Merging corporate cultures – post-acquisition analysis

Case: Company X

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The commissioner of this study is Company X. The topic was decided together with the commissioner. The objective of this study was to learn how to integrate corporate cultures when the acquirer is a global company and the target company a local family run company.

Acquisition is a transfer of the control of operation and management from one firm (target) to another (acquirer), the former becomes a unit of the latter. Terms mergers and acquisitions are often used together. The number of acquisitions has continued its growht globally in recent decades. The reasons behind acquisitions are strategic; need to grow to new markets, scarcity of resources, eliminating competitors and aim for cost-efficiency. Acquisitions are common way to grow in challenging and competitive corporate environment.

The methodological approach to this research was a case study. The research was carried out by semi-structured interviews of management team and an electronic questionnaire sent to target company's employees. This thesis was written between May 2014 and October 2015.

The key findings of the research show the difference between management team's and acquired company's employees views. Employee reactions to acquisition need to be understood by the acquirer in order to be able to address them. The questionnaire results were not surprising, management team had realistic expectations.

This study can be helpful to companies planning integration process, especially if they are from similar backgrounds, global company acquiring a local company. Follow up questionnaire could be done in two year's time to see if results are changed because it can take years for employees to integrate.

Keywords
Mergers, Acquisitions, Integration, Organizational culture, Organizational behaviour, Motivation, Post-Acquisition

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1 Introduction

This thesis project studies the organizational culture in post-acquisition phase in Company X. Company X is the global market leader in providing flexible workplace solutions and it operates in 2000 locations in over 100 countries. In the late 2013 the acquisition of Finnish family-run competitor Company Y was announced. The integration of practices started in March 2014. The goal of this thesis study is to analyze post-acquisition corporate culture in Company X from human resources point of view and to find out how did the target company's employees experience the acquisition and integration. The aim is not to evaluate has the acquisition been successful. I worked for Company X and I experienced the acquisiton and integration phase from employee's point of view. Acquisition is a transfer of the control of operation and management from one firm (target) to another (acquirer), the former becomes a unit of the latter. Peng (2009, 281).

1.1 Research question

Below are listed the main research question and research sub-questions:

- The main research question is how to integrate global corporate culture and local small business culture.
- What kind of challenges are faced during the integration and how to overcome them.
- How did the employees experience the acquisition and integration process.
- Some employees of the acquired company resigned soon after the beginning of the integration. Were the resignations caused by the acquisition or were the people about to leave anyway?
- How could other companies in the same situation benefit from this study?

This study will be based on theories on acquisitions, motivation and organizational behaviour. The emphasis is on the people and organizational culture.

1.2 Company overviews

Company X is the world's largest company in providing flexible workspace solutions. It operates in 2000 locations in over 100 countries. Company X offers furnished offices, virtual office services as mailbox services, phone answering and day offices, videoconferencing, meeting rooms and business lounges in professional business centre environment. The company was founded in Brussels in 1989, the current headquarter is based in Luxenbourgh and its shares are listed in London Stock Exchange. Company X has over a million customers including over half of Fortune 500 companies as well as start-ups and small and medium size companies in every industry. The strategy is to grow mature revenues and margins, expand its network, accelerate its products and innovation, maximise strenghts of its brand and network, strenghten management and control overheads. Globally Company X has over 7100 employees (2012) and the turnover is 1,24bn UK Pounds (2012) (Company X, 2014).

Company X Finland is fully owned by Company X plc. Prior to the acquisition Company X Finland had four locations; three in Helsinki and one in Espoo. Fifth location was opened in April 2014, in the middle of integration process in Espoo. Company X Finland had under 20 employees. Other than Country Manager and Area Director, all staff members were business centre personnel; General Managers and Customer Service Representatives.

Company Y was a Finnish family owned company offering similar products and services as Company X. In total Company Y had 27 locations in Finland. As opposed to Company X, Company Y had locations outside Helsinki and Espoo and on the contrary to Company X, some of the business centres were unmanned.

1.3 Structure of the report

Chapters 2, 3 and 4 present the theoretical framework of this research. Chapter 2 presents theories of acquisitions, different approaches to acquisitions, how is the actual process from very beginning and what are the risks for failure. This study will concentrate on full acquisitions. In chapter 3 the focus is on organizational culture and

how it is linked to acquisition. In this chapter different employee reactions are presented. Chapter 4 concentrates on theories of motivation and commitment. Chapters 5 and 6 are about research methods; in chapter 5 theories of methodology and data collection are presented and chapter 6 applies them to this research. In chapter 7 the key findings of the research are presented and analyzed. Finally in chapter 8 recommendations and conclusion are presented.

2 Acquisitions

The definition of acquisition according to Peng (2009, 281) is a transfer of the control of operation and management from one firm (target) to another (acquirer), the former becomes a unit of the latter. Terms mergers and acquisitions are often used together, Hubbard (1999, 6) states that the main difference between the two is that on the contrary to mergers, "acquisitions have clear winners and losers, where power is not negotiable." The main difference between a merger and acquisition is that in merger two equal companies create a new entity. (Mihailova, I. 2014). Hubbard (1999, 7) continues by saying that acquisitions are takeovers where bidder bids directly with the target company's board of directors.

The number of acquisitions has continued its growht globally in recent decades. The reasons behind acquisitions are strategic; need to grow to new markets, scarcity of resources, eliminating competitors and aim for cost-efficiency. Acquisitions are common way to grow in challenging and competitive corporate environment. (Teerikangas, 2008, 11, 12). In acquisitions there is always a company who acquires and another company that is acquired. After the acquisition the intention is to merge the acquired company's operations to the parent company's. Depending on used strategy the acquired company may remain independent, partly independent or be completely merged. (Teerikangas, 2008, 19). In the latter option the companies are merged both operationally and juridically. The organization will have one owner and management (Valpola, 2004, 22).

2.1 Approaches to acquisitions

Newburry and Zeira (1997, in Shimizu 2004, 311) state that by acquiring a foreign company, the acquiring company gets access to the target company's resources such as knowledge, technology, human resources and gains access to new market and local network. Cross-border Mergers & Acquisitions gives the target company more power over assett than international alliance but less than a greenfield venture. Motivation for cross-border M&A can also be to lower the transaction costs.

The different approaches to choose an acquisition (Figure 1) are transaction cost economics theory (TCE), knowledge-based view (KBV), resource-based view (RBV), network approach and institutional view. Each perspective requires its own strategy and not paying attention to them may cause acquisition to fail. Transaction cost economics theory's focus is financial and the goal is to minimize costs on a short term whereas social and strategic factors are not important. Resource based view focuses on the firm, and the rationale is value maximization through company's internal resources in a long term. This view focuses most on strategic factors. Knowledge based view is focused solely on the know-how of the firm, and the motivation is the knowledge as a resource, in a long term and is focused on strategic factors. Network view is based on the network in all aspects: focus, rationale and as a startegic factor in long term. Finally institutional view is focused on law, legal issues and firm, the rationale behind is the normative pressure for outsider to become an insider. It is focused on cultural factors. This view is often used a entry mode to new countries. (Mihailova, 3.10.2014, lecture notes)

	Focus	Rationale	Time Frame	Social & Strategic factors
Transaction cost economics theory (TCE)	Financial	Minimizing cost, cost efficiency	Short-term	Not important
Resource based view (RBV)	Firm	Value maximization through company's internal resources	Long-term	Strategic
Knowledge based view (KBV)	Know-how, firm	Knowledge as a resource	Long-term	Strategic
Network view	Network	Network	Long-term	Strategic, social
Institutional view	Law, legal, firm	Normative pressure for an outsider to become an insider	Long-term	High strategic, social and cultural

Table 1. Approaches to acquisitions. Mihailova, I. 3.10.2014. Lecture notes.

Greenfield venture means that company is entering new country or market by establishing a wholly owned new subsidiaries. It aims for full control over internal

processes and knowledge. By choosing this approach the acquiring company is also willing to have the highest cost. (Hennart & Park, 1994 in Shimizu, K. 2004). Brownfield acquisition is a full acquisition but it requires the acquiring company to completely renovate the site and product. Brownfield is close to greenfield as it needs to create almost a new company. Brownfield acquisition is often used if suitable site does not exist. It is considered more "painful" acquisiton compared to greenfield. It is chosen out of necessity, not willingly. (Mihailova, 3.10.2014, lecture notes)

The main advantages of full acquisitions are firstly gaining equity and full control over target company's operations, which both protect the company's core competences. Secondly, expanding by acquisitions doesn't add capacity to the market, the number of companies operating in the same field lowers. Thirdly, the cost are lower when acquiring because acquirer gets also the resources and infrastructure. Finally, it is faster to grow by acquisition compared to greenfield venture. (Mihailova, I. 3.10.2014)

2.2   Acquisition process

In the pre-acquisition phase the company needs to evaluate why it is doing a strategic change by acquisition. Then it needs to decide what company to buy, what to pay for it and on what criteria the decision will be based on.

According to Erkkilä and Valpola (2011,15), it all starts with in integration plan that will serve as a platform for successful post-acquisition phase. The plan is a blueprint of the whole integration, why is it done, what are the goals and how it will be executed. Integration plan responds to question "Why this acquisition?". Even the best integration plan won't be enough if the management is not committed to the process and willing to invest their time to it. Each integration is unique, the focus and importance of various phases may vary. In order to make any acquisition succesful, making an integration plan is critical.

Part of acquisition process is preliminary research on the company what is planned to be acquired. The "mental" state of the staff and how close to each other the organizational cultures are need to be evaluated. These are called the silent powers of

pre-acquisition (Teerikangas, 2008, 23). According to Mihailova (4.10.2014, lecture) there are four important points to take in consideration in the pre-acquisition phase:

1. Does the target compay's organizational culture fit to the acquiring company's culture? How are the possible differences in culture addressed?
2. Due diligence. Acquiring company needs to investigate the target company before signing any agreement
3. External stakeholders opinions might be critical, make sure to give opportunity to voice these opinions.
4. Communication plan. Act immediately when the acquisition is public.

Post-acquisition phase includes planning and deciding on an implementation strategy, how strongly the acquired company will be tided to the parent company. The decision on which strategy to choose is very important as it determines how much work does the implementation cause and how much input the company needs to invest in it. The clearer the strategy is at early stage the easier it is to communicate about the strategy throughout the organization. It also helps avoiding misunderstandings and false expectations. Well-considered integration strategy enables post-acquisition actions to reflect clear and equal policy (Teerikangas, 2008, 68).

How the integration is managed plays a big role. Post-acquisition phase has vital importance in how succesful the acquisition is by making sure the process moves forward rapidly and it is carried out without problems. Successful acquisitions go through so called basic pillars of integration. These pillars are planning of integration, post-acquisition fast action, post-acquisition communication, vision and goal for the acquisition and tools for integration (Teerikangas, 2008, 70-71). Mihailova (2014) adds that there is no clear end to integration. It is also advised to have an integration team and use informal leaders and to support them in spreading positivity. (Mihailova, I. 2014).

