative analysis usually starts with the reflective reading of the material. In this thesis, the first step was to collect literature and references relevant to the theme, merger and acquisition, in order to understand the theory and background of the re-

searched question. As Anttila (2006, 277) states, it is important to understand how a researched phenomenon relates to its environment. With help of that, the phenomenon can be attached to other social or cultural contexts. The context can later become a key to the understanding of the meaning of collected data.

The researcher always assumes that the information given to them is true and correct. In qualitative research, data acquisition consists of, for instance, interviews, observations, internal documents, and notes. Anttila (2006, 277) emphasizes that a researcher needs to have the ability to recognize the intention of the phenomenon, in other words, why it happens and how it is expressed. Having the wrong intention can ruin the whole research or give illogical results if data is collected wrongly or analyzed incorrectly. This aspect needs to be taken into consideration in this thesis as the subject merger is a quite sensitive topic.

According to Anttila (2006, 277), the chances of succeeding in the research are better if three principles can be followed: triangulation, multi-sense means of observation and the principle of esthetical distance. Triangulation means that the data is collected from the same sources by different methods that are then combined. The multi-sense style of observation demands that the researcher use various senses, such as hearing, eyesight, touch, and smell. The researcher is, and has the right to be, subjective. In other words, the researcher is at the same time researcher, observer, and participant. That fact will be fulfilled also in this thesis.

The problem with qualitative research is that the collected data cannot create any comparisons or explanations as in quantitative research methods. The positive aspect again is that qualitative research can better elicit the discourse that happens in different levels of organizations or society or among individuals. (Anttila 2006, 278)

The data analysis of qualitative research begins and happens at the same as data acquisition. Usually, but not always, data can be analyzed only by the person who has done the field research. Anttila (2006, 277) explains by saying that many times the researcher makes analysis of the phenomena or circumstances during the field research. The described details will be also valid for this thesis as a large amount of the data will be collected empirically from the field.

Anttila (2006, 279) presents in her book the theory of Starrin & al. (1991) where the triangle represents the relation of theory, reality, and research data. She also emphasizes that the researcher should “wander back and forward” between the theory and data in order to obtain the best result. The triangle can also be called a “hermeneutic spiral” which always starts from certain points and comes back to the perception and understanding of them.

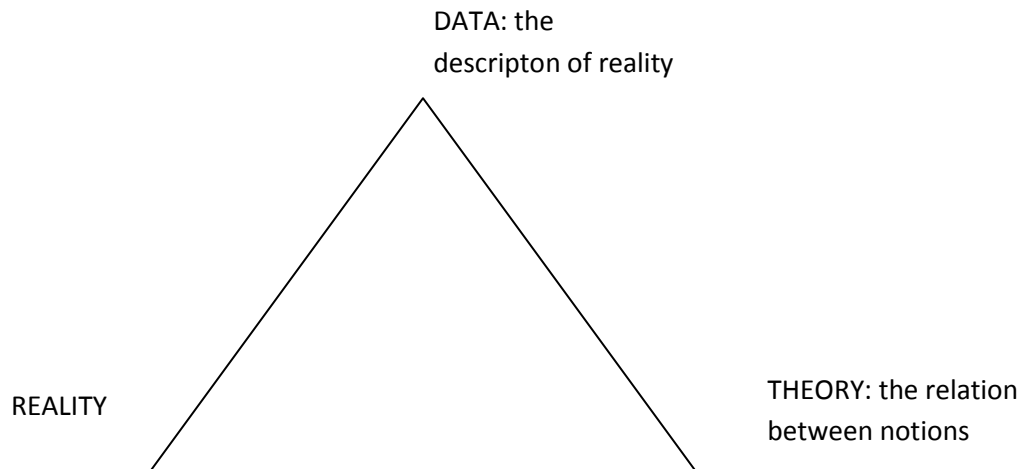


Figure 6: The relation of research data, reality, and theory (Starrin & al. 1991) Anttila 2006, 279

According to Anttila (2006, 281) there are several levels of analysis in qualitative research. The first level is basically the gathering of the data without any deeper analysis. The second level includes a penetrating description of the phenomenon. Descriptive studies are quite often case studies which strive to describe the phenomenon in detail. On the third level, many different qualitative research methods such as discourse analysis or ethnomethodology can be placed.

3.2 Case study

Case study is one of the most typical forms of qualitative research. Yin (2003, 1) describes case study with following words: *“In general, case studies are the preferred strategy when “how” or “why” questions are being posed, when the investigator has little control over events, and when the focus is on contemporary phenomenon with some real-life context.”* In this thesis, a case study is one of the best methods by which to study the phenomenon: the merger of two companies. The weakness of the case study is that it can be used only in a narrow way. That means that there is a possibility that results cannot necessarily be generalized. This thesis is about the merger of two companies, and to some extent, the results can be generalized. The merging of companies always includes similar steps which one can benefit from in future research.

However, Anttila (2006, 287) says that a case study is useful when good background information is required. Case studies can also discover essential factors, relationships or processes, on which other methods can focus afterwards. They can also reveal detailed information about specific statistical questions that have arisen in other situations.

Yin (2003, 10) writes that the greatest mistakes or disadvantages of a case study are the lack of rigor of case study research and that a case study provides little basis for scientific generalization. Lack of rigor of a case study can arise if the investigator is sloppy, has not followed systematic procedures, or has allowed equivocal evidence

to influence the direction of the findings and conclusions. It is also a risk that the investigator has not been informed of the appropriate or correct data. The generalization of a single case is quite hard when only one experiment of a phenomenon is being examined. On the other hand, even if all experiments are unique they still have some kind of similar theoretical background that can be expanded or generalized at least partly.

Yin (2003, 84) states that evidence for case studies may come from six sources:

- Documents
- Archival records
- Interviews
- Direct observations
- Participant observations
- Physical artefacts

3.3 Data collection

The data collection process should include three main principles: 1) using multiple, not just single, sources of evidence; b) creating a case study database; and c) maintaining a chain of evidence.

For a good case study, it is recommended to use as many different sources as possible. Some sources will have more advantages than others, but combination of them will provide the most reliable results. Documents, interviews, direct and participant observations will be used in this thesis.

For instance, letters, memoranda, agendas and minutes of meetings can be considered in the category of documents. Administrative documents or formal studies or evaluations from the same “site” are also acceptable. Newspapers and other articles will give further information. The main function of documents in case studies is to

corroborate and augment evidence from other sources. However, because of the overall value of documents, they play an explicit role in any data collection when conducting case studies. It should also be taken into consideration that not all documents contain reliable information. Every document is written for some specific purpose and specific audience and a case study investigator should pay attention to that. (Yin 2003, 86-87) In this thesis, internal documents, for instance, Integration plan and Strategy plan for 2010-2014, will be used. Even if those documents are written for internal use and certain purpose, I will try to find reliable information for analysis.

Interviews are one the most important sources of case study information. The investigator will have to job to do in the interviews (Yin 2003, 90): "*a) to follow your own line of inquiry - - b) to ask your actual (conversational) questions in an unbiased manner that also serves the needs of your line of inquiry*". Yin also (2003, 9) emphasizes that in a case study "*Determining the questions that are most significant for a topic and gaining some precision in formulating these questions requires much preparation.*" Before the questions can be set, the researcher must possess good background information on the theme, which is why the relevant literature is needed. Trusting the interviewee is also important in order to receive true and appropriate answers.

I interviewed employees from both companies and also one person from a logistics company which had gone through a merger a couple of years ago. The duration of the interviews varied from one hour to two hours. The interviews were not recorded because the respondents refused permission for that. Before starting the interviews, I emphasized the fact that the names of the interviewees and the name of the company will not be included in the thesis. I also promised that they can read the work before it is published. With this, I hoped to get as open a discussion and opinions as possible.

According to Anttila (2006, 195) the interview is the correct way to collect information when there is a need for opinions, attitudes, experiences, and observations. For this thesis, these are necessary in order to find proposals for the future that are based on real-life experience, not just on the stories in the books.

The interviews were semi-structured, which means that the focus of the interview is decided by the researcher, and that there may be areas the researcher is interested in exploring. The aim is to understand the respondent's point of view, not to make generalizations about their behaviour. (Livesey, 2009) Semi-structured interviews were chosen for this thesis in order to be able to get to the bottom of the way the interviewees felt about the situation. On the other hand, I wanted to guide the interview towards the selected directions and themes. I was able to create themes and questions based on my own experiences.

The interviews were based on four themes. The full list of questions can be seen in appendices 1 and 2.

- Background/history
- Roles and responsibilities
- Communication
- Change management

The interviews offered the respondents the opportunity to go through their experiences. They also had the chance to give their suggestions for improvements. With semi-structured questions, I had the opportunity to explore the relevant areas in more detail with each person. All of the themes were discussed, but the discussion focused on the areas the respondent was most familiar with.

I wanted to clarify the background information and history in order to better understand the answers and comments of interviewees, and also the meanings behind the

answers. Roles and responsibilities are essential part of any change. Questions related to them helped me to understand how the communication and organizational changes had been made. With communication and change management themes, my purpose was to get a clear picture of what has happened and what is going on at the time. With help of all these themes, I have had an opportunity to find answers to the research question “How is a successful merger implemented in terms of communication from the middle management’s point of view?”.

Direct observation is possible when the investigator is making a field visit. The observations can range from formal to casual data collection activities. It is useful to use observational evidence to provide additional information about the topic being studied. Also, to increase the reliability of observational evidence, a common procedure is to have more than a single observer making an observation. (Yin 2003, 93)

In participant-observation, the investigator is not merely a passive observer. Frequently, the investigator is serving as a staff member in an organizational setting or is even a key decision maker. Participant-observation certainly provides unusual opportunities for collecting case study data. The weakness of this source of evidence is that the viewpoint can be too “inside” or the investigator may have bias towards to studied phenomenon. (Yin 2003, 96) As forwarding manager of COMPA, I will act as participant-observer. As I represent middle management, I can have information from both higher management and employees. My background as a forwarder also gives me detailed knowledge and knowhow of basic daily issues. That way I have the possibility of understanding the point of view of employees.

