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Cross Border and Local M&A in Finland and in Germany

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This thesis is conducted as a case study with four different cases.

Study groups are divided in to two: cross-borders mergers & acquisitions and local mergers & acquisitions. The thesis uses common theories to back up results and with comparison between case studies and countries. The conclusion of the study indicates that there is slightly positive effect on company's performance within the next few years post-M&A in both groups. However, this effect is not statistically significant. There is relatively limited conclusions that can be made from each case study, as the process of determining results is of long - it can take years before the success of any deal can be verified, whereas failures can be relatively fast to reveal themselves

Keywords	M&A, integration, Cross-border Acquisitions, Mergers and acquisitions

Contents

1 Introduction

The beginning of 2019 started off with one the most exciting fragments of the whole study programme, the preparatory work for the Thesis. I had been anxious about this part of the programme for some time. To conduct some real-life research on the topic of mergers and acquisitions. Unfortunately, conducting a Thesis only about mergers & acquisitions would not be nearly enough, therefore there was some work to be done, on how to phrase the research question accordingly. Few weeks passed and the phrasing started to come to life, as a two-part question. Firstly, a small comparison between cross border and local merger and acquisition actions in Finland and in Germany, and secondly, are they more successful in the other country and possibly why?

First the idea of at least a 10,000-word scientific paper of any business field appeared to be an impossible task, however after giving some thought to the research question I started to form a table of contents in my mind. After few months the process of planning the research to form, and after I had started, everything seemed to come together nicely. Sometimes finding motivation seemed impossible and other times the writing just came together. As the topic is fascinating and there is a lot of information and statistics available, the actual study was done in pleasing way, the problematic portion was to determine, which information is related and usable for this kind of thesis paper, and which is not.

Several researchers and analysts have claimed, that most of the mergers and acquisitions activities among different parties can be considered as failures, or at least not having the enough impact. This has raised question, why do it in the first place, if it anyways going to be a failure?

This thesis paper gives the reader data about Finnish and German media corporations, prior to the mergers and acquisitions process, how the mergers & acquisitions action was concluded, and some key performance indicators after the mergers & acquisitions, with an interest to their information technology integration. It tries to distinguish differences between Finland and Germany, where applicable, and especially between the cross border and local mergers & acquisitions. In some parts Finland and Germany are remarkably similar and in others the two states couldn’t be more far apart.

When considering Finland and Germany one must remember, that their cultural proximity is close, the countries have traded with each other for many years. Therefore, it is not desirable to try to find the needle from the haystack, or in other words it is unlikely to find major differences between the two countries.

2 Methodology

In this Thesis only qualitative data is used, due to the lack of resources to use quantitative data gathering methods. As the success of mergers and acquisitions is something that cannot be easily defined, identifying key performance indicators proved to be somewhat challenging. Key performance indicators (known as KPI) used in the text, include the following, changes in revenue, changes in earnings before interest and tax (known as EBIT), change in net incomes, changes in assets (current & non-current), change in fixed costs, and change in inventory turnover (if applicable). With these mentioned key performance indicators, the author tried to discover synergy benefits, either via improved efficiency within the business or via increased orders due to acquisition of new product/business segment, or lastly via recently accomplished economies of scale.

Data searching started with the consideration of the subject of paper. Crucial role played also the point of view of management, finance, and information technology (IT), in mergers and acquisitions. One major blocker to consider was the fact that companies chosen for the case studies would need to be publicly traded companies. As only with this criterion the standards for reporting and financial measures could be met wholly, this requirement of criteria removed several interesting companies for the case studies.

The languages used to conduct the research were limited just to Finnish and English, as the author lacked the required level of skill to analyse German articles. Lack of German skills put aside a few good researches from the database. The purpose was to make a literature review as widely as possible with both, Finnish, and international analysis, and to analyse and generate a comprehensive, clear presentation.

Data searching was mostly based on news articles from reliable sources such as Forbes The Economist, Kauppalehti etc. Financial information was gathered mostly from Investing.com and Morningstar.com, as these two web sites provided reliable data to do analysis on.