"Successful M&A integration is a tedious and diciplinary execution process, which requires speedy decisions under great uncertainty and emotional pressure." (Erkkilä & Valpola, 2011, 115). The biggest reason why acquisitions fail is poor execution of integration.

2.3   Communication

Communication has been recognised as being important part of acquisition process, especially to effect integration and change. Communication is often treated as one way, transfer of information that management uses to achieve desired acquisition outcomes. Communication is more complex process and has to do with interaction. (Risberg, 2003, 23).

"Only satisfied personnel can produce satisfied customers" states Erkkilä and Valpola (2011, 107). Therefore it is important to make sure the communication is efficient and open. Communication needs to be extented to reach all parties: owner, shareholders, investors, customers, suppliers, business partners, whole personnel and community or country in which the operations are located. Since over half of all communication is non-verbal, it is important to understand whom different stakeholders are willing to listen to. In mergers and acquisititions, trust is needed to cascade the message throughout different organizational levels. In a cross-border merger or acquisition, there are also risks involved in the cascading of communication; the process to reach all employees is slow and the message tends to change along the way. (Erkkilä & Valpola, 2011, 107-108)

It has been suggested that open communication between the companies and the target company is a way to minimize ambiguity during the acquisition process. According to Schweiger and DeNisi (in Risberg, 2003, 23) is not the changes that are stressful to employees, is the uncertainty about the future. If there is not enough accurate communication, employees will seek their own answers and that is when there will be rumours. Rumours will only add fuel to anxiety rather than reduce it. (Sinetar and Mirvis & Marks in Risberg 2003, 23-24). According to Marks (in Risberg, 2003, 24) most post-acquisition problems are caused by lack of communication throughout the acquisition process. Marks & Mirvis (in Risberg, 2003, 24) suggest that if managers are informed in advance about the burdens and and possible problems the acquisitions may cause and how the manager could be affected by them, they will be able to handle the acquisition better. Schweiger and DeNisi (in Risberg, 2003, 24) claim that the comminication process symbolizes the company's concern about its employees.

Therefore communication during acquisition doesn't need to be all about providing accurate information, but an opportunity to the acquiring company to show that they are concerned about the target company's employees.

The challenge in M&A communication is that what managers tell and what employees want to know are two very different things. Each manager has strong effect on employee commitment to teams and company. In M&A cases employees have profound need for understanding their current and future situation. The table (table 2) below will demonstrate the challenges for communicators. (Schweiger, 2002)

Executives and Managers	Employees
Vision of the new company	Do I have a job?
Strategic benefits of M&A	What are the potential losses for me and for my unit?
Reasons for change and procedures following them	What are my possibilities in succeeding in this new location?
Organization changes and nominations	Changes for benefits and wages?
Changes in products, services, customer relationships and mode of operations	Change in work and positions?
Short term objectives and goals	What will happen with colleagues?
	What about career options?
	Possibility of layoffs, transfer of jobs, outplacement?
	Changes in systems, policies etc.?
	What support is offered to succeed with the new?

Table 2. Different needs for communication (Schweiger, 2002)

What managers should focus on when planning the communication in M&A are how can we prepare to answer the most challenging questions, how can we communicate positively througout the integration process, how can we be able to communicate both fact and feelings, how can we give time to dialogue and finally how can we coach our managers to be excellent in communication in the challenging M&A integration. In the first communication, managers should present following things: reasons behind the

acquisition, the positive affects it will have on the market share, finances and investments for the future. If these point are not expressed to the staff early on the integration, it will lead to uncertainty and employees won't be able to commit to the process and new company. This may leave employees as "passive passengers" on the whole integration process. (Erkkilä &Valpola, 2011, 108-109)

2.4   Risks for failure

Often companies fail to improve their financial performance by acquistions and it is estimated that 50% of acquisitions fail (Teerikangas, 2008, 11, 12). According to Peng (2009, 285) the percentage of failed acquisitions is 70% and on average, the acquiring company's financial performance doesn't improve. Also the target companies were doing better as independent companies before the acquisition. For acquisitions to add value, companies must have the skills to execute such strategy. In the preacquisition phase companies tend not to pay attention to the organizational fit of the companies. Finally, many companies fail the post-acquisition integration. (Peng, 2009, 286).

According to Hubbard, reasons why acquisitions fail can be sub-divided into two categories; fit and process issues. Fit issues are issues that assess the apposition of the acquirer and target. Often fit issues are something that the acquirer has little influence and control over. On the contrary the acquirer has control over process issues such as pre-acquisition process, implementation process and the tone of the negotiations. Hubbard lists seven different fit issues: size issues, diversification, previous acquisition experience, organizational fit, strategic fit, cultural fit and other demographic factors. Process issues have the greatest impact on success or failure of an acquisition, having half of acquisitions failing, it shows that acquiring companies are unable to understand and control the implementation process. Seven process issues are negotiation issues, inadequate pre-acquisiton planning, insufficient information gathering, price paid and method of payment for the target, people problems, implemention issues and finally communication. (Hubbard, 1999, 13-17).

As stated earlier in chapter 2.1, if the acquirer doesn't follow the chosen strategy, the acquisition is in risk to fail.

2.5   Leadership in acquisitions

"The more complex the integration, the more time and attention is required to communicate with and involve employees who have not been part of the earlier phases of the integration process". (Erkkilä &Valpola, 2011,39). The involvement of employees increases over time, as in the beginning only few people are involved in it. As more employees of the target company get to be more involved in the operations, questions will rise each time. Management may need to answer to same questions many times. People need to know and understand the reasons behind the acquisition, strategy and will their own positions be affected. During the first phases of integration, it may be difficult for the employees to commit to daily operations before their questions have been answered. For leaders it can be frustrating to keep answering to same questions, since they have been in the integration process for longer time. Still the best result is when leaders have true commitment to people. The changes that occur due to an acquisition take time before they will be put into day-to-day practise. (Erkkilä &Valpola, 2011,39)

In times of change, people tend to look up to their leaders. Especially if leaders need to make diffucult decisions, the way they conduct themselves and speak have an affect on how the message will be received. Before taking the role of the M&A leader, one must evaluate is he truly committed, does he have belief in the success of the integration, does his leadership style fit into the new organization and does the leadership style during the integration phase differ greatly from the normal leadership style? (Erkkilä & Valpola, 2011, 40-41)

Leadership in general has also a direction-setting aspect, it creates visions and strategies, descriptions of parts of the business, such as organization, coporate culture, a business, a technology, an action, that take place in the future and creates an idea of what the company should become. The process of direction setting continues over time, at times actively. (Kotter, 1990, 36-37)

3   Organizational cultures and acquisitions

An acquisition will shake the organizational culture of both companies; acquierer and target company. (Erkkilä, Valpola, 2011, 97). According to Schein (1999,15) culture could be easily defined by "the way things are done here", even if it is correct, it doesn't reveil the fact that culture has different levels and we need to understand and manage those levels. Organizational culture tends to be unique to a particular company, composed of an objective and subjective dimension, and concerned with tradition and and the nature of shared beliefs and expectations of organizational life (Buono et al., 1985, 482). Different companies can have very different organizational cultures, which have been created and strenghtened over time by prior actions and management culture. Organizational culture is considered self-evident to those part of the culture and it is noticed only after people face new organizational cultures. (Valpola, 2004, 71). Going back to Schein (1999, 25), "the biggest risk in working with culture is to oversimplify it and miss several basic facts that matter". The statements Brown mentiones are culture is deep, broad and stable, meaning that culture cannot be treated as superficial phenomenon, its beliefs and assumptions are broad and culture provides meaning and makes life predictable. (Schein, 1999, 25-26).

3.1   Contents of organizational culture

There are many aspects and elements linked to organizational culture, most commonly including artefacts, language (jokes, stories, myths), behavioural patterns (rites, rituals, ceremonies, celebrations), norms of behaviour, heroes, symbols and symbolic action, beliefs, values, attitudes, assumptions, ethical codes and history. These elements can also be overlapping between them. Some may consider language and general behaviour to be artefacts where some take assumptions as configuration of beliefs and values. One of the best known models of organizational culture is presented by Geert Hofstede (figure 3). Although appealing, one should remeber that real-life organizations are not as tidy as in this model. Organizational cultures can be complex and uncertain. (Hofstede in Brown, 1998, 10-11). Schein (1999, 16) on the other hand names three levels of cultures: artifacts, espoused values and shared tacit assumptions. Basically the content of the three levels is the same as those presented by Brown.
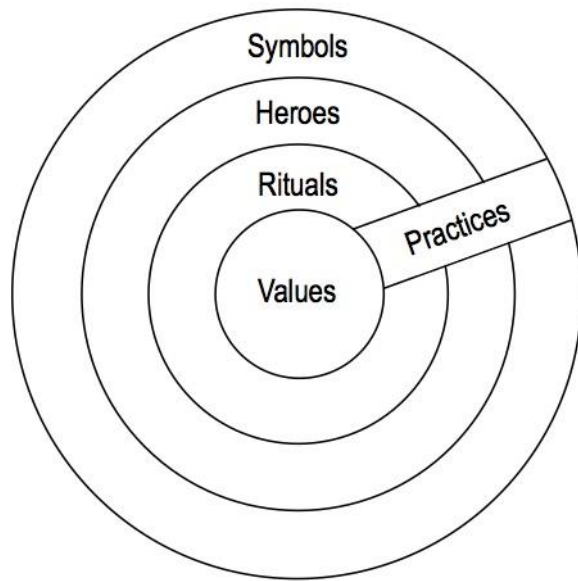
Figure 3. Model of organizational culture. (Hofstede in Brown, 1998, 11)

Organizational culture's mission is to produce common indetity to the members of the organization, advance people in committing to the organization's core functions and to clarify the behavioural ground rules (Lämsä & Hautala, 2005,179). In addition as stated by Hofstede (2005, 283), "an organization's culture, however, is maintained not only in the minds of its members but also in the minds of its other "stakeholders", everybody who interacts with the organization."

3.2   Culture in acquisitions

Succesful acquisitons can be measured in several ways. One way of measuring is successful implementation of organizational culture. If cultural change takes place, acquisitions can be considered successful. Changes in organizational culture need to be taken in consideration only if the acquired company will be merged to parent company. Organizational culture is not expected to change if the acquired company can operate independently after the acquisition. (Teerikangas, 2008, 213-214). According to Hofstede (2005, 310) in case of mergers and acquisition, company need to identify any potential areas of conflicts between the merging organizational cultures. The possible conflicts can affect on the decisions if to merge or not. If the decision has already been made, the acquirer need to plan and manage the integration in a way that they can

minimize friction losses and preserve cultural capital. Often unfortunately the need for cultural change is only acknowledged after the decision of acquisition is made without considering are the two cultures compatible or not (Schein, 1999, 119).