SOURCE OF EVIDENCE	STRENGTHS	WEAKNESSES
Documentation	<ul style="list-style-type: none"> • Stable-can be reviewed repeatedly • Unobtrusive-not created as a result of the case study • Exact-contains exact names, references, and details of an event • Broad coverage-long span of time, many events, and many settings 	<ul style="list-style-type: none"> • Retrievability-can be low • Biased selectivity, if collection is incomplete • Reporting bias-reflects (unknown) bias of author • Access-may be deliberately blocked
Archival Records	<ul style="list-style-type: none"> • <i>(same as above for documentation)</i> • Precise and quantitative 	<ul style="list-style-type: none"> • <i>(same as above for documentation)</i> • Accessibility due to privacy reasons
Interviews	<ul style="list-style-type: none"> • Targeted-focuses directly on case study topic • Insightful-provides perceived causal inferences 	<ul style="list-style-type: none"> • Bias due to poorly constructed questions • Response bias • Inaccuracies due poor recall • Reflexivity-interviewee given what interviewer wants to hear
Direct Observations	<ul style="list-style-type: none"> • Reality-covers events in real time • Contextual-covers context of event 	<ul style="list-style-type: none"> • Time-consuming • Selectivity-unless broad coverage • Reflexivity-event may proceed differently because it is being observed • Cost-hours needed by human observers
Participant-observation	<ul style="list-style-type: none"> • <i>(Same as above for direct observations)</i> • Insight into interpersonal behaviour and motives 	<ul style="list-style-type: none"> • <i>(Same as above for direct observations)</i> • Bias due to investigator's manipulation of events
Physical Artefacts	<ul style="list-style-type: none"> • insight into cultural features • insight into technical operations 	<ul style="list-style-type: none"> • selectivity • availability

Figure 7: Six Sources of Evidence: Strengths and Weaknesses (Yin 2003, 86)

For data collection Yin (2003, 97,109) recommends three principles: 1) use multiple sources of evidence 2) Create a Case Study Database and 3) Maintain a Chain of Evidence. Data analysis consists of examining, categorizing, tabulating, testing

or otherwise recombining both quantitative and qualitative evidence to address the initial propositions of a study.

In this thesis, collected data, such as documents and interviews, will be analyzed by using thematic (content) analysis with some modifications. "*In thematic analysis, the task of the researcher is to identify a limited number of themes which adequately reflect their textual data.--*" ([http://wps.pearsoned.co.uk/.](http://wps.pearsoned.co.uk/)) For instance, interviews will be read through several times until no new topics or questions appear. In other words, I try to find the deepest meaning of the data. Anttila (2006, 292) supports the content analysis by saying that it is a good tool for finding meanings behind the words, for instance. She also says that researched data can be basically anything when it has context to researched phenomena. As with all qualitative analysis, it is important the researcher is extremely familiar with the data in order to make insightful analysis.

3.4 Project plan and collaboration

The schedule for this thesis is quite tight due to the date of merging COMPB with COMPA. The thesis should be completed by the end of May. In December 2010, I started to think about the point of view of merger I would to emphasize in my thesis and also discussed the ideas with key persons of COMPA. During January, I collected literature and other material for the theories that are used in the thesis. The method chosen for the thesis is case study, so it is also important for me to attend project group meetings and collect internal information, interview key persons and conduct various kinds of observations. The plan was also to start writing the thesis and send the first draft version of the thesis for comments by the end of January. In February, the interviews should be completed and their analysis be started.

Thematic (content) analysis with some modifications will be one main way to analyze the data. I will read through the interviews several times, then select the relevant parts and combine them under one title. This process will be done as many times until I find the main themes I had used to guide the interviews.

Interviews are open-ended in nature, which means that key respondents are asked the facts about the phenomenon and their opinion of it. The interviews were conducted in Finnish without recording them because interviewees did not permit this. Because of this, the quotations used in the thesis are not word-for-word exact. I will also give interviewees the opportunity to read through the quotations that are added to the relevant chapters. That way they can comment if they feel that I did not understand something correctly or if they feel that their comments can be too easily recognized.

During February and March, consultations with the supervisor of the thesis will be held several times and suggested improvements and developments added to thesis. The purpose is to have the final version of the thesis ready by the end of April 2011 and final seminar by the end of May 2011.

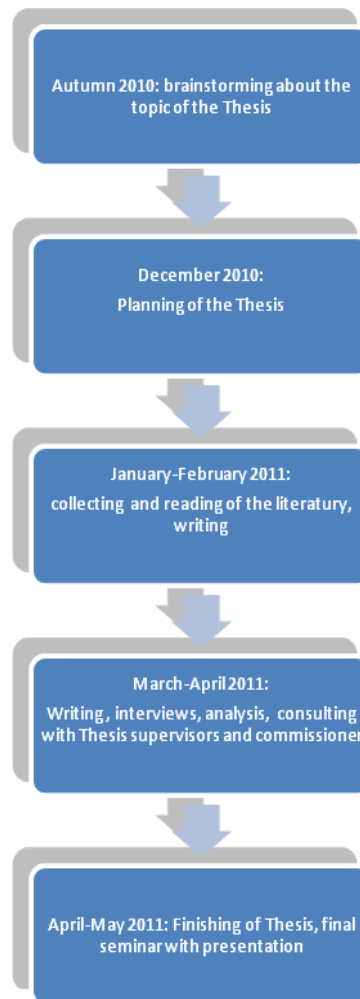


Figure 8: The project plan of the thesis

4 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Changes in organizations and various partnerships, acquisitions, and mergers are quite common nowadays. With changes, companies try to retrieve competitive advantage and create new possibilities for the future. Competition in different markets has become more global and mergers and acquisitions are one way to rapidly expand the market share and to enter new markets. Competition and market factors are often cited as leaving no choice.

There are many books, journals, studies, and research written about mergers and acquisitions. Eero Vaara from the Hanken School of Economics is one of the foremost experts in Finland on the subject. He has researched mergers and acquisitions from the organizational change point of view and has also paid attention to discourse and communication in strategy and strategizing. Vaara (1995, 7) emphasizes that success and failure are almost unavoidable themes in the context of merger and acquisitions. That theme is mentioned more or less in publications that concern mergers or acquisitions. Even if there are many books and articles written about mergers and acquisitions, why do so many still fail? The lack of information cannot be the answer. Statistics say that roughly that 50% of mergers or acquisitions are successful. Vaara (1995) has also researched mergers and acquisitions as part of strategic operations. He has published lecture material which concentrates on the legal issues of mergers and acquisitions from an economic point of view. One needs to follow the law and take it into consideration in merger. In this thesis, I will not concentrate on legal issues and phases of the merger.

As mergers and acquisitions are a big change in organizations, change management, cross-cultural management, and human relationships are also crucial themes of the studies or books. Foreign authors like Susan Cartwright and Gary L. Cooper (1990, 65-76) emphasize people's roles in mergers and acquisitions. Finnish research and authors, for instance, Anneli Valpola (2004), Pirjo Ståhle and Kari Laento (2000, 18) also concentrate on the change management of an organization. They emphasize the importance of creativity and innovation.

Pritchett (1997) and Reed, Stanley, Foster (2007) have written what might be termed "instruction manuals" about mergers and acquisitions. They follow the steps of the merger and acquisition process from the beginning until the merger is complete. They also analyze and try to find reasons for the success and failure of mergers and acquisitions.

In the field of logistics, mergers and acquisitions are quite common nowadays. Customers demand global service utilizing various modes of transportation. Small companies are not able to offer such services alone. Large, international companies such as DSV (merger of Frans Maas and DFDS Transport) and DB Schenker have gained their leading positions in the logistics business through growth by mergers. DSV Finland's traffic manager Lakso supports the idea by saying (Cargo News,2006) that when they are big enough in the markets, they have better chances to compete with larger international clients. Without the merger, that could not have been possible. Their expectations of growth are based on qualified personnel and networks.

The latest merger in logistics field has been the merger of the ports of Hamina and Kotka. After the merger, Hamina-Kotka port will be the biggest export port in Finland. Managers of the new port have said that they face a common threat: competition (www.HS.fi/talous). The merger of the ports of Kotka and Hamina should be one way to succeed when competing against Russian and Baltic ports.

Table 1: Mergers and acquisitions from different research point of views

Author	Theme
Eero Vaara	Mergers and acquisitions from organizational point of view, success and failure in mergers and acquisitions (from manager's point of view)
Valpola, Ståhle, Laento	Change management in organizations
Cartwright, Cooper	People's role in mergers and acquisitions
Pritchett, Reed, Foster	"Instruction manuals" for mergers and acquisitions
Earlier Master's Thesis	After the merger (employees point of view), joint Ventures (multinational companies)
Newspapers, Internet	Mergers and acquisitions among competitors and stakeholders

In order to make changes in an organization, one needs to have a plan on how it will be implemented. Making a strategy, in other words, going through different alternatives and analyzing them, is the first step. That is why strategic planning should be included in any integration or merger plan.

In addition, in order to gain an understanding of what is required in a merger process in terms of communication, one needs to understand the basic concept of a merger and the steps it includes. As a change in the organization, a merger always includes feelings and resistance to change. In order to turn that resistance into motivation and success, communication between employees and managers must work.

Communication is a part of every action and process, no matter if it is some daily task or project to be done, or a meeting of the senior management. Mazzei (2010, 221) writes that “*many scholars emphasize that effective internal communication is a prerequisite for a positive external corporate image or reputation.*” She also states that intangible resources, such as knowledge and employee attitudes, contribute to the company’s success. Papadakis (2005, 236) also emphasizes the importance of communication by saying that “*—a communication program is among the most influential factors in the successful implementation of an M&A.*”

Many books and articles have been written from the senior management’s point of view (for instance: Vaara, Valpola, Ståhle). This thesis is an attempt to bring middle management’s perspective into the discussions.

4.1 Strategic planning

There are many definitions for the word strategy. Generally, it is “*the **direction** and **scope** of an organization over **the long-term**: which achieves **advantage** for the organization through its configuration of **resources** within a challenging **environment**, to meet the needs of **markets** and to fulfil **stakeholder** expectations”.*

(<http://tutor2u.net/business...>) Strategy is a key part of any change. It represents the set of actions required to adjust external pressures, threats, and opportunities. (Steer 2006, 219) In the merger process, it will be the leading power towards success among other important issues.