3 Definition and overview of mergers and acquisitions

The following chapter of the Thesis introduces further information concerning mergers and acquisitions (M&A) in overall perspective. It provides the definitions of different kinds of M&A actions and distinguishes clearly the few major differences between the two of them. The chapter also provides some reasoning behind corporation's decisions to have a merger or an acquisition. In addition to that, there is also a small discussion in the chapter, of the differences between horizontal and vertical M&A.

3.1 What is a Merger?

A merger is an arrangement in which two existing companies are merged into one new company. There are several different types of mergers, and accordingly several different reasons why businesses choose to complete merger (Investopedia, 2017). Most of the mergers executed unite two existing businesses into one newly named company. Mergers are usually done to increase company's scope, expand into new segments, or to increase market share. All the above are implemented as an attempt to satisfy shareholders and create value to the company (Investopedia, 2017).

Mergers can be divided into five different main categories as follow:

- Conglomerate: nothing in common for united companies (Gaughan, 2015).
- Horizontal: both companies are in same industry, deal is part of consolidation (Gaughan, 2015).
- Market Extension: companies sell same products but compete in different markets (Gaughan, 2015).
- Product Extension: add together products that go well together (Gaughan, 2015).
- Vertical Merger: two companies that make parts for a finished good combine (Gaughan, 2015).

3.2 What is an Acquisition?

An acquisition is a corporate action, in which a company acquires most, if not all, of another company's ownership stakes to gain majority control of it. An acquisition happens when an acquiring company acquires more than 50% ownership in a target company. As part of the transaction, the acquiring company often purchases the target company's stock and other assets, which lets the acquiring company to make decisions regarding the newly acquired assets without the approval of the target company's minority shareholders. Acquisitions can be paid for in cash, in the acquiring company's stock or with a combination of both (Gaughan, 2015).

McKinsey lists the following as the main six strategies regarding acquisitions:

- Improve the target company's performance (McKinsey & Company, 2018).
- Consolidate to remove excess capacity from industry (McKinsey & Company, 2018).
- Accelerate market access for the target's (or buyer's) products (McKinsey & Company, 2018).
- Get skills or technologies faster or at lower cost than they can be built (McKinsey & Company, 2018).
- Exploit a business's industry-specific scalability (McKinsey & Company, 2018).
- Pick winners early and help them develop their businesses (McKinsey & Company, 2018).

3.3 Horizontal and vertical M&A

This part of the chapter offers a short insight to different kinds of M&A actions. It lists some advantages and disadvantages of said actions.

3.3.1 Horizontal Acquisition

Horizontal acquisition has a lot of diverse benefits. When acquiring the products of another company in the same market sector, business can expand its' product range and increase its' revenue by selling more products to its' existing customers. Company can also effortlessly expand its' distribution coverage for its' own products, however this is only the case, if the other company has an established client base in a different geographical territory. Horizontal acquisition can increase market share and decrease competition, however, falling competition and creating a monopoly business may trigger antitrust legislation (Gaughan, 2015).

3.3.2 Vertical Acquisition

Vertical acquisition allows integration of supply chain as a basis for improving efficiency and costs. By acquiring suppliers and harmonising production and logistics throughout the chain, business can secure access to materials and components when it needs them, in order to meet changing levels of demand. Vertical acquisition offers a secondary method of increasing market share by controlling competitors' access to crucial supplies (Gaughan, 2015).

3.3.3 Cost or Revenue

A key difference between horizontal and vertical acquisition is the focus on cost or revenue. A main objective of horizontal acquisition is to grow revenue by increasing market share or expanding a product range. In vertical acquisition, the focus is on cutting down costs through lowering procurement costs and increasing supply-chain's efficiency (Gaughan, 2015).

3.3.4 Diversification or Concentration

A horizontal acquisition strategy allows business to expand business by increasing the range of products company can sell, or by giving it an access to new market sectors or wider geographical markets. Companies usually go after vertical-acquisition strategies when they want to concentrate their efforts on a present product range, and at the same time improve their cost structure and production capabilities (Gaughan, 2015).