3.2.1 Cultural change

Cultural change refers to changes in management style and practises, behavioural models and policies, meaning changes in ordinary organizational culture. There can be found three types of cultural changes; cultural changes through structural changes, cultural changes through connections and association and finally cultural change towards parent company's official values. The two first one happen automatically after aqcuisition and doesn't require that company actively seeks cultural change. The parent company rarely recognizes them as part of cultural change. Parent company consideres cultural change to be the official trainings about company values and operations and actions that are bringing the bought company closer to the parent company. (Teerikangas, 2008, 213-214).

The cultural change that brings the bought company closer to the parent company's official values doesn't happen fast. It may take years before the values and organizational culture are assimililated. Often this cultural change takes place only in companies where the publicly announced valued are assimilated. In companies where the values are integrated in part of company's operations, cultural change after acquisition took place towards the values. On the contrary, in companies where the values were only superficially used for marketing, they are not integrated in the cultural change (Teerikangas, 2008, 222-223).

Culture is considered a soft characteristic but changing it is hard work. In changes, the general rule is that when people are moved as individuals, they will adapt to new culture in new environment. Whereas if people are moved in groups, they will bring their culture with them. Trying to change the culture means that interpersonal relationships need to be renegotiated. Symbols are the most visible signs of change; logo, slogans, uniforms – all that creates corporate identity. The symbols are the most superficial phase of a cultural change and they need to be supported by fundamental

elements of change such as rituals and values. The effects of attempted cultural change can easily wear out if not supported by the management. (Hofstede, 2005, 312-313).

3.3   Employee reactions

Organizational change has been acknowledged to cause high level of stress and uncertainty among the employees affected by the change. (Hubbard, 1999, 18). Often in acquired companies there is not enough attention paid towards employee reactions. The management might be so concerned with their own survival that they don't have enough time think how the employee's are reacting to the acquisition. (Schweiger et al. in Risberg 2003, 19). In Risberg's review, a study of an acquired firm carried out by Schweiger et al. found five major personal reactions among employees. Employees experiences loss of identity, when they no longer could identify themselves with the company. The loss of identity made them confused because their self-image changed. Almost everyone in the organization mentioned anxiety and lack of information. During the acquisition, there was a lack of timely and accurate information about the future, which created anxiety among the employees. Survival became obsessions to some of the employees and they spent more time worrying about their personal lives than doing their work. Since many of the employees couldn't stand the uncertainty, loss of attachement and changes, they left the company and the company lost talented people. The acquisition affected the employees on both professional and personal level.

Schweiger et al. (Risberg, 2003, 19) continue by stating that employee's reactions can affect the organization either by loss of talented people pr by people less engaged in their work. People can experience lower self-esteem and self-confidence at a personal level bacause of the changes caused by the acquisition (Sinetar in Risberg, 2003, 19). At a professional level, the reaction can be seen in lowered commitment and productivity, increased dissatisfaction and disloyalty, high turnover and power struggles among managers (Buono & Bowditch in Risberg 2003, 19).

When the acquisition is announced employees experinece negative reactions. The initial reactions can be shock, disbelief and grief. Employees need to grieve for the company

if they feel they will loose their identity with it. These initial emotions are followed by resentment, anger and/or depression. (Sinetar and Marks & Mirvis in Risberg 2003, 19). Sinetar also found that there may be increased dysfunction where people become ineffective. People may take long time to solve minor issues, take time off and spend time gossiping and worrying about what is happening. Anxiety can disturb the operations and decrease productivity. Not everyone reacts negatively to the acquisition, some may take it as an opportunity to examine what they really want to accomplish in life. In the final phase of the integration, most employees recovered from the initial acquisition reactions.

Marks and Mirvis (in Risberg, 2003, 20) found other signs how the acquisition effects on the employees. They state that how employees react is caused, or at least heavily affected by their managers' reactions. If the management cannot give proper directions, often because they are unsure themselves, the employees feel even more lost and uncertain. In some cases uncertainty leads to employee turnover. On the other hand, if the company's leader leaves the company, employees are no longer sure what to expect as the old company's norms may not be in line with those of the new organization. It is important to understand that employees reactions are affected by their supervisor's actions. They interpret the supervisor's actions and use them as their guidelines. (Buono & Bowditch in Risberg, 2003, 20).

In Hubbard's research she found out that employee concerns differed depending on how well the acquirer followed the acquisition plan, communicated the plan and implemented it in a fair and professional manner. By following the process the acquirer managed the employees expectations and lowered their concerns. These findings are important to acquirer to understand in order to succeed in the acquisition by reducing employee concerns. (Hubbard, 1999, 19-20).

Hofstede (2005, 314-315) lists he main steps of managing organizational culture. The steps are designed for top management and cannot be delegated. Top management need to demand power and expertise, should start with cultural map of of the organization and need to demand strategic choices to be made. Management need also

create a network of change agents in the organization, design necessary structural changes aswell as changes in the processes and personnel policies. Finally management need to continue monitoring development of organizational culture.

3.3.1 Resistance to change

Resistance of change refer to seeing people as an obstacle; they slow the process down and don't adapt to change process and don't act as they are supposed. They slow the process by emotional reactions, delays and hesitation. Resistance to change is not a negative phenomenon, it is normal part of change process, people need to mourn. People find relying to the old soothing. Change requires leaving the old culture behind, and people need to have the right to mourn before they can adapt new culture and accept changes. (Lämsä & Hautala, 2005, 189-190).

4 Organizational behaviour

According to George and Jones (2002, 6-7) organizational behaviour gives the tools for employees to understand and analyze behaviour inside the organization. On the other hand it also gives the tools for the managers to improve, enhance or change behaviour at a workplace in order to help the organization as a whole to achieve the goals it has been given. Organizational behaviour is about the factors that have an impact on how people respond and act inside the organization, and the work environment is managed.

4.1 Motivation

Organizational behaviour researchers have been wondering what makes people work. The relationship between people and work have changed a lot in recent years and the traditional idea of people needing control and guidance as well as monetary reward is no longer the only possible reason to work. Technology, automation and access to information along with arise of education have elevated employee's expectations and demands towards work. Nowadays instead of guiding and controlling, employers need to appel employees thinking and feelings in order to make them feel their work meaningful and worthy. Work motivation is affected by person's internal factors such as environment, as well as external factors such as reward's systems. Motivation has a shape and direction. Shape is something invisible, we can only be guessing if someone is motivated or not. The direction of motivation is directed towards a goal. For work motivation, it is helpful is employee's personal and work motivation are going towards the same goal, it makes work meaningful and inspiring. (Lämsä & Hautala, 2005, 80-81).

4.1.1 From Motivation 1.0 to 3.0

Daniel Pink (Pink, 2009, 17) compares motivation to computer operating systems. Underneath the surface there are protocols, instructions and suppositions to ensure that everything works smoothly. User doesn't think about the operating system until it fails. After a crash operating system needs to be upgraded to a better version. Societies have operating systems too; laws, social customs and economic arrangements. Our

social operating systems consist of assumptions of human behaviour. In the earl days of humanity, the assumption of human behaviour was to survive. Pink calls this operating system Motivation 1.0. It didn't differ much form animal's behaviour but served it purpose well – until it didn't. As societies were formed and humans needed to co-operate with strangers, operating system based solely on biology was no longer adequate. Motivation 1.0 needed revising, new assumption was that humans are more than the sum of biological urges. The first drive, survival, still existed but didn't define what we are. The second drive that arose was to seek reward and avoid punishment. The new operating system was called Motivation 2.0. The Motivation 2.0 has been going on for a long time and it is so deeply enbedded in our lives that we hardly recognise its existence. We have been configured to think that in order to improve performance, increase productivity and to encourage excellence is to reward the good and punish the bad. (Pink 2009, 18-19).

In the 20th century Motivation2.0 was challenged by Maslow and McGregor. Maslow questioned that human behaviour was purely to seek positive stimuli and to avoid negative stimuli. McGregor challenged the presumption that without rewards or punishments humans wouldn't do much. He suggested that people had higher drives that motivated them. This improvement created Motivation 2.1. Finally Motivation 3.0 is the upgrade we now need, it recognises the third drive we have; to learn, to create and to make the world a better place. (Pink 2009, 18-19, 210).

The lenght and strenght of motivation varies. People can be motivated for a short perod or for a longer period. Long project require that motivation is maintained throughout the project. Strenght of motivation can even reach passion towards the goal. Regular work task don't raise the strenght of motivation above average but low strenght of motivation is a sign unwillingness to work and complete given tasks. Work motivation includes both internal and external motivation. Internal motivation refers to psychological needs and values. Rewards and punishment are external makers that are part of external motivation. The base of work motivation theories is Maslow's hierarchy of needs; people are motivated by different needs that proceed in the order of importance from most important to less important. Once the most important need

is fullfilled, person is no longer motivated by it. The hierarchy of needs doesn't remain the same, it changes along with changing work assignments, circumstances and personal life situations. Even if Maslow didn't create his theory to apply for work life, it has had a significant affect on perception of work motivation and its contents. (Lämsä & Hautala, 2005, 81-83).

Lämsä and Hautala (2005, 84-85) also present Frederick Herzbrg's (1959) theory of work motivation. It was divided into factors of satisfaction and factors of dissatisfaction. Factors that create satisfaction Herzberg calls motivation factors; they are directly linked to work and create positive thoghts in empoyee, satisfaction and good attitude. Dissatisfaction also calles as hygiene factors are not directly linked to work, but to physical and psychological work environment. Motivational factors are achiement, recognition, the work itself, responsibility, advancement and growth. Hygiene factors are company policies, supervision, relationship with supervisor and peers, work conditions, salary, status and security. To decrease dissatisfaction, company should improve the hygiene factors. When the hygiene factors are improved, it is easier to affect on motivation factors. To achive high satisfaction and low dissatisfaction, all the factor need o be in balance. In researchs based on this theory, a solid proof that work satisfaction influences work performance hasn't been found. It is impossible to say has the work performance been caused by satisfied employee or is good work perfromance causing work satisfaction. Even if the theory is argues, it proofs that work motivation is complex phenomenon and it is simultaneously affected by many factors.

According to Pink (2009, 35) motivation in a workplace starts with salary and other benefits. People work to make a living. But actually you get very little motivation by only these basic rewards. Using a stick and carrot, you can get the opposite results than anticipated. Rewards and punishments can often lead to cheating, addiction and myotic thinking. Sometimes tactics to boost creativity can reduce it, as well as incentives to promote good deeds can make them disappear. There are practises we trust to produce results, that have had completely opposite results. These are the bugs in Motivation 2.0 which need to be fixed for Motivation 3.0 upgrade. (Pink, 2009, 35)

Suvorov (in Pink, 2009, 54) explains that rewards are addictive because if an employee is rewarded for doing something, he will expect to be rewarded everytime for similar task and compels employer to give rewards. Soon the reward stops feeling like an extra bonus, and employee looses interest. Employer then needs to raise the reward to get the same affect from employee as he had when the reward was initially introduced.