Every company, from a small family company to a big international company group, needs to have a strategy. It does not matter if it is published or not . Everyone in the company should know it in order to be able to follow it. The strategy should include plans for today and the future: who we are, why we exist and what we will be in five years time. The strategy needs to be flexible and the company needs to be ready to react to changes and grow with them.

Strategic management is, in its broadest sense, about making strategic decisions. It should answer the questions:

- *Where is the business trying to get to in the long-term? (**direction**)*
- *Which markets should a business compete in and what activities are involved in such markets? (**markets; scope**)*
- *How can the business perform better than the competition in those markets? (**advantage**)?*
- *What resources (skills, assets, finance, relationships, technical competence, facilities) are required in order to be able to compete? (**resources**)?*
- *What external, environmental factors affect the businesses' ability to compete? (**environment**)?*
- *What are the values and expectations of those who have power in and around the business? (**stakeholders**)*

(<http://tutor2u.net/business...>)

A comprehensive strategic management process has three main components, shown in the diagram below:

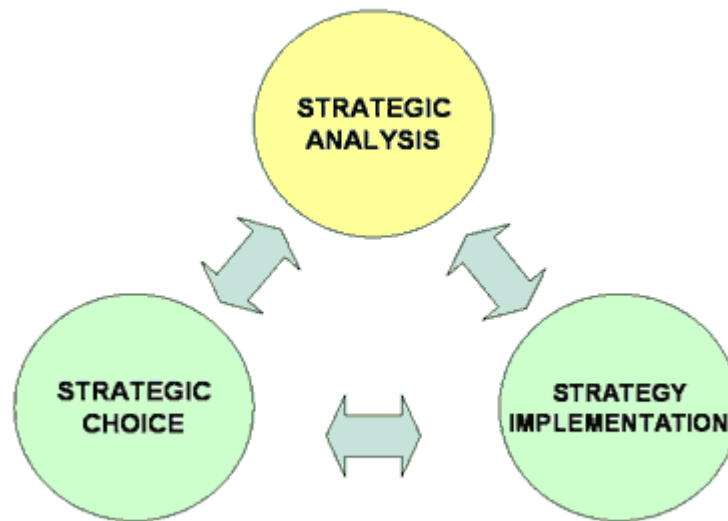


Figure 9: Strategic Management process-three main components (<http://tutor2u.net/business...>)

On the other hand, Porter (1996, 61) states that “*operational effectiveness is not strategy*” and writes that nowadays companies need to be flexible to respond to market changes and in order to be ahead of competitors. They must constantly benchmark to find best practices. Positioning used to be the core of strategy, but is now considered too static for today’s dynamic markets and changing technologies. Competitors can quickly copy the best practice and competitive advantage can be temporary.

Porter (1996, 61) writes that “*The root of the problem is the failure to distinguish between operational effectiveness and strategy.*” Searching the solution for productivity, quality, and speed has generated many management tools and techniques; for instance, benchmarking, change management, partnering, and time-based competition. Of course, operational effectiveness and strategy are both essential to superior performance which is, after all, the primary goal of any company. “*A Company can*

outperform rivals only if it can establish a difference that it can preserve” (Porter 1996, 61).

A company must give greater value to its customers or create comparable value at a lower cost, or do both. Operational effectiveness is to perform similar activities to those of competitors, but to do them better than they can. According to Porter (1996, 64) *“Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value.”* A company should identify its customers and should also differentiate them. Actions to get the most advantage with most valuable customers need to be done. There is no point in applying the greatest effort to customers from whom it is not possible to get good profit and who will not be long-term customers. The essence of the strategy is in the activities, to choose to do actions differently than rivals or perform different actions than rivals.

Strategic advantage that is received when markets and targets are chosen carefully does not mean that the company should limit its operations to only one market area. Positive synergy can be received from markets that are close to company’s current markets.

One way to make strategy significant is to take into consideration all levels of management. Strategies in the different levels of organizations vary from the senior management’s level. Every level of an organization has its own strategy, as they correspond to different problems and challenges. Despite that, strategies of other levels need to be congruent with that of the senior management’s.

According to Porter (1996, 77), *“The challenge of developing or re-establishing a clear strategy is often primarily an organizational one and depends on leadership. There are so many forces at work against making choices and trade-offs in organizations, a clear intellectual framework to guide strategy is a necessary counter-*

weight.” In other words, strong leaders who are willing to make choices are essential.

In many companies, the role of the leadership is too often to make deals and improvements. General management is much more than that. The management must decide which changes and customers’ needs the company will respond to. Porter (1996, 77) supports the idea by saying “*One of the leader’s jobs is to teach others in the organization about strategy – and say no.*” Thus, strategy requires continual discipline and clear communication. It is important for everybody in the organization to understand their role and act according to strategy in the daily activities.

A company must also be ready to change its strategy if there are major changes in its markets and prospects. The reality simply is that markets change and innovation, customer diversity, aggressive global competition, demanding customers, and extensive access to information are accelerating change. Developing a shared vision of markets and customers requires the involvement of the entire organization. It is not possible to rely only on the perspective of senior management.

4.2 Merger

Merger can be defined as “*Voluntary amalgamation of two firms on roughly equal terms into one new legal entity. Mergers are effected by exchange of the pre-merger stock (shares) for the stock of the new firm. Owners of each pre-merger firm continue as owners, and the resources of the merging entities are pooled for the benefit of the new entity. If the merged entities were competitors, the merger is called horizontal integration, if they were supplier or customer of one another, it is called vertical integration.*” (<http://www.businessdictionary.com/definition/merger.html>)

Valpola (2004, 210) states that merger is usually a situation in which two or more companies which are equal make one single unit. Reed (2007, 3) defines that *“mergers occurs when one corporation is combined and disappears into another corporation.”*. He also continues that acquisition is many times used to describe *“the situation a transfer of ownership and merger is a narrow, technical term that for a particular legal procedure that may or may not follow an acquisition.”* (Reed, 2007, 4) According to Valpola (2004, 210) acquisition means buying another company. Often words merger and acquisition are used synonymously but they mean slightly different things.

In the pure sense of the term, a merger happens when two firms agree to go forward as a single new company rather than remain separately owned and operated. This kind of action is more precisely referred to as a "merger of equals".

Gaughan (2005, 4) divides mergers into three broad categories from the economic point of view:

1. Horizontal: *“Horizontal mergers can be considered as combination of two competitors.”*
2. Vertical: *“Vertical mergers are deals between companies that have a buyer and seller relationship with each other. In a vertical transaction, a company might acquire a supplier or another company closer in the distribution chain to consumers.”*
3. Conglomerate: *“Conglomerate deals are combinations of companies that do not have a business relationship with each other. That is, they do not have a buyer-seller relationship and they are not competitors.”*

However the merger is done or whatever category it belongs to, it is still a huge change in organizations. The purpose of merging companies is to achieve growth and it can allow a company to respond quickly to perceived opportunities in the market. It also makes it possible to start ready-made business operations right away, without starting from nothing.

According to Daniel (2001, 59), a merger or an acquisition most typically includes the following steps (in chronological order):

- *Identifying target or candidate companies*
- *Narrowing the field of choices*
- *Selecting “first-choice” companies*
- *Reviewing regulatory compliance*
- *Conducting preliminary discussions*
- *Signing a letter of intent*
- *Conducting due diligence*
- *Completing the financial negotiations,*
- *Signing the definitive agreement*
- *Announcing the deal*
- *Closing the transaction*
- *Integration of the companies.*

4.3 Culture shock

Corporate culture has not always been clearly understood. Daniel (2001, 74) defines it as something like DNA of the company without which the company would not exist. Corporate culture is also often considered as an amorphous concept, but its influence is pervasive. Corporate culture includes things like an organization's values, beliefs, traditions, and priorities. As Pritchett (1997, 10) states, “*It is sociological dimension that shapes management style as well operating philosophies and practices.*” Knowledge of it also helps to define what kind of behaviour is rewarded in an organization, whether it is intangible (respect, power, access to information, etc.) or tangible (bonuses, salary, promotions, etc.). Corporate culture should always be taken into account, especially with mergers that concern international business. In such cases, business cultures also differ. A company or organization's culture helps to stabilize the norms and unwritten rules that guide em-

employee actions (Pritchett 1997, 10) Cultural differences can be seen both in high level discussion and decision making, and in everyday work.

Daniel (2001, 76) reminds that the transition of employees to a new situation is easier when they feel welcome, not defensive. One way to learn from corporate culture is to listen carefully to the employees. In mergers and acquisition, one of the cultures will usually disappear. Frequently, it will be that of the culture of smaller company. That is why it is important to pay attention to the change process. Daniel (2001, 76) supports this by listing some main principles:

- *Develop key HR policies (including severance, outplacement, and relocation)*
- *Handle consolidation and reduction of headquarters staff early.*
- *“Re-recruit” top talent and employees the company wants to keep.*
- *Provide technical skills and change management training.*
- *Clarify roles, responsibilities, and expectations.*

Sometimes one or both organizations involved in the merger need a culture change in order to remain competitive. Culture change can even “open the doors” to a change in corporate personality. People in the organizations are expecting a change, so management will have an opportunity to benefit from the situation.

Changes in strategy, working life, markets or in organization do have an effect on people and on relationships between them. Changes are quite often taken as a fearful matter. People (in both companies) are more likely to feel threatened and frustrated. The longer that kind of emotional atmosphere continues, the more damage it can do to productivity and profitability. To understand the need for the change, the first step is to implement the change. As Pritchett (1997, 13) writes, *“Employees adjust better if they are given a good rationale for making the operat-*

ing changes.” Employees in a company that has been led by a single dominant person, such as owner, or entrepreneur, often feel lost when the company is acquired by a large, international company.

However, resisting change is not only a bad thing. Noronen (2009, 38) shares the view by saying *“If there is no doubt, questioning and different views from the personnel, it is most probably a sign of mistrust towards the management. Resistance to change is a normal part of change, learning, and gaining trust. In an open management culture, resistance to change is hoped for as it is a good way to hear the real feelings and views of the personnel.”* It is good to listen to the criticism, especially in expert organizations such as those involved in business with Russia. Key persons can be critical of the management, as they have ability to evaluate and analyze the field of their own expertise through long-term experience.