3.3.5 Horizontal Merger

A horizontal merger takes place when two companies offering similar (or well fitting) products or services to the same market, combine under single ownership. If the two companies sell similar product, the combined sales give the merged company a greater share of the market. If the company A manufactures products complementary to company B's range, AB can now offer a wider range of products to its customers. A merger between companies that offer different products to a different sector of the market enables the companies to diversify their activities, diversify their risks and enter new markets (Gaughan, 2015).

The main aim of a horizontal merger is to increase revenue by offering an additional range of products to company's existing customers. Company does not have to invest time or resources in developing its own new products. It may be able to sell to different geographical territories if the other company has distribution facilities or customers in areas it does not currently cover. Horizontal mergers can also help company to reduce the threat of competition in its market. The newly merged company may have greater resources and market share than its competitors, enabling it to achieve economies of scale and exercise greater control over pricing (Gaughan, 2015).

3.3.6 Vertical Merger

The key purpose of a vertical merger is not to increase revenue, but to improve efficiency or to reduce cost. A vertical merger takes place when two companies that previously sold to, or bought from each other combine under single ownership, the companies are often at different phases of production. A manufacturer may decide to merge with a supplier of important components or raw materials, for example, or with a distributor or retailer that sells its products (Gaughan, 2015).

Vertical mergers can help company secure access to important supplies, they also help to reduce company’s overall costs, by eliminating the costs of finding suppliers, negotiating deals and paying full market prices. Correctly executed vertical mergers is also a valued tool in improving company’s efficiency, it can be achieved by harmonising production and supply, between the two merged companies, and that way guaranteeing accessibility to supplies, whenever they are needed. This type of merger can also help deal with competitors, by making it difficult for competitors to obtain important supplies, company can weaken existing competitors and increase barriers to the entry for new competitors (Gaughan, 2015).

3.3.7 Which Merger?

Horizontal and vertical mergers have different goals and they can help businesses to achieve different growth objectives. If an increase in revenue or widening product range are desired, company can look for opportunities for a horizontal merger. If company wants to become more competitive by reducing costs, or if it needs to protect access to vital supplies, it should consider a vertical merger (Gaughan, 2015).

4 Literature review

Bruner (2002) examined the profitability of acquisitions through 130 previous studies. The study comprised of previous studies from 1971 to 2001. According to the results, most of the studies concluded that the shareholders of the target company receive significant positive market returns. However, Bruner (2008) also found that the market yield of the shareholders of the acquiring company is close to zero. However, the combined market earnings of both the acquiring and the acquired company are positive. From these findings one can conclude that, on average, acquisitions and mergers are profitable.

According to studies on the size of the acquisitions and the premium paid, the higher paid acquisition price does not indicate a higher premium paid for the acquisition.

Alexandridis et al. (2013) discovered, that there is a clear inverse relationship between the size of the object of the acquisition and the premium to be paid. It has also been noted that the probability of paying too high a premium will decline as the size of the target of the acquisition increases.

Craninckx and Huyghebaert (2011) compared the differences between stock listed and privately-owned companies. According to the study, when stock listed companies are acquiring other stock listed companies, there is a higher probability of a corporate acquisition failure and longer-term financial losses. According to the study, when a stock listed company executed a similar kind of acquisition with a non-stock listed company, a similar connection to failure was not observed in the study. A total of 267 listed companies and 336 unlisted companies from the European market were used in the comparison

Morresi and Pezz (2011) investigated how the internationalization of Italian medium-sized business acquisitions responded to the market. The study found that companies have achieved a positive market reaction to acquisitions press releases that are announcing an internationalization strategy outside the home country. Expansion to more economically advanced countries is seen as a stronger positive reaction to the market compared to a situation where the acquisition is taking place in an emerging market country.

Birkinshaw et al. (2000) theorise integration from two different kinds of perspectives, they refer to them as task integration and human integration. Their definition of “task integration” is described as the adopted integration strategy and the degree of communication and socialization between different kinds of business units and departments. They define “human integration” as leadership, communication during integration, retention of staff, cultural convergence, and most importantly respect. Birkinshaw et al. (2000) found that during the first five to seven years succeeding the conclusion of the deal, the connections between task and human integration are rather limited. The authors also pointed to the slow and difficult task of human integration, they recommend that as human integration can simplify task integration, it should preferably precede the latter.