4.2   Commitment

According to Lämsä and Hautala (2005, 92) commitment is a concept that investigates people's relationship towards working. Commitment is a psychological link between a person and target. From work point of view commitment means that employees comes to work willingly, feels responsibility towards his work and work community and for it's development. Committed employee is enthusiastic and efficient. Individual's work attitude and work behaviours are part of commitment.

There can be found three features in commitment; target, nature and strenght. From target's point of view we can investigate to what people are committed to. The target is not always the same, it can be for example a task, profession, project or other people. The stronger the value base of the profession and expertise of the employee, the more likely it is to be more committed to the profession than an organization. Commitment can be also investigated based on its nature. There are three natures of commitment: continuance commitment, normative commitment and affective commitment.

- Continuance commitment is based on willingness to work continuosly. This requires that person finds working more beneficial than the option of not working.
- Normative commitment is based on adopted norms, regulations and instructions and by following them a person is hard-working and works according to contracts.
- Affective commitment is based on person's values, emotions and identifying based commitment. (Lämsä & Hautala, 2005, 92-94).

Dr John Kotter presented a 8-Step process for Leading Change in 1996 after pbserving leaders and organizations when they tried to transform or execute their strategies. The 8-Step process is a methodology based on success factors Kotter identified after observations. The process is presented in figure 6. The first step is to create sense of urgency; creating and using a big opportunity to excite people to sign up to change their organization. Step number two is building a guiding coalition. Asseble a group that has power and energy to lead and support change. The third step is forming a strategic visions and initiatives; shape a vision that helps to steer the change efforts and develop initiatives that help to achieve that vision. The fourth step is to enlist a volunteer army. Raise a large force of people who are ready, willing and urgent to drive change. Step five is to enable action by removing barriers; remove obstacles, change systems or structures that on the way of achieving the vision. The sixth step is generating short term wins. Consistently produce, track, evaluate and celebrate small and large accomplishments and correlate them to results. Step number sevenis sustaining acceleration; use increasing credibility to change systems, structures and policies that are not in line with the vision. Hire, promote and develop those employees that implement the vision and reinvigorate the process with new projects, themes and volunteers. Finally the step number eight is "institute change". Articulate the connections between the new behaviours and organizational success and develop the means to ensure leadership development succession. (Kotter International, 2015)

5 Methodology and data collection

5.1 Research methods

The research was carried out by interviews of management and by survey to target company's employees. Interviews were primary data collection method. Interviewees were mainly management involved in the project; Country Manager, Area Director, Finance Manager, external HR consultant used during the integration and target company's former Area Director, who resigned soon after the integration of practices and processes started. Interviews were conducted face-to-face when possible. I found it important to interview also someone from the acquired company's management team. An electronic survey was sent to the employees of the target company to see how they had experienced the integration. The chosen research approach is a case study research. Interviews were held as semi-structured to give interviewees opportunity to voice their views also outside the premade questions.

5.2 Case study research

Case study is a good reaserch method when the aim of the research is to come up with recommendations and ideas for development. The actual case can be for example a company, its part, a service, product or process. Case study provides information about a current case or phenomenon in its real surroundings. The aim of a case study is to produce deep and detailed information about the research topic. In a case study it is more important to find out a lot of information about a small topic than finding some information about a larger topic. It answers to the questions "how?" and "why?". The aim is not to provide statistical generalization nor it is a sample of a larger group. Case study research's goal is to produce new information to support development . (Ojasalo, Moilanen & Ritalahti 2014, 52-53).

If we want deeply understand and create new ideas for development, a case study is suitable research method. It helps to understand for example how and why employees act the way they do and the internal processes of a company. Case study can also

compare several cases in the same context as long as the cases can be understood as one entirety, as a big picture so to speak. (Ojasalo et al. 2014, 53).

Case study is based on theories, methods and previous studies. Even if old methods don't need to be strickly followed, they need to be taken into consideration. Researcher needs to find from previous studies and researches the infromation relevant to his own case study. When choosing literature, the most important is to see what kind of methods have been used to solve research questions similar to researcher's own case study. (Ojasalo et al, 2014, 53-54).

Often the researcher has some previous information about the case before starting the research. The actual research question may change as the project proceeds. It is a natural part of development process. When more information is gathered, the initial research question might loose its importance and will be replaced by a new research question. (Ojasalo et all, 2014, 54).

It is typical to case study to use several methods in order to gather deep and versatile picture of the case. Both qualitative and quantitative research methods can be used or a mixture of the both. Different interviews are often used for data collection. The reason behind the use of interviews is that a case study often concerns people and human behaviour. Therefore it is important to interview the people involved with the case itself as they are part of the development. The interviewees can describe and explain the case, aswell as explain the reasons and actions that have lead to the current situation. Interview is a flexible research method as it can be adapted in different ways. (Ojasalo et al, 2014, 54-55).

5.2.1 Qualitative and quantitative research methods

Research methods are traditionally divided into qualitative and quantitative methods. Qualitative methods are for example theme, open and group interviews and participant observation. In qualitative research, the number of research targets is smaller that in quantitative research but the amount of data collected is larger. The purpose of a qualitative research is to understand a phenomenon better and as a big picture. The

researcher is often very close to the research target or even involved in their action. Researcher makes his own interpretation of the results and evaluates the reliability. (Ojasalo et al, 2014, 104-105)

Quantitative research is typically a questionnaire or fully structured interview where the same questions are asked form a large group of people. Quantitative research is often used in cases when a theory needs to be tested. A questionnaire or interview is based on theory and the results are analysed by using statistical methods. The realiability of the research is measured by validity. (Ojasalo et al, 2014, 104-105)

5.2.2 Interview methods

Interview is one of the most used methods of data collection in both research and development studies. Interview as a data collection methods gives fast in depth data about the development case and allows the individual to present personal thoughts and ideas freely. In development cases, interview is a good tool for gathering data that open new perspectives. It is often used combined with other research methods since they usually compliment each other. Interviews are preferably held in the reasearch target's environment in order to put the interviewees at ease and it is also easier to talk about and remember things when we are surrounded by them. The interview method is chosen depending on what is the purpose of the interview and what does the interviewer want to accomplish. Interview can be structured or semi-structured, individual or held in groups, theme or in-depth. Structured interview is in place when the purpose is to ask same questions from a large group of people. (Ojasalo et al, 2014, 106-111).

The lenght of an interview is somewhere between 1-2 hours, depending on how detailed information is needed and how open the relationship between interviewer and interviewee is. Interview is interaction between individuals and it is planned and directed by the interviewer. The interviewer need to motivate the interviewee and keep him motivated throughout the interview. The interview should be based on mutual trust. Interviews should be recorded for two reasons; firstly it gives the interviwee the freedom to observe the interviewee and his expressions, tones of voice and non-verbal

communication. Secondly, a recording is the interviewer's memory, and he can get back to the exact moment of an interview later on. Interviewer needs to give permission for recording. Transcription is essential if the exact words and phrases used important part of the analyzing of the results. Otherwise transcription can be made roughly using spoken language. Interview and analyzing are time consuming. (Ojasalo et al, 2014, 106-111).

As mentioned before, an interview requires mutual trust between the participants. Interviewee need to be informed about the purpose of the interview, the goal of the development research and the confidentiality. The main difference between a conversation and interview is that an interview is controlled by the interviewer. The interviewer is the one asking the questions and gathering informationa and the interviewee is the one asnwering the questions and providing information. Interview proceeds as a normal conversations, beginning with unofficial chat before moving towards the actual topic. The interviewee also needs to be prepared for the end of the interview. (Ojasalo et al, 2014, 106-111).

In fully structured interview the questions and the order of the questions are decided by the interviewee beforehand. Semi-structured interview allow the interviewer to change the order of the questions, leave some questions out if they don't feel relevant and ask new questions that come to mind during the interview. In an open interview the topic or issue is discussed more in a general level, and participants are equal. Semi-structured and open interview are suitable for cases when the purpose of the research is to study an importance of a phenomenom to participants, researcher needs background information before conducting a quantitative research, a quantitative research has been conducted and it's resuts are being interpreted or competencies of individual meters are reinforced. (Ojasalo et al, 2014, 106-111).

Results of a structured interview can be submitted to a computer software (SPSS or Excel for example) for analysis. The more open the interview is the more qualitative methods are used for the analysis. Often interviews have both structured and open questions, so both qualitative and quantitative methods need to be used for the data

analysis. The analysis of the data starts by reading or listening through the interview material or recoridings and really understand what was been said in order to be able to classify and link the responses to the theory. The data can also be analysed by looking for differences between the respondents. When deciding the number of interviewees, the researcher should take in consideration of the point of saturation. The point of saturation has been reached when the interviews stop providing new information. The interview data should be analysed soon after the fact because upcoming interviews can be modified based on errors found or if further information is needed about certain topics. (Ojasalo et al, 2014, 106-111).

5.2.3 Electronic questionnaire

The number of electronic questionnaires has increased in recent years due to the ease of creating one. There are several free or low-cost softwares that enable fast and low-cost survey creating and data analysing. Typical ways of conducting a survey is sending it via email, posting a link to a company website and posting a link to a social media page. The fast growth in number is electronic questionnaires has a down side; people receive too many questionnaires and loose their interest in answering to them. The response percentages have dropped in recent years also due to email junk mail filters. Questionnaires posted in Facebook for example are problematic because the researcher cannot identify the respondents. They can be just random Facebook page visitors. If a questionnaire is not based on a sample, the results cannot be generalized to apply for a common group. (Ojasalo et al, 2014, 128-133).

Electronic questionnaire should include all and only those questions that are relevant to the research. The lenght and visual look of the questionnaire are important to both respondent and researcher. The ideal lenght of a questionnaire is maximun 15-20 minutes. The respondents need to be able to answer to the questions, so attention need to be paid on simplicity of the questions. The questions need to be simple and clear, no need for interpretation. Before sending the questionnaire to public, it need to be tested by someone. One key success point and a section that has direct affect on response activity is the cover letter. It needs to raise interest and trust, it needs to crearly state

what is inveatigated and why, what is the purpose of the research and by whom is it conducted. (Ojasalo et al, 2014, 128-133).

5.3   Reliability and validity

Reliability concerns the extent to which an experiment, test or any form of measurement can produce same result when repeated (Carmines & Zeller, 1979, 11). The idea of reliability is replicability or repeatability of results or observations. Joppe (in Golafshani 2003, 598) defines reliability as the extent to which the result are consistent over time and the results of the research can be preproduced when using similar methodology then the research instrument is considered to be reliable. Validity determines if the research really measures what it was intended to measure, did the research "hit the bull's eye" of the research object. (Joppe in Golafshani, 2003, 599). The means of measurement need to be accurate and be measuring what they were intended to measure. (Golafshani, 2003, 599).