According to Valpola (2004, 35) there are three steps in the process of change: ending – time of feeling lost – beginning anew. The truth is that nothing new can be started until the old can be let go. Change will always start from the ending of something.

4.4 Communication

Communication is a common issue which is used everywhere: at home, at work, and in free time. According to Juholin (2006, 30), the Latin word *communicare* means to do together. That is a good description for communication. Communication is an essential part of the information chain in all organizations and situations. This thesis concentrates more on a company’s and change management’s communication.

4.4.1 Communication in a company

Internal communication is one of those functions that everyone thinks they can do well. Communication does not mean only talking or telling about things, it is much more. Professor Leif Åberg has investigated communication in a CompAnd according to him, a company's communication should be based on profiling, in other words on the company's image. Åberg has created what he refers to as a "Communication pizza", which contains all the essential parts of the communication in a company. (<http://lipas.uwasa.fi/comm/cmc/semmat/anna/www.html>)

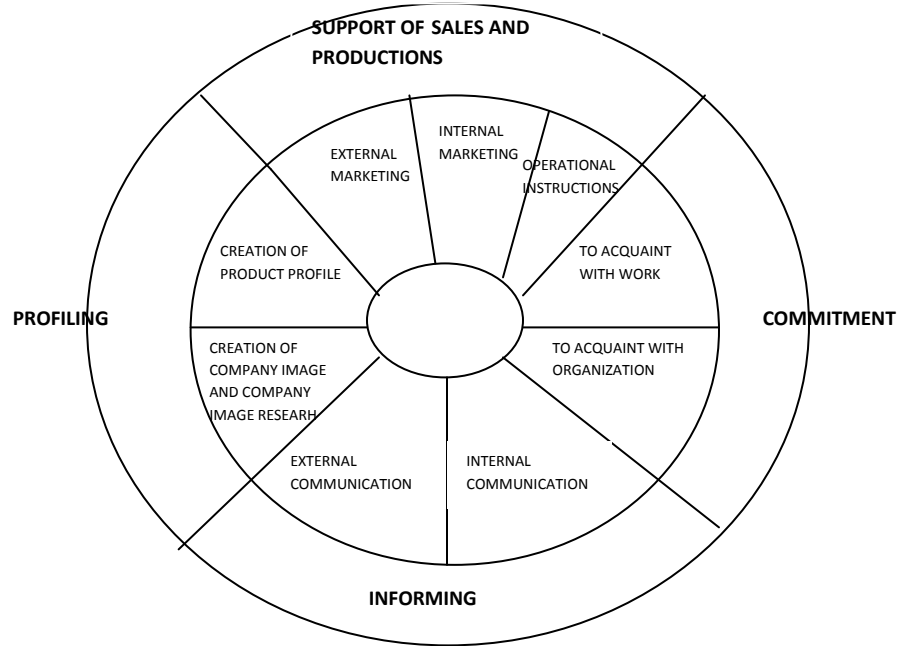


Figure 10: Åberg's "communication pizza" translated and adapted by Tiina Porkka (<http://lipas.uwasa.fi/comm/cmc/semmat/anna/www.html>)

4.4.2 Change management communication

Nowadays, change management communication activities are often considered as an independent section of communication, even if they are part of strategic communication. Whereas crisis communication is regular communication at higher speed, change management communication activities emphasizes dealing with matters more deeply and thorough. (Juholin 2006, 317)

Smith (2005, 157) also emphasizes the importance of information networks. People from different units and functions should receive the same information in a sensible and timely way. As in a merger process, employees go through several phases from denial to enthusiasm and from endings to new beginnings before the change is complete and accepted. Change also requires that thinking patterns and ways of working are re-evaluated. With changes, companies and organizations are usually seeking competitive advantage, effectiveness, and productivity. Change is always moving from one place to another. From this, it can be deduced that the results of change are and must be measurable.

Reaction to a change is a process that includes feelings, attitudes, and behaviour that exists over a period of time. Therefore, change always has an emotional side to it. Some cope better with change than others, which is perfectly natural. During a change, our established behaviour and thinking patterns are disrupted. As we all are individuals, we react to change and uncertainty in different ways. Smith (2005, 159) has described the change process as a “transition curve” which shows the phases of the change and feelings they involve.

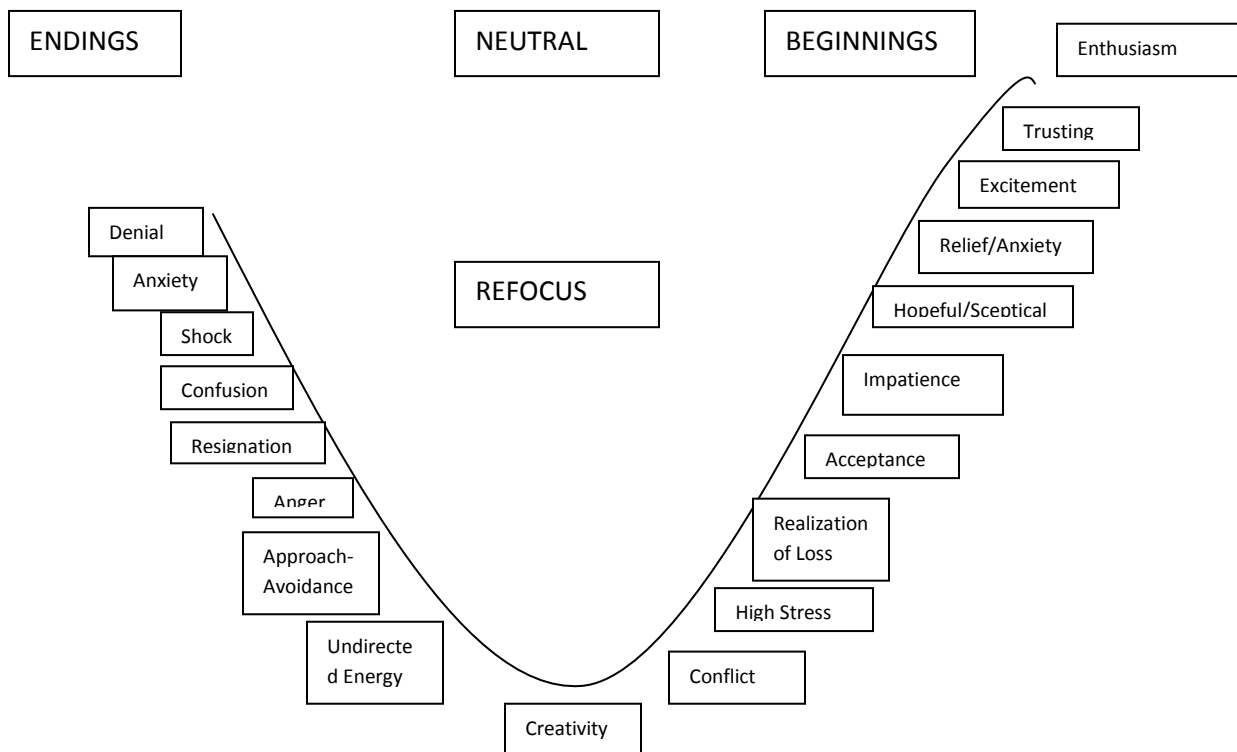


Figure 11: Transition Curve (Smith 2005, 159)

According to Juholin (2006, 317), the purpose of change management communication activities is at the same time to both describe and implement the change. Purposes are, for instance: (Juholin 2006, 318 translated by Tiina Porkka)

- *Internalization of the values and the culture of the organization*
- *Ability to see one's own work and position in the organization as part of the bigger picture*
- *Highlighting of the vision*
- *Listening and dialogues: scanning and issue management*

4.4.3 Management role in change management

When communicating about a change, it should be remembered that even if the change can be a huge opportunity, it is always a threat to somebody. Therefore, an organization should clarify and recognize the attitudes and readiness for change.

The content and style of the communication the management uses has an effect on how personnel and other interest groups understand the change. In other words, the question is whether they accept the change and commit to it? Juholin (2006, 321) emphasizes that the crucial point is how managers and supervisors discuss the matter. Is the change only some matter among others or something special which people should be involved with? Juholin (2006, 322) continues that *“In the situation of a change, management is in a key position which the experts of communication support and consult.”* If the senior management does not believe in the change, why should others believe in it? Senior management should convince each and every one of those involved in the change. Vaara (1995, 21) also emphasizes the role of the senior management by saying that *“--managerial actors are like to view the changes following a merger or an acquisition as successful when their aspirations are satisfied in the course of such processes.”*

In change management communication activities it is important to evaluate what kind of information people want and need and how the information is released. Too much information can confuse, whereas too little can create a situation in which people feel that they are not taken care of. Juholin (2006, 327) presents some ideas which could help the planning of the content of communication about the change.

- Be simple and explain why change is needed, what effect it has on the future and markets. Rationalize the need for change from the point of view of customers, partners, or changes in the markets.
- Try to explain what effect the change has for the organization and on everybody's work.
- Repeat the facts in different situations.

- Let people say how they feel, how they understand the new situation, and what suggestions they have.
- Discuss the matter and its effects.

Managers should be ready to give answers to employees, as employees are always most interested in what will happen to them and their future: will they have a job at the end of the change, how will they fit in to the new organization, and what the change means for them in general. Managers should also have enough time for employees and for supporting them.

In a situation where the change happens fairly quickly, it is important to ensure that information is received and understood. Misunderstood information can cause, for example, lack of motivation or a tense atmosphere. During the change process, everybody should work to implement and obtain the necessary steps; there is no time to lose one's contribution.

4.4.5 Tools and channels for change management communication activities

There are several different tools and channels which change communication activities can utilize. In the beginning of the change, face to face communication (e.g. press conference, department meetings, development discussions) are good information channels (Juholin 2006, 330). The key issues in these meetings are interactivity and an opportunity to give feedback. Smith (2005, 158) supports the idea, and says that employees want to hear the "big picture" from their senior management.