Angwin (2004) finds that the observations of the success of an acquisition tend to

diminish over time. Yet, observations of the success of integration tend to improve three to four years following the deal. Thus, Angwin (2004) claims, the issue of time in integration should be addressed in greater detail than it has been so far.
More lately, Quah and Young (2005) stated the results of their study of an American car multinational's acquisitions in Europe. They found that these acquisitions could be defined theoretically as follows:

1. The pre-acquisition phase: what happens in the six months before the deal happens.
2. The first year after the acquisition.
3. The second to fifth year after the acquisition.
4. Beyond the first five years after the acquisition.

Quah and Young (2005) found that the studied car manufacturer adopted a slow approach to integration, with only a few changes applied in the first post-deal year. They further distinguished, that it took on average five years for the acquired units to become fully absorbed to the acquirer. Yet, performance-wise, the desired synergies were not captured until approximately eight years following the deal, if ever. This study highlighted the long-term nature of acquisitions in terms of integration as well as in terms of performance.

Additionally, acquisitions should be positioned into the buying company's extensive corporate context. In a study of 25 Dutch multinationals' acquisition patterns 1966-2005, Barkema and Schijven (2008) found, that at the same time as post-acquisition integration is the single most important factor of synergies being realised, this factor should not be treated as a unique one. They claim that it should be merged into the acquiring company's long-term acquisition strategy. The authors claim that by focusing on single acquisitions only, the current research studies have failed to account for the systemic variables, that still have an impact on integration progress and ultimately the performance of the acquisition. The authors reconfirm an earlier estimate made by Biggadike (1979), that full post-acquisition performance goals could be achieved as late as 12 years following the deal. A sequence of acquisitions increases the need for an internal restructuring, and in turn affects the management of a single acquisition. Placing acquisitions into the acquiring firm's sequence of takeovers, Barkema and Schijven (2008) find that an acquisition's position in the acquirer's overall acquisition sequence dictates performance; specifically, the performance of an acquisition tends to be weaker, if it occurs late in a sequence of acquisitions.

In summary, current research results point towards the need to take a long-term post-acquisition view. Theoretically, post-acquisition integration can be explained in phases. The length of integration is approximated to five to twelve years post-deal. Instead of focusing on single acquisitions, the challenge of integration should be placed in the context of the acquiring firm’s acquisition strategy and stream of acquisitions.

An important question concerning the post-deal integration, is about the optimal level of integration. In mergers, the question turns into to which degree should the two organisations be merged? In acquisitions, this issue relates to the extent to which the target firm should be integrated into the acquiring firm’s organisation. Every so often, the acquiring company has an interest in learning from the target company and adopting some of its finest practices. Therefore, integration is not necessarily only one-way, as the transfer of the post-deal information and competences can and should be mutual.

Some of these studies are somewhat conflicting, and there is not a one clear conclusion to be drawn. The research results seem to always reflect the country, time, or other similar factor in the study. Therefore, for example, it is not clear that cross-border acquisitions are always positive from the point of view of the shareholder. There are also variations in the results of studies on intra-country acquisitions and there is no consistent conclusion from previous studies.

5 Finland

Republic of Finland is a European country belonging to the European Union. Finland’s population is 5.5 million as of September 2018. The country is known as the land of thousand lakes; however it’s also recognised for its’ well executed education system, universal healthcare, and its’ engineering mindset, which has produced many well-known brands during the last decades like Nokia, mobile game developer Rovio, start-up event SLUSH, and another mobile game developer Supercell, which is known as the creator of Clash of Clans.

5.1 Financial statistics

Financial situation in Finland has been improving, and Finland just started to grow a few years ago. Next there are few important metrics from Finland's recent history, one must remember that as a rather small country population wise, Finland is prone to effects from other countries and especially from the eurozone. Other countries can have massive impact to Finland's economy, even with one of purchases e.g. the massive cruise liners that are produced in Turku.