6 Research process

The reserach process started in late May 2014. Together with Company X's Country Manager it was decided that the research would be about how the target company's employees had experienced the acquisition and integration process and in general what challenges were faced and how had they been overcome. Research plan was introduced to thesis supervisor and approved in June 2014. First draft including themes and structure was sent to thesis supervisor in September 2014. A meeting with Country Manager was held in October 2014 to finalize the research plan, interview questions and survey questions. In early November 2014 interview and survey questions were approved by thesis supervisor. All interviews were held in November 2014 and the survey was sent out in early December 2014, close to the first anniversary of the announcement of the acquisition. At that stage we couldn't speak about integration anymore, as the actual integration had been executed. That is the reason the research is name "post-acquisition analysis". Final meeting with County Manager was held in January 2015 to go through the survey results.

Five interviews of key members of the management team were conducted; Country Manager, Area Director and Finance Manager, target company's Area Director who left the company during the integration process and finally an external HR consultant who assisted in the acquisition and early integration phase. Interviews were held in November 2014, three of them face-to-face, one over the phone and one by using Skype. All interviews were audio-recorded. The Company X's management team had same questions, target company's Area director and HR consultant had less questions to answer and the questions did vary depending on their own participation and knowledge about the integration.

The themes of the interviews were three: background information about the acquisition, merging organizational cultures and communication during the integration. As the interviews were semi-structured, as the interviews proceeded some questions

were left out and replaced by new ones. The questions formed a base and structure to the interviews but they were more used as guidelines. The lenght of the interviews varied from 30 minutes with target company's Area Director and HR Consultant to 45 minutes to the management team.

The survey was sent out on the first week of December to all former Company Y employees still working for company X. In total the number of recipients was 30 including few part-time employees. Recipients were given one week to participate on the survey. During the week, two reminders were sent out to those who hadn't replied yet. The number of replies was 19. In the survey respondents were given statements and answer options on the Likert scale from strongly disagree to strongly agree. Questions were grouped into background information, organizational culture, communication and new job role.

6.1   Current situation

The current situation according to Country Manager is that 80% of acquired employees are well integrated and the rest will never be. The 20% are still struggeling with systems, English language and missing "the old days". It is difficult to change that, he said.

> Couple of wishes. I hope that soon we would not talk about Company Y anymore. It's only Company X. Everything is Company X, we would be one. One corporate culture. One product. One people. (Area Director)

According to Country Manager's announcement, the first quarter of the year 2014 was unprofitable due to the one-off charges related to the integration. The second quarter is already positive and the estimation is that Company X will close the year in December by +5% EBIT (earnings before interest and tax). The revenue estimation for year 2014 is 9.1 M€. It is possible that after year 2014, Company X will evaluate if all of the acquired locations will be kept. Some may be closed down because due to unprofitability.

7   The key acquisition elements

In this chapter the results of both interviews and survey are presented. The acquisiton of Finnish family owned competitor Company Y was announced in December 2013. Employee co-operation negotiations started right away. Employees of the target company who had overlapping job roles, were offered a resignition package. The overlapping roles were mainly in IT and administration since at Company X they are taken care of by Global Service Centre in Manila. All the operative employees were kept. Training of staff started in March 2014. Employees were offered an extensive training held by both international and local Company X staff members. The employee turnaway was 10% in October 2014 which is normal percentage for the size of the company. The acquisition timeline is presented in the figure below (figure 4).

Acquisition timeline

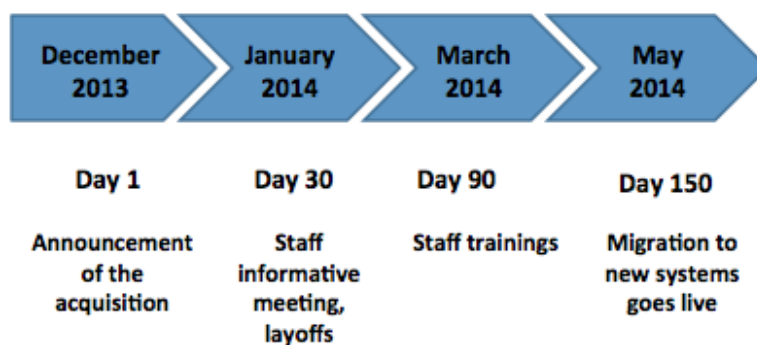| December 2013	January 2014	March 2014	May 2014
Day 1	Day 30	Day 90	Day 150
Announcement of the acquisition	Staff informative meeting, layoffs	Staff trainings	Migration to new systems goes live

Figure 4. Acquisition timeline

The survey was sent to 30 recipients of which 19 responded. Figure 5 shows how many years had the respondents worked for Company Y. Majority of respondents had worked for three years or more. Two resopondents had worked less than a year, meaning that these two persons had been recruited only weeks before the acquisiton.
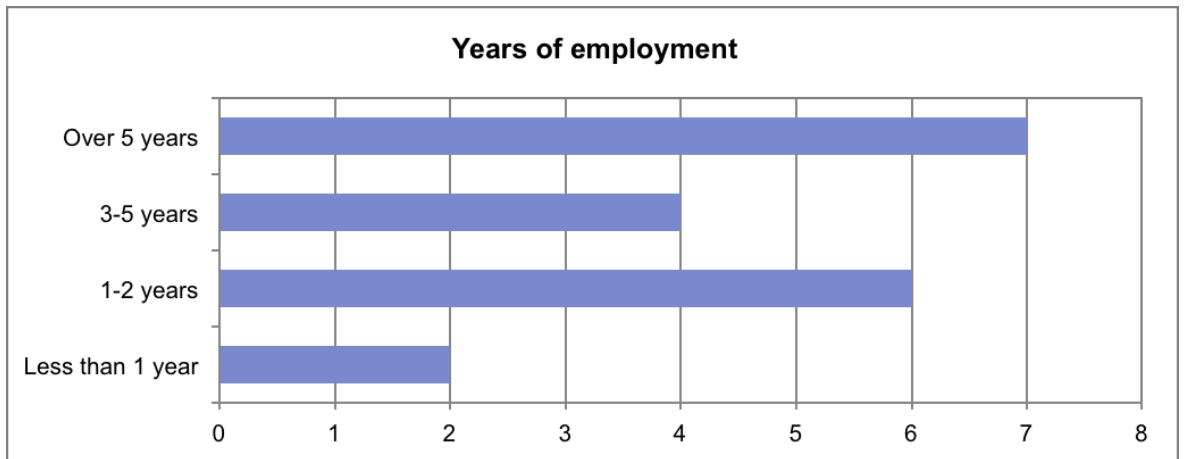
Figure 5 Years of employment

The below pie chart (figure 6) shows the age of the respondents, majority of them, 63% are 35 years old or younger. 21% of respondents are 36-45 years old and 16% over 45 years old. Both age and year of employment reveal us that the staff were very diverse. There were those who had been in the company for over five years and some just started, even the age groups are almost evenly distributed.
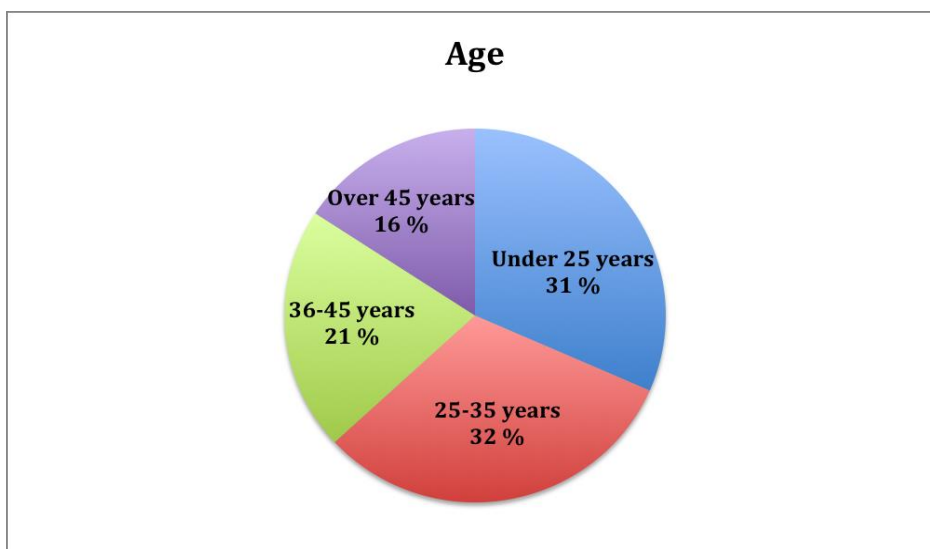

Figure 6 Age

7.1   Motivation & strategic goals

The motivations to acquire Company Y were mainly network based. Company X Group's strong growth strategy based on aim to build a global network of flexible workspaces and to put business in Finland in completely new scale were the key motivations behind the acquisition according to Company X's Country Manager. Seeking growth by opening just one business centre at a time would take significant

amount of time. The other option would be to follow example of Company X in United Kingdom and in Germany and buy out a competitor. In 2013 Company X had very small foothold in Finland, by acquiring Company Y, Company X became the biggest player overnight said Company X's Finance Manager. He continued by saying that Company X wanted to dominate the market, make the brand known in Finland. The other and equally important motivation behind acquiring Company Y was to limit competition or at least to decrease it, because Company Y was the biggest competitor said Area Director. By acquiring Company Y, Company X got access to new markets outside the capital in Vantaa, Turku, Tampere and Lahti.

The strategic goals were very close to the motivations behind the acquisition. One interviewee listed business growth, network growth, acquiring existing customers, attracting more customers, converting more sales and cutting costs by cutting out administrative roles as strategic goals. Organically Company X's strategic goal is to grow by three to four new business centres per year in Finland. Growing organically in this case means growht without acquisition. Area Director agreed that Company X Group has a very aggressive growth target when it comes to number is business centres or "dots on the map" as he called them. Without the acquisition Company X would have still tried to open new business centres in Helsinki and also outside, but the acquisition speeded up a process which would have happened anyway, he concluded.

7.2 Expectations

Country Manager explained that typically Company X had acquired successful companies, but when acquiring Company Y, Company X knew it wasn't a strong company. The cash flow was thin, business was not in a "good swing", product was worn out, staff's motivation was in a give up mode and the office occupancy was declining. The Company Y acquisition was to be a "turn-around" case: to bring new spirit to the team, creating better product, refresh the business centres and make better sales. All Company X's interviewees admit that the business was in worse condition than expected despite heavy mystery shopping and due diligence done prior to taking the decision of acquiring Company Y. The Oxford Dictionary (2015) defines due

diligence as "comprehensive appraisal of a business undertaken by prospective buyer, especially to establish its assets and liabilities and evaluate its commercial potential". More resources and funds were needed to refurbish and improve the product than anticipated.