Intranet, email, and newsletters are also good information channels, or secondary tools as Smith (2005, 158) calls them. These channels can include information about the schedule of the change, benefits or even FAQ (frequently asked questions). There should be always be some channels through which employees can talk

about their feelings and reactions and get answers to crucial questions. Intranet, emails, and newsletters should also provide information about the transition process, and repeat and reinforce the key messages. Senior management can, for example, use a personal page on the intranet or send email “from the chief executive” to reach out to all the employees with regular updates on what is happening. Smith (2005, 160) emphasizes that *“Nothing shakes people going through the transition more than managers appearing to change their minds about what they have already said. If people lose trust in their managers, the whole process can stall.”*

When there is no new information to tell, key persons who can be referred to as change agents, should be committed to the change and they should communicate clearly and positively about the change. Their role is as much listening as telling (Smith 2005, 159).

5 INTEGRATION PROJECT MANAGEMENT

Integration management is an important and essential part of any merger or acquisition, but to succeed in a merger involves much more. The more carefully actions are planned, documented, and analyzed, the better chances there are for success. The figure below (12) illustrates a simple guideline for the integration process.

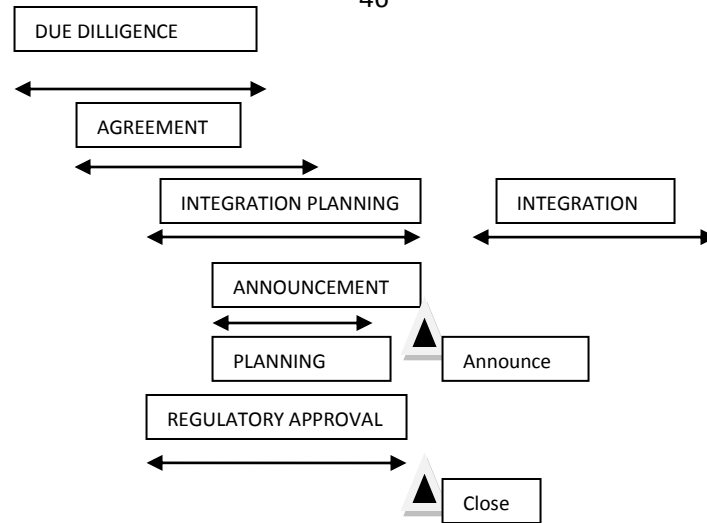


Figure 12: Integration planning and Phases of a Merger (Pritchett 1997, 114)

Management should consider the unique event represented by the merger or acquisition process of the company or organization. There are several challenges and complicated factors they need to consider, like strict deadlines, atmosphere, tough financial goals, rumours, and cultural slashes. (Pritchett 1997, 115).

To implement the necessary actions in the project demands certain characteristics from the management. Positive, vigorous, and visible management which acts together with other stakeholders can quickly accomplish the direction for change and lots of energy for actions. Strong leaders who know what they are doing certainly stamp their identity on the implementation of change. The truth is that the knowhow required for change management can be gained only through experience, even if the theory can be found in books.

5.2 Integration plan

An integration plan can be divided into 3 or 4 steps: before, release of acquisition, after, and the last step which is many times divided into “100 days” and anchoring step. (Valpola 2004, 230)

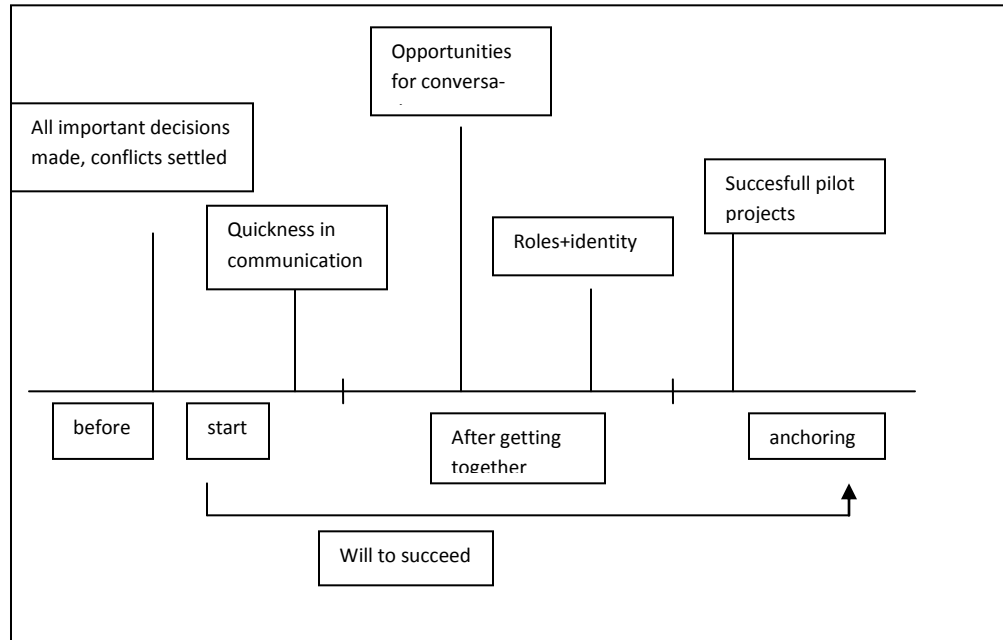


Figure 13: The steps of the integration, Valpola 2004, 231 (translated by Tiina Porkka)

The first step is to plan how to proceed, in other words, to think what would be the best solution, merger or a company to process as an independent company. Guidelines for the schedules of the integration and limitations and level of ambition should be set up and decision reached on the sharing of responsibilities. It is also necessary set targets, including synergy benefits. Communication and organization structure should be planned. The critical point of communication is the release date of the acquisition. There are many interest groups which need the information immediately, for example, customers, personnel, stakeholders, media, partners, and authorities.

It is also important to think how deep the integration will be and to define who “we” are. In other words, who needs common identity, name and coherent ways of working? The whole idea of the implementation of a merger, according to Valpola

(2004, 234), demands common image and ways of working at every level of the organization. It means that everybody in the organization represents the new company and its values. Customers will see only one company from which they can buy services.

The next step is to plan actions that should be executed in order obtain an integration vision. Action plans need to be drawn up in order to be able to integrate different functions and actions and fulfil synergy benefits. Alternatives need to be checked and choices to be made. Responsibilities and functions should be shared between project groups, and processes should be started. The final step is to implement the integration and get the best out of the benefits.

Top Ten advice (Valpola 2004, 237), adapted by Tiina Porkka

1. Clear strategy guides the decision to merge and integrate. Similar businesses will be integrated; different ones can continue under separate control.
2. The same people plan and carry out the merger. Lots of effort should be put into building management's mutual trust and commitment.
3. Management and key persons should be carefully chosen and compromises should be avoided. There should be courage to drop people who are against the change.
4. Active communication which defines the facts and goals of the merger.
5. Basic matters, roles, positions, and contracts should be put in order as soon as possible so that daily activities can continue without any disturbance.

6. Clear project organization and decision making during the integration process.
7. Economical guidance and necessary key figures should be in order as soon as possible. Sharing of best practices is important in order to develop the competitiveness of the processes.
8. To create conditions for cooperation and open discussions so that unclear matters and facts can be analyzed. A relevant pilot project will help to test the goals and targets on practical level.
9. Management should spend enough time together and define strategic questions and guidelines so that they are really common.
10. Don't stop - continue, learn from others' and own experience!

Project groups should meet monthly to review actions that have been accomplished and discuss and plan future processes. The steering committee meets less often, approximately three times during the merger project. The purpose of the steering committee is to provide a direction for the integration effort as it relates to strategy and policy. Prichett (1997, 119) also states that the steering committee should be quite small and consist of right people in terms of personality, management ability, and technical talent. Representatives from the acquired company needed to make sure that key financial, cultural, and operational aspects are not overlooked.

The project manager coordinates, supports, and ensure that project groups work as they have been instructed. In COMPA's and COMPB's, the integration project managing director of COMPA acts as project manager. The idea is also supported

by Pritchett (1997, 119) who says that “*executive sponsorship is critical to the success of the integration. As integration moves forward, there will be resistance from both individuals and departments.*” The steering committee, with the support of the project manager, needs to be ready to prioritize recommended initiatives and make decisions.

The responsibilities or functions that the role of integration project leader should include are, according to Daniel (2001, 88), the following:

- *Development of new policies/practices and communication strategies*
- *Identifying new functions and/or positions that need to be added*
- *Advising employees about how to obtain resources*
- *Advising employees about the strategic planning and/or budget process and the performance assessment cycle and process*
- *Translating company acronyms*
- *Helping explain the culture*
- *Acting as a key point of contact for information requests*
- *Generally explaining to employees of the acquired company why and how things work the way they do*

The integration project leader’s role is important as they are responsible for building the bridges between the acquirer and the acquired company.

The merger team is the real “workhorse” of the integration project, which drives the integration project forward. The team should also provide guidance for day-to-day decision making. According to Pritchett (1997, 120), there can also be “task-force” teams whose purpose is to address specific organizational issues that need attention. The task-force teams can be either resource (for instance HR or finance) or operations driven (e.g. business unit or geographical location).

It is vital to have discipline in the project to ensure that it keeps to schedule and plan, but it is also necessary to keep in mind that situations can change, for instance, because of changes in markets. The ability to improvise is needed for changing situations. In Russia, a law may change overnight, or new regulations be implemented with only few days notice. Pritchett (1997, 123) also emphasizes that *“Managing of a merger is an organic process. Regardless of how detailed the program for integration might be, a generous amount of improvising is still required.”*

5.3 Mistakes in integration project management

Valpola (2004, 214) writes that many of acquisitions fail. The figures of failures vary between 50-80%. It should be closely analyzed what the reasons are for the failure and what could be done better. Pritchett (1997, 124) has listed the six most common mistakes of integration project management:

1. *Lack of a clearly defined project leader*
2. *Failure to execute against plan*
3. *Declaring victory on the 20-yard line*
4. *Skimping on investment in the integration effort*
5. *Presuming that all the people are at the same point*
6. *Leaving too much on the table*

A clearly defined leader is an essential part of the project. There needs to be a strong person who is willing to make decisions and take ultimate responsibility for them in the event of success or failure. As there are always people who are change resistant, the leader should be open-minded and have the ability to evaluate the issues from all point of views.