Table 1 Financial Statistics of Finland (OECD, 2019) (Worldbank.org., 2019)

Finland	2013	2014	2015	2016	2017
GDP (per Capita)	€ 37,468	€ 37,695	€ 38,305	€ 39,390	€ 40,618
Economic Growth	-0.76%	-0.63%	0.14%	2.14%	2.63%
Investment	-4.94%	-2.58%	0.73%	8.58%	4.31%
Unemployment	8.19%	8.66%	9.38%	8.82%	8.64%

From Table 1 one can clearly summarise that the gross domestic product (GDP) has increased steadily throughout the period between 2013-2017, Finland got its deficit maintained on similar levels, after few tough years. One of the key aims of the former administration of the former prime minister Sipilä was the decrease of Finland's deficit.

They have achieved their objectives to some extent, as economy in Finland started to grow in 2016 with over 2% per year, however, there have been early signs of that growth slowly declining. Investment in Finland is interesting, in terms of population Finland is such small country, therefore there has been huge swings in terms of investment within last few years, from the lows of almost -5% to the highs over 8%. However, the percentage of unemployed from the population is still alarmingly high and it is yet to be seen what the politicians are going to do about it.

5.2 M&A in Finland

Companies in the Helsinki NASDAQ have accrued really high sums of liquid assets in recent years in to their balance sheets (Kauppalehti, 2019). One major reason fot Finnish companies to be acting this way is the high returns of past years and their incapability to invest for the future growth at the moment (Kauppalehti, 2019). Analysts have also argued that the improved balance sheets are a conscious choice for many corporations, and it to be mostly designed at reducing the balance sheet risk. This is due to a correction which many analysts have been waiting to happen in the stock market and in the world economy (Kauppalehti, 2019).

When observing at the actual acquisitions, in which a Finnish company has been a participant, the cash value of the acquisitions was approximately EUR 7.5 billion in the year 2018 (Kauppalehti, 2019).

The change is substantial compared to the previous four years, when the monetary value of the acquisitions ranged from around EUR 15.5 to 21.0 billion (Kauppalehti, 2019). Of course, the statistics of the previous year's listed companies, such as the divestment of Nokia's Devices and Services business to Microsoft with a cash purchase price of about EUR 3.8 billion in spring 2014, and Supercell's approximately EUR 6.5 billion in sales in June 2016 distort the statistics (Kauppalehti, 2019).

A better picture of the SME sector's acquisition activity is given by looking at the number of acquisitions in the number of transactions. In terms of number of transactions, the highest number of transactions has taken place in the five-year review period in 2014 (711 in total) (Kauppalehti, 2019). Finland’s 2018 number of acquisitions was 378 (Kauppalehti, 2019). In the years 2017 & 2016, over 460 transactions were completed per year (Kauppalehti, 2019). It is therefore apparent that in year 2018 Finland will not be on the same level in terms of number of acquisitions.

When looking at the number of transactions per month on a monthly basis, similarities in market nervousness and stock market decline can be found in the acquisition activity. Many of the merger negotiations started in 2017 were put to the finish in early 2018 (Kauppalehti, 2019). Although the basic foundations of the Finnish economy have been good and the profit performance of companies has been positive, the increased level of corporate appreciation together with the global political uncertainty has created caution in buyers (Kauppalehti, 2019). In autumn 2018, acquisitions were clearly less successful than in previous years (Kauppalehti, 2019).

Unfortunately for all listed companies the purchase prices are not available, so the total value of transactions is partially indicative. However, in the case of the largest M&A

actions, the acquisition values are found, so the effect of uncommitted acquisitions on their market values will remain minor.

All in all, Finland could be summarised as a country, which has just started to recover of the financial crisis of 2008, and which is already on the road to a new decline. Finland is attracting more and more new (and old) investors, unemployment is slowly starting to decline, and most significantly, purchasing power is yet again starting to increase. There are still risks in the air, major one being the foreseeable rise in interest rates by the European Central Bank, what will happen to investments and foreign direct investment in Finland when they go up?

6 Germany

This chapter offers data about Germany. The Federal Republic of Germany is a large central European country, which has about 83 million inhabitants (2018 estimate). It is also a member of European Union, and with its’ number of people also a strong member of the union’s decision-making policies.

Germany is probably known for its’ solid automotive manufacturing, which has offered the world brands such as BMW, Audi, Volkswagen, and Mercedes-Benz. Other things, which Germany is famous for includes beer, and football.