7.3   Resources

The acquisiton team was led by UK based Project Manager who had led similar projects across Europe. The team consisted of Country Manager, Area Director, Finance Manager and refurbishment project manager all based in Finland. According to one interviewee, Company X had enough resources allocated but the Company X internal processes are complicated and need to be simplified on a Group level. Another interviewee said that Company X did not have enough resources locally but the Project Manager was very good as she was very experienced in acquisitons and had very good roadmap about what challenges the team would face and how to divide tasks. It was also said that the Project Manager was like an engine that measures the size of the target company and then decides the amount of resources to be allocated.

One criticism the interviewees came up was that there was no dedicated IT person in Finland which was needed. It was also stated by one of the interviewees that the team would have needed more resources internally and it would have been also cheaper than using outsourced resources. Human resources part of the acquisition was brought outside the company because

> Company X Finland didn't have its own HR department and therefore didn't have the skills and understanding needed in handling HR questions especially when we knew from day one that not all Company Y employees we could find a new position.
> (Area Director)

External accounting firm was used to do the due diligence and a law firm to address all legal issues.

7.4 Key differences and similarities in organizational cultures

When the interviewees were asked what were the key differences between Company X's and Company Y's organizational cultures, all had same answer: they are like night and day, very much different. I have gathered in the below table (table 5) how did the interviewees describe both companies. Company X was described as target and result oriented with "today not tomorrow" attitude whereas Company Y had no sense of urgency and was floating ahead. Company X is run regimentally and on the contrary Company Y was run semi-professionally and was described as chaotic. Company X is burocratic and on the contrary at Company Y decision making was easier and faster due to lack of burocracy. When it comes to sales, Company X is very sales oriented, every enquiry is treated as if it was the only one but in Company Y they were trying to get as many enquiries they could and some of them would result in a deal. Company X is a big international operator with English as business language and global service centre in Manila, Philippines and Company Y was a small family run local company, Finnish as business language and everything done locally. Company X has a lot of processes, standards and policies and Company Y's business was badly organized and ineffective. Some interviewee described it having no future and led by the CEO.

Company X	Company Y
Target and result oriented	No sense of urgency
Today not tomorrow attitude	Floating ahead
Run regimentally	Run semi-professionally, chaotic
Burocratic	Decision making easier and faster
Sales oriented, every enquiry treated as if it was the only one	Trying to get as many enquiries they could get and some would result in a deal
Big international operator	Small family run local company
Business language English	Business language Finnish
Global service centre in Manila	Everything done locally
Processes, standards, policies	Business badly organized and ineffective
	No future
	Led by the CEO

Table 5. Key differences in Company X and Company Y

"Company Y's business was badly organized, ineffective, making loss and would have gone to backcrupcy within 6-12 months" stated one of the interviewees. Another interviewee continued by saying he couldn't find any evidence that Company Y had any organized way of operating. On the otherhand, HR Consultant said that Company Y employees were very proud of their company and not having burocracy and processes. The company was small and grown slowly. Each individual's role was essential.

When it comes to similaries, all interviewees agreed that all similarities could be found only in the concept and in trying to attract same customers. Company Y's former Area Director had slightly different view than Company X' interviewees by stating that both organizations were target oriented and had low organizational structure locally. One Company X interviewee agreed that Company Y organizational culture was similar to what Company X Finland's culture was few years ago. HR Consultant said the people working closely with clients had the same approach towards customer service as people at Company X; customer's were well taken care of and people wanted to give the best possible service they could.

7.5   Integrating organizational cultures

It was said that the strategy was that Company Y would become 100% Company X and it was the only way to materialize the benefit of the acquisition. Cultural crash was expected and to avoid and mitigate the crash, the strategy was to give as much information as possible and highlight the benefits of the acquisition. One interviewee added that there was no discussion about it, as Company X bought Company Y, Company X would also implement its own culture. The interviewee continued saying that they didn't expect Company Y's key players, which Company X wanted to keep, to leave the company. In acquisitions, term "brain drain" has been adopted to reflect the loss of educated and talented individuals. In this case, it was exactly some of those informal leaders in key roles who chose to leave. Some said that the reason behind

them leaving was the Company X is very sales oriented company with fast pace and that was something they didn't feel comfortable working with.

> I fully respect that, if you feel the culture and the way company conducts its business doens't fit to your mindset or the way you want to work, then it's more than fair you leave the company. There was no misunderstanding that we would integrate Company Y to Company X's organizational culture." (Area Director)

One interviewee pointed out that you cannot get culture beforehand, only after the deal. There was easygoing culture in Company Y in the sense that it was a new concept to them that something needed to be done by certain time. They didn't operate in that way.

The below figure shows the results to statements regarding the organizational culture. The first statement was "I feel that my employment is more secure with Company X than how it was with Company Y". Out of 19 respondents, majority either disagreed or strongly disagreed, five agreed and one strongly agreed. Some did not have an opinion to the statement. This reflects the uncertainty employees feel since only six respondents felt that their employment was more secure.

Just over half of the respondents strongly agreed or agreed to have more information about company's strategy and goals with Company X that what they did with Company Y. Couple didn't have an opinion, four disagreed and three strongly disagreed.

When asked did respondents feel being part of Company X, one strongly disagreed, nine disagreed, a few did not voice an opinion, five agreed and one strongly agreed. Eight disagreed to the statement of finding it difficult to adapt to Company X's culture. Six respondents were indifferent, four agreed and one strongly agreed. Majority agreed or strongly agreed to feel they had been supported during the integration by their colleagues and supervisor. Two didn't have opinion, some disagreed and one strogly disagreed. Finally, a few respondents disagreed to find Company X's organizational culture very different from what they were used to. Four were indifferent, but majority of respondents either agreed or strongly agreed.
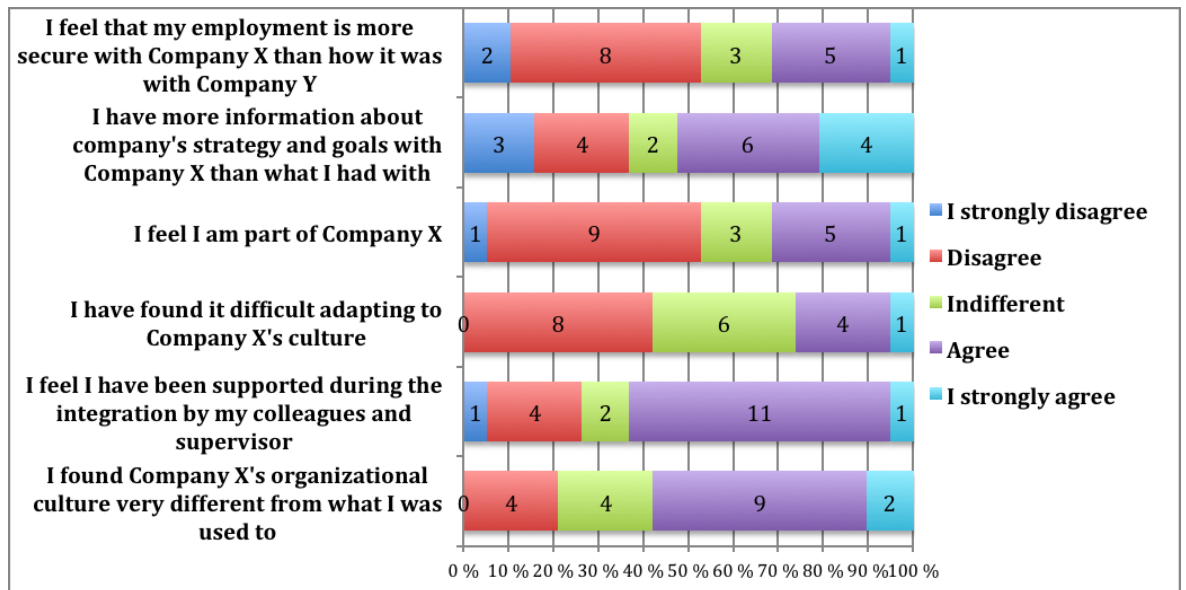
37

Figure 6 Organizational culture

7.6 Challenges in integrating global corporate culture into Finnish family-run company culture

In general the biggest challenges were the same as key differences; learning new way of working, starting to operate in new language, pace change, having timeliness and targets, urgency in doing things, new systems and corporate culture. Language came up in all interviewees answers. Operating in English was a massive challenge and about 20% of acquired staff didn't have the English skills Company X requires.

One of the Company X interviewees pointed out that as Company X is a listed company, there are targets that need to be met. Also the fact that Company X is measured on monthly basis by the owners, management and banks. It is the market that sets the expectations to Company X. Target company's Area Director critized that staff training was held long before staff got their laptops and systems working, which led to that when they got everything working, they had already forgotten most of the training. Having this done more efficiently, results would have been reached earlier.

7.7   Reactions of acquired company's employees

The interviewed Company X management listed that they excpected that there would be three types of reactions to the annoucement of the acquisition:

1. Those who would be excited and happy, and would see it as a possibility for their career
2. Those who couldn't care less. "I just work here"-attitude
3. Those who would understand there would be big changes which they would not like or they were a bit scared for two reasons; do I have the skill set and is there a position for me.

Before the acquisition one interviewee estimated that 70-80% of the acquired staff would see the acquisition as an opportunity and the rest as a treath. Afterwards he said there were no big surprises, 80% / 20% would be quite close.

> You can pretty much see when you walk around who took it well and who didn't.
> (Country Manager)

One of the interviewees said that during the integration there were negatives who turned to positives and vice versa. HR Consultant spoke in private with every employee of the acquired company and did talent mapping to see if a suitable role could be found for everyone. She said that the general feeling was positive. Naturally there were some who felt their life's work would be lost and there wouldn't be a place for them. There was some cautious criticism. Some had known that the company was on the market for sale and understood that it was a welcome change. Nevertheless they felt that Company X was an arrogant competitor.

Finance Manager was the only one who jumped straight to work in the target company's finance team after the announcement of the acquisition. As it was still early in the process, no decisions of layoffs were made yet. He said people were very nervous around him. He couldn't answer to any of their questions even if he knew what most likely was going to happen. Some were bitter, slightly older with no

education and English skills worried for their futures. It would be hard to find a new job. He found it at times hard to work with them.

7.8   Keeping staff motivated

> Since the integration is over, there is no additional things. We are one company, one team. Business as usual. (Country Manager)

Country Manager continued by stating that big responsibility is with anyone in managerial role to keep employees happy and motivated to work. Company X holds formal appraisals twice a year, monthly one to one discussions and offers career paths to Customer Service Representatives. He highlighted also the importance of going beyond the standard Company X's templates when giving feedback. Good managerial work and clear expectations are the ways to motivate employees. According to Area Director the training that was provided and the fact that Company X has good programmes and software to lighten the work load are motivating. Company X brought variety and new tasks to their roles, up to date software and less manual work and on top of that possibility to work abroad since the work is the same everywhere said Area Director. It was ackowledged that the compensation level was not equal. There were people in business centres doing the same job for different salaries and benefits. Company Y provided good health care plan which Company X doesn't but on the other hand Company X provides a bonus plan. Streamlining compensation and salary discussions were still to come at the time when the interviews were held.