The integration plan should be simple enough to be executed. An excessively complicated plan diverts too much effort from real actions. As stated before, there

needs to be willingness for improvising as well. Adequate information needs to be shared with all people in the different project teams. There is no place for presumptions. Analyzes of data need to be based on facts.

There should also not be presumptions that the merger is accomplished when some important questions are decided. A merger is a long process and sometimes results can be seen only after a couple of years. Finding common ways of working demands time, even if a plan has been drawn up on how to accomplish it. The reality is often something else, and processes and ways of working will be found just by doing and learning from failure and success.

Costs are always a key issue of every project. An integration project is not a cheap project, and it should be understood that planning something new requires investment. Earning money and profits comes later.

High level managers usually know many months in advance about a merger or acquisition. They have plenty of time to consider the issues involved, have access to information, and are able to consider their position in the new organization. That is why time should be given to other people who receive the information later to digest the new situation and share necessary facts with them. Uncertainty about the future often results in conflict and resistance to change.

Even if there are many issues that can be put into practice only after the merger is completed, they should be evaluated from various points of view. There is no room for the line of thought “let’s see the situation after the merger, and not think about it now”. Some kind of draft plans A, B and C should be always made for all situations. Not all issues can be resolved just by doing them. The management should participate in and monitor the situation and take care that problems are solved and enough attention is paid to them. A merger is form of marriage and might have a honeymoon, but it is usually short-lived. Like a marriage, a merger needs lots of ef-

fort to be long-lasting and successful. Nothing comes automatically. Promises that are made should be kept. It is worth considering how many promises should be made and when.

One thing that most advice lists on how to act in a merger or in an acquisition have in common is that they all emphasize the importance of communication, the commitment of senior management, keeping key persons, and the defining of the roles (see lists in pages 38, 48, 50 and 51). That strengthens the opinion that attention should be paid to those issues.

6 INTEGRATION PLAN OF COMPB

In this chapter I will briefly consider the elements of COMPB's integration plan. The full integration plan can be found as an attachment. My purpose is to introduce the main points of the plan, so it is easier to understand the meanings and background of proposals for improvements which are introduced later on in the thesis.

The integration plan includes sales and product portfolios, production, management, premises, finance, IT solutions, HR, and communications. Basically, every part of the company needs to be analyzed in order to get the best out of the merger. Reasonable responsibilities and schedules are essential ingredients in order to make a merger successful. As the thesis will concentrate on communication in a merger, other parts of the integration plan will not be analyzed or described in chapter 7 "Findings and analysis".

6.1 Sales and product portfolio

COMPB's main and most important customer over the years has been Lehrman. They have handled cross-border transportations and distributions in St.Petersburg

and Moscow regions. The contract with Lehrman is also strategically important for COMPA. The sales department needs to ensure that the contract will continue.

Other Finnish customers are also interested in distribution services in Russia, including Soto Partners, Raika, Polska, Merkki, and Suomen Pyörät. At the moment, their Russian partners are taking care of that. The plan is also to start to offer declaration services in Russia. That is not possible at the moment and currently it is the customers' duty to do so. So, the target is to provide a full logistics package from domestic pick up in Finland to distribution to the end users in Russia. COMPB's subsidiary, ZAO BBB, has premises in St. Petersburg, but in the future they will be too small for the operations. At the moment, the challenge is to find new terminal and office premises at a reasonable place from logistics point of view.

The purpose of the merger is to offer services and products to customers with the same concept. With the help of the merger, services can be more easily produced near to the customers. A big company has more capacity to expand the operations when needed and, from the best practices of each, both companies can benefit.

Innovative thinking and strategic courage is essential for competitiveness. Pritchett (1997, 134) agrees the idea of a common service concept by saying that managers should protect key areas, such as sales, and maintain service standards. If sales and service start to suffer, people often blame the merger and viability of the decision to merge.

6.2 Production

AB GROUP has a procurement department which organizes all purchases no matter how big or small they are. Of course, for big purchases permission is needed from the management. COMPB's tyres and other expensive purchases for trucking

equipment have been taken under COMPA's control and some surplus has been gained already.

COMPB had its own repair shop which has already been sold to a new entrepreneur. That has resulted in a substantial saving of about 90 000 euros / year / person. Some old trailers and trucks have also been sold, saving a further 285 000 euros. If there is any other equipment with sales potential, it will be sold as soon as possible.

6.3 Management

Overlapping resources need to be rationalized. COMPB's CEO will begin to work as a consultant in AB GROUP. His precise role has yet to be determined. A new CEO will be recruited for companies in Russia (ZAO BBB and ZAO BB-Transport). All procedures in COMPB need to be examined and rationalized. AB GROUP's internal audit will do this and report on it.

6.4 Premises

The plan is to abandon Lahti premises. The repair shop has already been sold to a new entrepreneur, and the saving per year will be about 20 000 euros. The need for office premises will be also evaluated. As previously stated, the traffic coordinator and other personnel could work in Lehrman's premises. Before moving there, the premises need to be equipped with the infrastructure necessary for the required IT. The suitability of the premises has been already checked and approved.

Premises in Russia will be evaluated as well (Vyborg, St.Petersburg and Moscow). Three offices in Russia are not needed, so operations will be constrained to two places, St.Peterburg and Moscow. These are the main business areas in Russia where the operations will be run.

6.5 IT solutions

Usually, a common IT system is the first part of the infrastructure to be implemented. Ways to collect and analyze data for income statement should be done with same principles. This will ensure that the reporting system will show the same results for the whole company.

COMPA is using “Trans-program” (Kotka) and “Expert2000” (Tampere, Baltic countries, UK) IT solutions. “Expert2000” has direct access to “Trans-program”. “Expert2000” is not a suitable solution for Russian traffic. That leaves only one choice, “Trans-program”, which is the most likely IT program for COMPB to choose as well. There is also a development project underway in AB GROUP to find a common traffic coordination/production IT solution for all AB GROUP companies. That solution should have language options in Finnish, English, and Russian to meet all companies’ and users’ needs.

6.6 HR

The loss of key employees can diminish the potential value of a transaction for the acquiring company. Daniel (2001, 94) adds that equally damaging and just as costly can be those employees who stay in the company but who emotionally “check out” and no longer perform at their previous levels of productivity. Much of the “Day One” emphasis in contemplating a merger or acquisition, therefore, should be focused on human resource issues. The challenge for the acquirer is to decide who to retain, who to redeploy, and who to terminate. For the future, it is crucial to identify and position the right skills.

According to Daniel (2001, 96) there are several ways to identify the key employees for the future. The process begins with an understanding of the vision and the purpose of the organization. This is one of the key challenges for the HR role: to

make assessments of the readiness for change and tolerance for conflict of the organization. It is highly important to retain the know-how or special skills that have accompanied the acquisition and merger. In case of COMPB, COMPA should take into consideration COMPB's strong know-how of Russian business and experience of handling corporation in Russia. That was the one of the main reasons for acquiring COMPB. Mazzei (2010, 222) supports the idea by saying that *"knowledge creation and sharing depend upon the social interactions among employees and with external communities."* She also quotes Kalla (2005b) who says that communication among employees, common objectives, trust, and shared values enable knowledge creation. Intangible resources are the ones that create competitive advantage for a company. Those resources are harder to imitate than tangible resources.

6.7 Synergies

Gaughan (2005, 57) defines synergy with the following words: *"In the physical sciences, synergy refers to the type of reactions that occur when two substances or factors combine to produce a greater effect together than what the sum of the two operating independently could account for."*

There are different synergies, positive and negative ones that need to be taken into consideration before merging. Positive synergies are, for instance, income from the sales operations. Those synergies can be called operating synergies because often there is a reduction in costs resulting from corporate combination. (Gaughan 2005, 57).

COMPB has already working system, equipment, drivers, and licences that enable AB GROUP to start its transportation business in Russia immediately. Already negotiations have been started with Soto Partners that could not have been accom-

plished without this merger. New customers will be gained when the merger is completed.

Personnel are one essential part of the merger. Always when a merger takes place, there will be overlapping positions. When COMPA and COMPB are merged, overlapping operations in Finland need to be eliminated. Decisions on this have already been made. COMPB had its own repair shop and that has been sold to a new entrepreneur and employees as well (three mechanics). In COMPA, all truck servicing is outsourced and is taken care of through service leasing contracts.

There are also positions in the finance department that need to be considered. At the moment, nobody is redundant and persons working there have strong expertise in Russian business and accounting which need to be maintained. The managing director of COMPB will be moved to another position in AB GROUP. Initially, he will work as a consultant.

A traffic coordinator works in COMPB's office in Lahti. He will continue to work in the same position, but his working place will be in a different location. People who stay in Lahti will continue to work in Lehrman's premises. Lehrman is currently COMPB's biggest client. Because of close cooperation, working in the same building is reasonable. The schedule for this change is quite rapid, to be completed during the spring of 2011.

7 FINDINGS AND ANALYSIS

The change in the organization, merger, has touched many employees and their lives. Everything has happened quite rapidly and there has not been perhaps enough time to go through everything as thoroughly as it should have been done.

To combine two companies and make a new common one demands lots of work and effort and that will continue when the merger is legally completed.

In this chapter, my target is to describe from the middle management's point of view how employees have experienced the process and changes, change management, and communication during the integration and merger process. The main point is to explain what kind of issues they have noticed and what kind of proposals they have for improving the situation. From this information, it is possible to find tips for future mergers and acquisitions. The chapter is divided into main themes that I have gathered from the interviews, observations, and internal documents. The themes that are chosen represent, in my opinion, the main phases of a merger process and also the most crucial phases.

7.1 The acquisition

Mergers and acquisitions always heat up the management's atmosphere as well as the general atmosphere. There is so much to do at once and in a short time. In the current situation, people are really uncertain about their role in the new organization or they are wondering whether there is still a role for them. Employees want to have the new situation clarified as they do not yet completely understand it. In the event of a family owned being company sold, the feelings are much stronger than when a state owned company is sold to a new entrepreneur.