7.9   Communication during the integration

The communication was mainly done by Country Manager via email starting from Day 1 email. Prior to the announcement of the integration, it was discussed with Human Resources consultant what the communication should include and how should it be executed. The key messages were turned into a "Story House", the key message being the roof and supporting messages being the walls that hold the roof up.

Whole personnel informative meeting was held soon after the announcement in January. The personnel informative meeting's goal was to communicate the "Story

House"' key messages presented in figure 6 to new team members. The key message, the roof, was that acquiring Company Y was part of Company X's growth strategy. Three additional key messages, the supporting walls, were communicated to the newly acquired staff regarding the acquisition. Firstly, since Company X aims to accelerate its business growth and expand the network of business centres, the fact that Company Y had 27 locations and therefore vast client database, suited well to Company X's strategy for growth. Secondly, Company X is innovative and leads the development in constantly changing ways of working, the acquisition combines Company X's innovation and international network to Company Y's strong local presence and network. Thirdly, the acquisition allowed the possibility to lead the market in Finland. By combining both companies' strenghts, further development of flexible workplace industry can be created. Finally, Company X's brand recognition will increase due to larger network and size of the company. HR Consultant commented that in the first meeting Country Manager still used terms "us" and "you", whereas he sould have emphasized already at that stage that together we are going to do great business. That is just how it always goes. It takes time before you feel as one, she concluded.

Figure 6. A Story House

Most of the communication was done by the General Managers in the business centres, passing on information coming from the Country Manager. For the first three

months the old management in Company Y was still in place which made communication challenging. One interviewee stated that it is hard to evaluate communication because people prefer different types of communication. Some prefer short bullet point communications, some need more detailed information and some videos, so all depends on how the message is received. "From my perpective it was a bit too much" he says. There was a lot of information that needed to be communicated. Area Director would include to integration communication also the trainings held and Company X's employees passing on information. "The amount of information was a lot in short time and not everyone was able to absorb it enough." he concluded.

Finance Manager who previously worked at Company X UK had been involved in an acquistion in the UK, and from his point of view the communication was better compared to UK where there was no communication at all to the target company. From HR Consultant's point of view, there can never be enough communication, there is always room for improvement. The consultant continued by saying that the English term communication, means two way communication, but a Finn often understands it as a one way communication, not really listening the receiving end of the communication. In that sense even if there was more than satisfying amount of communication, there could have been more.

Target company's Area Director was surprised that Company X didn't get Company Y management involved in the integration. A lot of things could have been sorted out simply by asking the management team but their knowledge was not utilized. Many felt that they didn't get a chance to explain things and were surprised that they were not asked for advise about how they used to run the business. He said Company X could have reached same results faster, should the management team been asked for guidance. One major criticism he had was the timing of the training. The training was held at the same time with the layoff negotiations. Each morning they were looking around to see if there were empty seats. In his opinion this put also the trainer in an akward position and didn't create positive atmosphere. In his opinion the communication regarding general information about the acquisition and integration

was relatively good. He also said if he needed any support there was always someone to call, maybe it wasn't everytime clear who to call but help was available.

In the below figure are presented the results of communication section of the survey. The survey results present that out of 19 respondents six agreed that the integration process was presented clearly, almost half strongly disagreed or disagreed and four didn't have any opinion. Six agreed to the statement that the content of the communication was clear and satisfying, two strongly disagreed, eight disagreed and some had no opinion. Six respondents agreed to the statement that the quality of the communication was good, two strongly disagreed, six disagreed and five were indifferent. Four agreed that the communication from management to employees regarding the integration was sufficient, majority of them strongly disagreed or disagreed, four were indifferent. Finally, seven agreed that they got sufficient amount of information about the integration. Two strongly disagreed and seven disagreed. Three didn't have an opinion. No one strongly agreed to any of the statements.
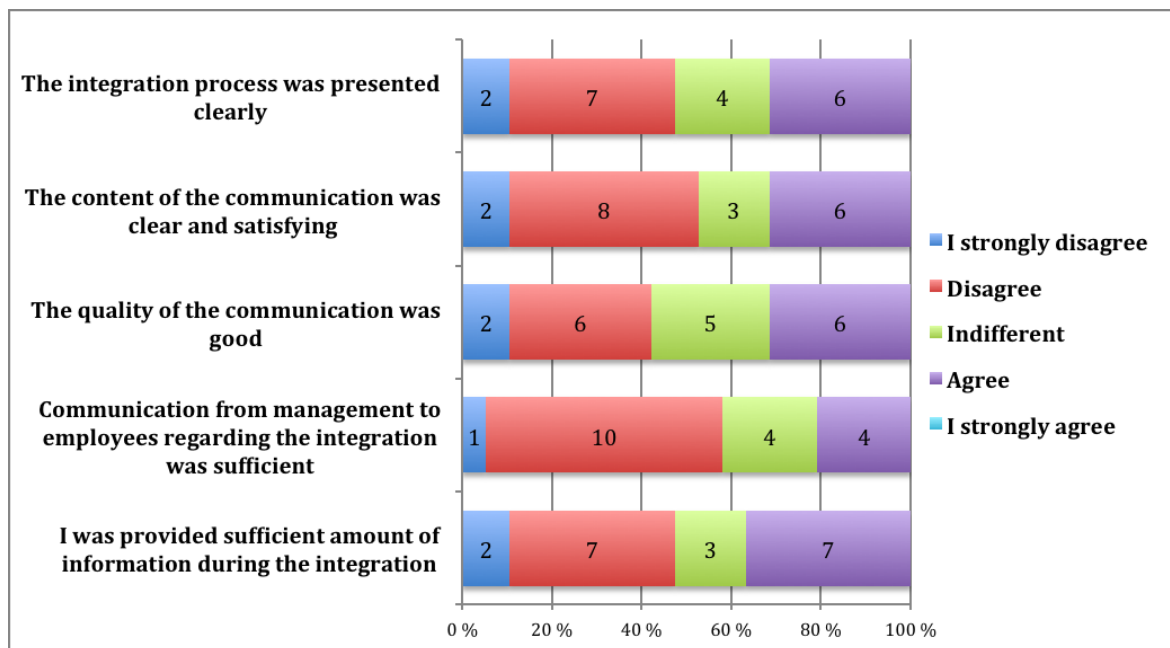

Figure 7 Communication during the integration

7.10 New job role

This section of the survey aims to get information about how the employees are finding their new roles, how did they experience the training and do they see future for

themselves within the company. Few strongly disagreed seeing themselves moving forward with their career at Company X, one disagreed and five were indifferent. Over half of the respondents either agreed or strongly agreed to the statement.

Over half of respondents strongly agreed or agreed to be inspired about their new role as a Company X's employee. Five were indifferent and three disagreed. The statement "I know what is expected of me in my new role" gave the most clear results; nine agreed, nine disagreed and one strongly disagreed. One strongly agreed that the quality of the training was good and eight agreed. Seven were indifferent, some disagreed or strongly disagreed. Finally, seven respondents agreed that they were provided with enough training to succeed in their new role. Two didn't have an opinion, eight disagreed and two strongly disagreed. As a conclusion can be said that employees found the quality of the training good but there wasn't enough of it. Maybe the dissatisfaction to the amount of training could have been solved by having the training closer to the date when systems were due to go live. Employees clearly do understand their new roles and are inspired by them and can see themselves moving forward in the company.
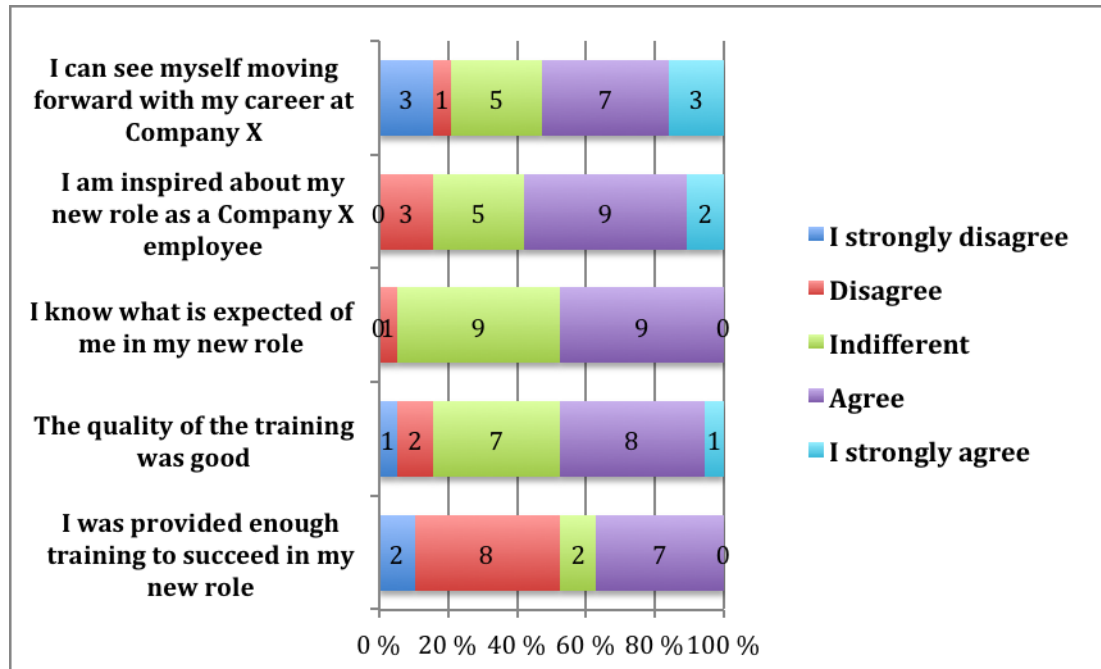

Figure 8 New job role

7.11 Challenges faced and lessons learnt

During the acquisition and integration process there were many challenges that were faced. Not having dedicated IT on site slowed down the migration to Company X systems. Target company's employees were not able to put in practise what they had learned in the training provided because there were no Company X computers, systems and software in place for almost two months. Finally when the migration to Company X systems went live, employees would have needed another training to fresh up their memory. This was pointed out as challenge by most of the interviewees.

One of the interviewees said that they knew little about employee reactions, they could have had better understading of it. Looking back, Country Manager said that the challenge in the communication was that it is a multi location business, it was hard to get everyone in one place at the same time. If he could do it again, he would walk around the business more, but in reality he didn't have enough time to do it even if he wanted to.

It was said by one of the interviewees that Company X had hoped to retain some of the Company Y staff longer, but they decided to leave. But on the other hand, another interviewee said that Company X should have get rid of sales staff earlier "as they were not selling anything". It was also said that since all focus was on the integration, Company X lost many months of sales. The focus was too much on the integration. An integration shouldn't cripple the sales.

One of the interviewees pointed out that if Company X had waited a month to close the deal, Company Y would have closed the books and Company X would have had more up to date information about the company's finances. He continued by saying that he also wouldn't have bought the whole company as it was, he would have bought only the parts of business that were profitable.

8 Conclusions

The aim of the case study was to learn how did the target company's employees experience the acquisition and integration. The results can no longer be put into practise at Company X as the integration is done and dusted but the results could be helpful to another company or organization in planning of their integration process.

From the research point of view, if the questions were given to interviewees beforehand, would the answers be different? Are interviewees more honest if they don't have time to prepare for the questions or would it give better answers if they had time to think about them? I should have opened up the key concepts and terminology to the interviewees, as I felt that organizational culture was interpreted slighly differently between the interviewees.

Good communication and acknowledging different employee reactions to acquisition are key factors in aiming for successful integration. As seen in the survey results, target company's employees were divided in half when asked about communication. Slight majority leaned towards communication not being sufficient, clear, good in quality and satisfying. Whereas interviewees felt that there was enough communication, or even too much according to one interviewee. This shows just how different perspectives management team and employees have. Management team had known about the upcoming change for a long time, they had already processed it in their minds and got familiarized with the integration. But the employees had no time to prepare themselves to the news, everything was going to change and for them nothing was clear. Maybe management team assumed that by communicating about certain things once would be sufficient but employees needed repetition. Country Manager did say in the interview that he had to keep repeating things that had already been communicated. It might be

frustrating to the communicator who already knows the process and maybe doesn't see why didn't the receiving end got it the first time.

Understanding employee reactions to the acquisition and getting information about it beforehand helps management to prepare themselves to what kind of reactions they might get and how to address them. Without having personal experience of being an employee of an acquired company, it is very difficult to understand how big change it is in their lives even if the change would eventually be for the best. The acquirer needs to be prepeared to help employees through the tough phase, like in this case involving an external HR consultant.

Personally I would have used job rotation more as an integration tool. Eventhough Company Y's employees did go through training, I felt that when they went back to their everyday routines in the same teams they used to work in, it was just easier to keep doing things as they had always done when there wasn't anyone to encourage them to put things in practise. I would have mixed the teams, put Company X employees to Company Y sites and vice versa, showing by example how things are done and providing that support and encouragement they needed. Many sites got new manager from Company X site, but if there is no one in centre staff level to guide them to right direction, to make sure they have understood processes, to motivate them and to boost their confidence, it is also harder to succeed.

I also experienced first hand how different the cultures were as I have three acquired company's team members in my cluster and I was their first point of contact. I soon undertsood that I had to adjust my communication style when addressing them. At first I treated them as any Company X employee but realized that they took it the wrong way. As mentioned earlier, in Company Y there were no timescales or urgency in doing things, so staff were not used to doing things in timely manner. I changed my communication to be softer and made sure I explained why certain thing needed to be done by certain time. It took some time for both sides to adjust to the new company and new people. Job rotation would help to understand better where the acquired staff

are coming from and not just expect them to immediately adjust to Company X's way of doing things.

Looking back, I would also pay more attention to legacy staff and hold a training or a meeting to discuss how the acquisition affects them and what is expected of them during the integration. If such meeting has held with management and ideally with HR consultant, it would have helped legacy staff to adjust and understand what Company Y employees were going through. Acquisition is a big change also the existing employees not only to the acquired employees. Suddenly legacy employees have a number of new colleagues, teams and locations. It is a lot to take in. Involving legacy staff into the integration process could help both sides to bond, give legacy staff feeling that they are important and part of the process and give acquired staff the feeling that they are cared for by legacy staff. Legacy staff should be considered as "agitators for excellence", trying to make acquired employees to thrive for success.

As mentioned, Company X cannot put in practice the results of this study, but hopefully another company that is either planning an acquisition or already made the decision could benefit of this study. The results can be helpful to companies with similar backgrouds, global company acquiring a local company. This study shows that even if there was a great integration team and HR consultant in place, from employees point of view more could be done. It cannot be under-estimated how much support and information the acquired employees need. The results of this study also implicate that everyone is not going to adapt, there will be those who will still speak of Company Y and compare to it year after year. And that is something that management will have to accept and Company X's management has done.

Was this a successful acquisition? This study's goal was not to evaluate the success of the acquisition but if it was measured by the result of only one question of the survey I would say yes. The obvious choice of question would be "I feel I am part of Company X", but since the survey was done less that a year from the annoucement of the acquisition, it would be too early to expect majority of employees to feel part of a new company. I would evaluate employee spirits by choosing the question about being

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inspired by their roles. Majority of the employees (57,89%) said that they were inspired by their new role as a Company X employee. Only 15,79% of the respondends disagreed with the statement. That result tells us that even if they thought there was room for improvement in the process and its communication, they feel positive about their jobs.

Overall the acquisition and integration processes went well, and the questionnaire to employees didn't reveill anything unexpected. Management had realistic expectations regarding the results, they knew to expect division between those who were integrated and those who were still reluctant to the change. It would be interesting to do a follow up questionnaire after a year to two to the same people and see have they had had change of heart.

8.1   Self reflections

This thesis project has been educational for many reasons. I have learned not only the theory of acquisitions and organizational behaviour, but also time management and perseverance. Soon after the interviews and electronic survey I moved to UK and initially my goal was to graduate in Spring 2015. I did not realize how tiring it would be to adapt to new job in a new country, months passed before I felt ready to continue with the project. Finally I set myself a goal and started working towards it.

I wish I had known about the acquisition beforehand, it would have been interesting to start the project from the moment the acquisition was announced and be more involved in it. Then the results would have been more interesting and useful, and maybe it would have even be possible to put some of the results into practise.

Living abroad while analysing the data was challenging as I didn't have access to local university libraries and local city libraries had very limited literature. I had to rely more on electronic databases. Considering my circumstances, I am satisfied with the outcome.

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Appendix 1.
Questions to Country Manager, Area Director and Finance Manager

1. Describe your own role or participation in the integration process
2. What was the motivation behind acquisition of Petrasol Oy?
3. On which expectations was the decision to acquire Petrasol Oy made?
4. Looking back, did Regus have enough resources to allocate, required capabilities and knowledge?
5. What outside assistance and/or consultance was used and for what purposes?
6. Evaluate was outside help used enough or could have Regus done without them?
7. What were the strategic goals? What was the strategy affected by?
8. Describe the key differences between Regus 'and Petrasol's organizational cultures
9. Describe the key similarities between Regus' and Petrasol's organizational cultures
10. Were the differences evaluated prior to the acquistion?
11. Was there a strategy for integration of organizational cultures? What kind of strategy?
12. How was it carried out?
13. What would you name to be the biggest challenges in integrating global corporate culture into Finnish family-run company culture?
14. What was the expected reaction of Petrasol employees to the acquisition ? How did you prepare to answer to the questions?
15. How did they react?
16. Are the goals kept in mind/evaluated along with the integration process? If yes, how and when?
17. How are the changes analysed? Enough time to do that?
18. Are there milestones to follow up?
19. How is staff inspired/kept motivated? Is it enough?
20. Evaluate the quality and amount of communication during the integration?
21. Plan to commit people?
22. How would you describe the current situation? Have you succeeded in merging the organizational cultures?
23. If you could do something differently, what would it be?

24. In your opinion, what are the key success factors in the integration?
25. Lessons learnt?
26. Future?
27. Questions/comments?

Questions to external HR consultant

1. Describe your own role or participation in the integration process
2. Describe the key differences between Regus 'and Petrasol's organizational cultures
3. Describe the key similarities between Regus' and Petrasol's organizational cultures
4. How were the differences/similarities evaluated?
5. What would you name to be the biggest challenges in integrating global corporate culture into Finnish family-run company culture?
6. What was the expected reaction of Petrasol employees to the acquisition ? How did you prepare to answer to the questions?
7. How did they react?
8. How is staff inspired/kept motivated?
9. Evaluate the quality and amount of communication during the integration?
10. Plan to commit people?
11. If you could do something differently, what would it be?
12. In your opinion, what are the key success factors in the integration from HR point of view?
13. Questions/comments?

Questions to employees who left the company during integration; General Manager and Senior CSR

1. Describe how did you find the integration process?
2. Describe the key differences between Regus 'and Petrasol's organizational cultures
3. Describe the key similarities between Regus' and Petrasol's organizational cultures
4. What would you name to be the biggest challenges in integrating global corporate culture into Finnish family-run company culture?
5. I was provided sufficient amount of information during the integration
6. Communication from management to employees regarding the integration was sufficient
7. The quality of the communication was good

8. The content of the communication was clear and satisfying
9. The integration process was presented clearly
10. I was provided training to my new role
11. The training provided was sufficient
12. I know what I am expected in my new role
13. I find Regus organizational culture very different from what I was used to
14. I have found it difficult adapting to Regus culture
15. I feel I have been supported during the integration by my colleagues and/or supervisor
16. Did the acquisition of Petrasol affect on the decision to leave the company?
17. What would you have done differently?
18. In your opinion, what are the key success factors in the integration?
19. Open question, comments

Appendix 2. Questionnaire

1. Age *

○ Under 25 years
○ 25-35 years
○ 36-45 years
○ Over 45 years

2. Position in the company

○ GM / Other
○ CSR / SCSR

3. Years of employment

○ Less than 1 year

○ 1-2 years

○ 3-5 years

○ Over 5 years

4. Organizational culture *

Organizational culture could be easily defined by "the way things are done here". Organizational culture is composed of artefacts, language (jokes, stories, myths), behavioral patterns (rites, rituals, ceremonies, celebrations), norms of behaviour, heroes, symbols and symbolic action, beliefs, values, attitudes, assumptions, ethical codes and history.

	I strongly disagree	Disagree	Indifferent	Agree	I strongly agree
I found Regus organizational culture very different from what I was used to	○	○	○	○	○
I feel I have been supported during the integration by my colleagues and supervisor	○	○	○	○	○
I have found it difficult adapting to Regus culture	○	○	○	○	○
I feel I am part of Regus	○	○	○	○	○
I have more information about company's strategy and goals with Regus than what I had with Petrasol	○	○	○	○	○
I feel that my employment is more secure with Regus than how it was with Petrasol	○	○	○	○	○

5. Communication during the integration *

	I strongly	Disagree	Indifferent	Agree	I strongly

	disagree				agree
I was provided sufficient amount of information during the integration	○	○	○	○	○
Communication from management to employees regarding the integration was sufficient	○	○	○	○	○
The quality of the communication was good	○	○	○	○	○
The content of the communication was clear and satisfying	○	○	○	○	○
The integration process was presented clearly	○	○	○	○	○

6. New job role *

	I strongly disagree	Disagree	Indifferent	Agree	I strongly agree
I was provided enough training to succeed in my new role	○	○	○	○	○
The quality of the training was good	○	○	○	○	○
I know what is expected of me in my new role	○	○	○	○	○
I am inspired about my new role as a Regus employee	○	○	○	○	○
I can see myself moving forward with my career at Regus	○	○	○	○	○

7. Comments about the questionnaire or integration process

_____

_____

_____