Our family has always done some business, so it goes in the family. Unfortunately there was nobody to continue the business. All my children have some other career. Of course it has been hard to give up the company and work you have built with your "own hands" and given so much effort to it. It makes me feel quite sad to give up, but there was no other way. When COMPA's managing director contacted me and asked if I was willing to sell the business, I said quite quickly yes. I had

also negotiations with another big logistics company but they did not lead anywhere as the head office of that company did not give permission to acquire my company. After saying yes, things started to happen really quickly. (Interviewee 1)

It is important that acquisition and merger process have a clear plan and everything is handled professionally. COMPA has compiled a detailed integration plan which includes all the main points that need to be taken into consideration. The interviewee feels that the first impression of acquirer is positive and the matter is in good hands. It is good to listen to and collect information and opinions from both sides, the acquired company and the purchasing company. COMPA has organized a project group and steering committee which have taken care of decisions, planning, and actions of different phases of integration project. Valpola (2004, 218) describes that a merger is similar to having a baby: negotiations are like pregnancy and only when the baby is born is it understood that there are lots of responsibilities to be taken care of.

It was much easier and simpler to acquire a Finnish owned company than a company that is Russian owned. COMPB has things we needed: A strategic client (Lehrman) and distribution system and trucks in St. Petersburg and Moscow. Our strategy is spread deeper in Russia and offer domestic deliveries there in the cities which are strategically important for us. (Interviewee 2)

7.2 After the acquisition, towards a common company

There should be always a clear strategy for an integration and merger process. It is also important to consider how deep the integration will be. Employees from both companies should feel a common identity, name, and ways of working (Valpola 2004, 234). Communication always plays a big role, and it is important to give

necessary information to persons, and to define who needs what information and when (Juholin 2006, 322).

The purchasing process was handled really well and professionally, as I expected. After the acquisition, nobody really paid attention to us or listened to our opinions. It has created lots of uncertainty and even anger. I think the purchaser should have understood that after the acquisition people need lots of information and there is a huge need for discussion as well. (Interviewee 1)

The interviewees feel that they were ignored after the acquisition and they did not get enough information about the current situation. Juholin (2006, 327) emphasizes the management responsibility for change management communication. Information should be simple and management should repeat the facts of the situation and rationalize the need for the change. It is equally important to let people express their feelings, how they understand the new situation, and listen to any suggestions they might have. It is normal that there is resistance to change, but that should be turned into benefits, not to let the resistance create mistrust and lack of motivation. The first word in a merger is always *me*: what will happen to *my* job, *my* salary, *my* security.

Nobody has told me what my role will be. Will I have a job after the merger is completed? Or will I have job in a different town? I have thought about all these questions so many times that I'm getting tired. I just want to have an answer. (Interviewee 4)

It is essential to carefully define the roles of the employees in a merger process. In the current situation, employees are nominated for new roles, but they still work with their old responsibilities. At the same time, they are trying to cope with new tasks and to learn new things. Today's mergers are not only buying hard assets such as machines and trucks, more valuable are the soft assets including knowledge, relationships, and networks. Pritchett (1997, 99) supports the idea as well and

points out that “*Many of today’s deals are attractive financial propositions solely because of the knowledge of the people in the company being acquired*”.

Interviewees are worried about tacit knowledge of the company. That is easily seen from the answers they gave to the questions.

I’m also worried about the employees: what will happen to them? There is also lots of tacit knowledge and it is bad if COMPA does not understand the value of that. We have been in doing business with Russia for so long and have achieved all what we have by hard work. We have always had a Finnish Vice President in Russia. I think it is just a “must” in this business. If COMPA change him, a lot of educated and loyal employees will leave. At the same time, a huge amount of knowledge and relationships will disappear. (Interviewee 1)

On the other hand, employees who emotionally “check out” and no longer perform as they used to do can be really costly for the new organization. The fact is that there is no way to please everybody. Compromises and hard decisions need to be taken in mergers. If some employees cannot adapt to them even in the long run, it makes the situation challenging for everybody. Daniel (2001, 94) supports this and adds that there are several ways to identify the key employees for the future. Pritchett (1997, 102) suggests one simple example of how to choose the correct employees. First, make a list of various people or groups. Then determine how their leaving might damage the business. Would the loss be a key client or would it mean the loss of critical technical skills or knowledge or core product? When the loss of a particular employee would hurt the company lot, they should be considered as a target for recruitment. In a real life situation, it is never this simple. That is why an appropriate integration plan with well-defined plans will help when making decisions.

Employees at COMPB have done really good job. We need to remember that it has been a small company. We are now much bigger and will grow in the future. What we need is a good manager who has the skills to understand business in Russia and global business at the same time. The demands to survive and develop the new company are huge. The situation is not easy and we have had to take hard and difficult decisions.
(Interviewee 2 & 3)

7.3 Cultural differences

Different cultural backgrounds and values always make a merger and the subsequent change really challenging. These differences can be seen in not only in high level discussions and decisions, but also in everyday life. Different cultures require different kinds of change management. The style that is suitable for one company, might not work for another. The task is really to evaluate the differences, not seek out rights or wrongs.

When an organization is involved in a merger, key personnel are introduced to a new set of interest groups: investors, new customers, employees, and others outside the company. Pritchett (1997, 107) points out two questions that are often in employees' minds: "*Are we doing the right things?*" and "*Who are we doing the right things for?*". Resolving these questions is important in order to make a merger successful. To provide people with some sense of control might help. That is also supported by Pritchett (1997, 108) who says "*That gives them more of a feeling that the changes are the right thing to do because they personally have some say in them.*"

Of course it is not practical and even possible to involve all of the key employees in decision making. To give employees a sense of the rationale for change, they would

be better to find an answer to the question “*Who are we doing the right things for?*” Pritchett (1997, 108)

Obviously, some questions and decision related to the merger are not always based what is exactly right for the personnel. Customers and other interest groups need to be taken into account. Decisions should, though, have a positive impact on a company’s personnel, at least in the long run.

The corporate culture in our company is so different to that of COMPA A, as we were first of all a smaller company and secondly a family-owned company. We are used to issues being discussed, not that we are just told to do something without any explanation why we need to do so. We understand that things will change, but would be nice if somebody would teach us or come to see us and show what they really need. (Interviewee 1 & 4)

There is no quick way to learn a new corporate culture. The most effective way is listening. In mergers and acquisitions, one culture usually disappears. Usually it is the culture of the smaller company. That is why extra attention should be paid to the change process. Pritchett (1997, 13) reminds us that employees adjust better if they are given a rational reason for change. It is always easy to say that employees should be flexible, but in practice it is hard to do if employees feel that change is not making their life better. It should be also understood that it is not possible to change everything at once and have successful cooperation immediately. Changes always take time and problems need to be tackled one by one.

Managers who have gone through mergers emphasize the understanding of cultural differences as one main point for success. That is supported by Valpola (2004, 228) who also points out the importance of cultures and values. Key persons should be committed to the mergers. Even a small amount of passivity can cause serious troubles. The acquired company will not accept new values and culture only by

seeing them in use. Values should be discussed in a group. There should also be time to reflect together what values mean for the new company.

I see that this merger has huge potential and everything will work out well in the future. The beginning is always hard as there is resistance to change and people haven't adapted to the new rules yet. Generally, I think that we have good atmosphere and that it will get better as time goes by.
(Interviewee 2)

7.4 Meetings and reporting

Meetings are important channels for the sharing of information. Very often, it is the main way to keep employees informed about progress during a project. Of course, there can be also discussions among individuals, but in my opinion to set up a meeting is the best way to get common understanding of the situation. "Corridor discussions" are not good for the situation as rumours easily start to spread that way. In a situation of change, it is vital to have correct and sufficient information. Juholin (2006, 321) supports the idea by saying that if the management does not provide enough information about a new situation, it will create fear and frustration.

Communication has been really poor after acquisition. I have personally informed people about facts I know and I can tell. Everybody expected more information from COMPA's side. (Interviewee 1)

Interviewees have experienced that after the release date of acquisition, they have not received enough information and pure facts from COMPA or it has been hard work to try to find information. In a situation in which new team members are located at different sites, it is important to have meetings and get to know each other. Pritchett (1997, 104) also reminds us that too often managers make the mistake of presuming they don't need to share information since no decisions have been made.

Based on my own experience, I share Pritchett's opinion that people feel more valued and more connected to the organization if they are kept informed.

As we are living in modern world and have many forms of technology in use, there are several ways to communicate without regular face-to-face meetings. A weekly phone conference at an agreed time would be a good way to go through the issues and share information about the merger process. Phone conferences could be arranged so that everybody would have limited time (for instance five minutes) to talk and then the "chairman" of the conference could answer and comment. Of course, others could join the discussion as well. The chairman should be somebody representing management or the integration project team. Personal development discussions are another way to share information that can also help to understand the ongoing situation.

COMPA and COMPB have different opinions on whether they have had enough meetings and how the integration plan has been followed:

We have had only a couple of meetings. That is not enough, I think. There are so many issues to be taken care of and discussed. Time goes so fast anyway and we are soon in trouble if we don't start making all the needed actions that were in the integration plan. (Interviewee 1)

We have had meetings regularly, approximately once a month where we have gone through issues concerning this merger. The integration plan has been followed accordingly and tasks/actions have been fulfilled in the schedule. (Interviewee 2)

I have analyzed the situation so that this is all about how parties see the change and who has been able to attend the meetings. As COMPB is the smaller company, meetings at their office have been more informal than those held by COMPA. COMPA is a part of the AB GROUP and has rules about which information can be provided and to whom. The hierarchy is much stricter in COMPA. Employees at

COMPB might have not fully understood that they are no longer working in a small family owned company where things have been discussed and shared more openly.

Also, we have been unaware about reporting and documents. We were just given some excel files which should be filled accordingly. It has taken lots of time and effort from our people to start to look for contacts to whom they can turn to for advice if needed. (Interviewee 1 & 4)

On the other hand, in the process of change employees have a good chance to show their valuable skills. Reports and reporting are always different in different companies but a professional knows or should know the meaning of them if they have done a similar job in the past. Even if the communication and information are important matters in the process of change, employees should still take the initiative at some level. Not all things are served as “ready-made” to them.

8 CONCLUSIONS

8.1 Summary

Traditionally, mergers and acquisitions are seen as a way to enter to new business areas or a way to improve the market power. Vaara (1995, 24) says that increasingly, mergers and acquisitions are argued to be made to achieve benefits of synergy.

It is clear that even when the merger is finished from the legal point of view, there are still many issues and questions that need attention. To combine two different companies with different values and histories and create one successful story is challenging. Change management and follow-up actions after the merger play a significant role. Another question is what is a successful merger in terms of communication? Managers may have different opinions and answers compared to mid-

dle management or employees. People's interpretations of success or failure seem to have a fundamental effect on their behaviour.

Communication is somehow a part of every action and process in the integration process and merger. With efficient communication, the synergies gained from merger can be achieved. Vice versa, with poor communication benefits gained from the merger can be lost. There are several sore points after an acquisition and merger. Choosing the correct way to share information and instructions is crucial for the new company. There are so many tasks to be implemented, so the flow of information has to be continuous and understandable.

Resistance to change is a normal part of any change process. In a situation of uncertainty, employees are always first worried about their own future. That is why employees should be kept informed of matters which are going on. As was discovered from the interviews, everybody wants to have correct information even if it can hurt. It is better to know than live in uncertainty. This is supported by Mazzei (2010, 223) who emphasizes that more aware and involved employees tend to be more active, whereas employees who feel or believe themselves powerless tend to have quite passive communication behaviour.

My objective was to find an answer to the question "how is a successful merger implemented in terms of communication from middle management's point of view?". In the theoretical part of the research, I wanted to go through issues that are essential for understanding the integration of two companies. For the research method I chose a qualitative approach, the case study method. That turned out to be a good choice. I got lots of useful information and data from interviews and observations. The attitude to my thesis was quite open. It made it easy for me to gather data about the researched case. I felt that I got honest answers as the names of interviewees are not published.

I determined that there is not a single answer to the question of what kind of communication is needed in a merger. One just needs to find the most suitable form of communication for each situation. In order to be able to do that, it is required to learn from mistakes made in this merger, and consider them as richness and experience. Hopefully, this thesis will provide some ideas on how a merger and acquisition can be implanted more successfully in the future in terms of communication. If there is any help from the ideas I have published here, I feel that the research has been beneficial. I think that other companies could also find useful tips from this thesis as the issues discussed can be easily generalized.

8.2 Managerial implications

AB GROUP/COMPA has drawn up a detailed integration plan. However, I feel that more attention should have been paid to communication. As was found in the research, employees do not feel that they had enough information about the ongoing situation. On the other hand, the CEO of COMPB could have also informed his employees more and not have left all the responsibility to AB GROUP/COMPA. He still had the authority to make decisions until the merger was completed.

In addition, I think that AB GROUP should have included more employees from the middle management level in the planning of operational issues. AB GROUP has knowledge of acquisitions and mergers, but the experience is mainly from domestic companies such as bus companies. The purchase of a Finnish company which has strong connections with Russian culture is quite different. Russia is a totally different market area in terms of corporate and general culture.

Keeping the key persons is extremely important. During the merger process, AB GROUP has lost some tacit knowledge. The influence of that will be visible later. Finnish companies which operate in Russia generally have a Finnish manager who makes the decision. Having “something Finnish” is important to Finnish clients,

even if they operate in Russia. If AB GROUP lose “Finnish culture” totally in Russia, it can lead to the loss of key Finnish clients.

In my opinion there can never be too much effort expended on communication and change management. For the next acquisitions and mergers, I hope that the management can take tips from this thesis and choose the most suitable means for their needs. The experiences gained from the merger of COMPB should be turned into benefits in the future. When including experts and employees from different levels of organizations in integration planning, it is possible to achieve a more diverse plan. As was determined by this research, communication really has an enormous effect on success. Lack of communication and proper communication plan can cause, at worst, loss of key persons and tacit knowledge.

Briefly, tips to be taken from this thesis are the following:

- Improved communication plan (what, when and whom). One should be able to pick the correct way to communicate in each situation. The significance of having competent and aware people is evident. An improved communication plan can be seen in Appendix 3.
- Opinions and comments from different levels of the organization are necessary. More detailed information can be seen in Appendix 4.
- Knowledge of different cultures and business cultures is essential.

8.3 Further research

The acquisition and merger of COMPB will surely not be the last acquisition AB GROUP will make in its mission to enter to Russian markets. The acquisition of COMPB is, nevertheless, quite small in terms of the company’s size. There are sure to be bigger acquisitions ahead.

It would be interesting to conduct further research on how the communication and “we” spirit has developed since the merger. It would also be useful to reflect how the interviewees feel about the situation and their answers later. During the interviews, there were ongoing discussions about who could stay in the company and who needed to look for new jobs. That is to say, that there have been lots of feelings in the answers, and interviewees might have a different attitude towards some questions if I were to ask them those questions again now. It would also be interesting to discover how the communication and challenges related to it are solved in the next mergers and acquisitions.

There are many “instruction manuals” (see e.g. Pritchett 1997; Gaughan 2005, Reed 2007) and journals written on what one should do and how in order to have a successful merger and acquisition from which the company will really benefit. Many of those books are written about multinational and international companies. It would be interesting to conduct research on how that advice could help small and medium-sized companies.

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Appendix 1: Themes and questions of the interviews of COMPB

Background

- Why did you choose to sell the company?
- Where did you get the signal to sell the company?
- What are the feelings after the acquisition/merger?

Roles and responsibilities

- What is your opinion about the roles and responsibilities at the moment?
- Should there be some change to them? Why?
- What changes you have noticed?
- Do you think that roles/responsibilities are fair? Why or why not?

Integration project

- What is your opinion about integration project?
- Decision making
- Reporting
- Communication
- Documentation
- How are meetings handled?
- How is change management handled?

Appendix 2: Themes and questions of the interviews of COMPA

Background

- Why COMPB was chosen?
- How it was chosen?
- Who knew about the acquisition?

Roles and responsibilities

- What is your opinion about the roles and responsibilities at the moment?
- Should there be some change to them? Why?
- What changes you have noticed?
- Do you think that roles/responsibilities are fair? Why or why not?

Integration project

- What is your opinion about integration project?
- Decision making
- Reporting
- How is communication handled?
- Documentation
- How are meetings handled?
- How is change management handled?

Appendix 3: Communication plan

Action	Senior management	Middle management
Employees change their ways of working better and understand it as well, when they have been listened to. Enough information, not too much.	Repeat the messages and use different communication channels. Give the "face" for change	Conversations with employees, repeating the message of the senior management. Consulting hours (e.g. every Monday 13-14 o'clock)
The planning of the communication: <ul style="list-style-type: none"> • the purpose of the communication • main messages • target groups • communication channels 	<ul style="list-style-type: none"> •the understanding of main messages •details of the message contents •how to ensure that the information given to middle management is coherent > choosing the communication channels 	<ul style="list-style-type: none"> •discussions with employees •listening, giving facts and details
The roles of the communication	The visibility of the top management: <ul style="list-style-type: none"> • sharing of information • networks with middle management • cooperation with middle management 	<ul style="list-style-type: none"> • support the messages from the senior management • listening • to inform senior management about the ongoing situation • to support the commitment of the employees
Make middle management ready: <ul style="list-style-type: none"> • to understand the meaning of the communication • to build the trust • to support and motivate employees during the change process • to understand and deal with the feelings the change can cause 	Implementation in practice: <ul style="list-style-type: none"> •peer support •meeting/schoolings (senior management and middle management) •responsibility for the project •instructions when to tell, whom, and what 	Implementation in practice: <ul style="list-style-type: none"> •openness •right to say "I do not know yet" / "I cannot inform yet" •honesty

Communication channels

Define primary communication channels for internal and external communication. Educate employees to use them.

Define the needs and type of information according to the target group. Different target groups need different information.

If the issue concerning the change is neutral or it will not cause an outburst of feelings, the usage of the following channels is recommended:

- Email or letter
- Intranet
- Telephone
- Memorandum
- Company magazine
- Internet meeting
- Webcasts

If the issue concerning the change is not neutral or it will cause outburst of feelings, the usage of the following channels is recommendable:

- Meetings (face-to-face)
- Chance for a personal discussion
- Consulting hour

Roles

- Communication leader
- Define who is allowed to give comments to the media
- Internal communication leader
- External communication leader (briefing, media)
- Define briefly the roles and responsibilities inside the organization

General information package for employees

- Company information in a nutshell (history, now, strategies for the future, daily routines, like occupational health, benefits (lunch, sports etc))
- Brand: how to answer to the phone, style of the emails, letters etc.
- Publication both in intranet and printed form

Release schedule

Define the order of target groups and also which information will be published and when.

- Management (senior/middle/different sectors in the company)
- Employees
- Stakeholders
- Media
- Others

Inform about the schedule of different phases and objectives. It is important to emphasize that not all information is allowed to be released yet. Estimate the schedule for the release of new information.

Other details worth noticing

- The commitment of the senior management is vital but it is also important to share information and knowledge with middle management.
- Senior/middle management should be approachable
- Honesty, openness
- Do not promise anything that cannot be kept.
- Go through the change process afterwards with different levels of the organization (senior/middle management, employees). Check the processes and learn from the feedback. Think of improvements for the next project. Use different channels to collect information (e.g. development discussions, enquiries in intranet).
- COMMUNICATE, LISTEN, COMMUNICATE, LISTEN!

Appendix 4: Comments and opinions from middle management

The acquisition

- Acquisition should be handled by the senior management.

After the acquisition

- Include middle management in integration/project plan.
 1. Middle management could participate in the “info meetings” (which are hold after the acquisition) and discuss with new employees. Middle management should be well informed beforehand about all necessary facts. Middle management can make observations of ongoing situation.
 2. Middle management could monitor the processes in the acquired CompAnd try to help with finding the key persons from lower level in the organization. Key persons of the higher level in the organization will be the responsibility of the senior management.
 3. Middle management should meet employees from the acquired CompAnd inform them about daily routines (see the “information package for the new employees). That should happen when it has been decided who will stay in the new company.
 4. Middle management could introduce company manners and policies and discuss them with employees (daily issues, emotions). They could also act as “support person” in the new situation. Middle management could also help to spread information in the acquirer company (in cooperation with senior management).

After the merger is completed

- Middle management should, in cooperation with senior management and the HR department, evaluate the merger process and collect feedback and experiences. Collected data should be analyzed and results and remarks should be taken into consideration in the next acquisition.