6.1 Financial statistics

Compared to Finland, Germany is huge on every aspect, they have 15 times the population of Finland. They have tens of billion-euro revenue companies, however that doesn’t necessarily mean that they are superior in terms of other financial metrics. One must remember that due to the difference in size, Germany isn’t as prone to large swings in economy in terms of one of purchases as Finland.

Table 2 Financial statistics of Germany (OECD, 2019) (Worldbank.org., 2019)

Germany	2013	2014	2015	2016	2017
GDP (per Capita)	€ 35,101	€ 36,267	€ 37,227	€ 38,115	€ 39,501
Economic Growth	0.49%	1.93%	1.74%	1.94%	2.22%
Investment	-1.26%	3.89%	1.61%	3.53%	2.88%
Unemployment	5.23%	4.98%	4.62%	4.12%	3.75%

Table 1. on page 11, showed Finland's improvements in terms of GDP and it is a similar kind of story with Germany. Their GDP has grown with a similar rate to Finland's. However, one main difference is the detail that economic growth has been on the plus side for the whole five-year period, compared to Finland's few poor years. Investment has also been stable, after the poor year of 2013. The prime difference is the unemployment rates, Finland's best year's unemployment rate was 8.19%, while Germany's worst year's unemployment rate is almost three percentage points lower with 5.26%. In terms of percentage that means that Finland had 43.57% more unemployment during its' best year compared to Germany's worst year. Overall Germany is doing well, and it has been considered a prime example in the Eurozone by politicians and experts.

6.2 M&A in Germany

Since the reunification of Germany, companies in the German market have announced close to 50,000 merger & acquisition actions in Germany. The value of these actions comes close to 2.9 trillion euros (Iflr.com, 2017). Around one half of the investors in M&A actions on the German market are from foreign countries (Iflr.com, 2017). This fact makes Germany one of the most significant target countries in Europe currently. Germany is considered as a highly developed country, which has a stable political, financial, economic, and legal working environment (Iflr.com, 2017). German word "Mittelstand", which means midsized and family owned businesses, as well as undertakings, specialising in high technology, have become increasingly more attractive targets of foreign investors, Germany is equally interesting target for strategic and institutional foreign investors to discover (Iflr.com, 2017).

German M&A activity was strong in 2017, with 923 deals and an overall deal volume of more than EUR 115 billion, surpassing a deal volume of EUR 81.2 billion in 2016 (Lauer and Abel, 2019). The industrial and chemicals sector was once again the main driver of M&A activity, with deals worth approximately EUR 78 billion, in 2017 (Lauer and Abel, 2019). Of these, the Linde-Praxair deal accounted for EUR 40.5 billion, Siemens-Alstom for EUR 7.4 billion and Uniper-Fortum for EUR 9.7 billion (Lauer and Abel, 2019). Additional sectors that were particularly attractive for investors in 2017 include pharma, medical and biotech, with a total transaction volume of approximately EUR 18 billion (a total of 104 deals), and energy, with 75 deals worth approximately EUR 11 billion (Lauer and Abel, 2019).

Although the above-mentioned large-cap deals substantially influenced 2017 deal statistics in terms of volume, the M&A market for German targets proved to be robust on a broader basis as well (Lauer and Abel, 2019). German targets remain particularly attractive to foreign investors, with 72 percent of targets in 2017 having been acquired by non-German investors, mainly from the United States, followed by Swiss and French investors (Lauer and Abel, 2019).

Compared to 2016, Chinese investors have recently been less and less dynamic on the German market (Lauer and Abel, 2019). This drop-in activity is most likely due to additional regulations following the 19th National Congress of the Communist Party of China, under which the Chinese government seeks to prevent “irrational” investments abroad to limit capital drains (Lauer and Abel, 2019). Intensified review procedures for non-European investors also may have contributed to increased caution by Chinese investors (Lauer and Abel, 2019). Nevertheless, Chinese investors are still expected to play a vital role in this year’s material M&A transactions, in the technology sector, keeping in mind China’s “made in China 2025” strategy (Lauer and Abel, 2019).

In 2017, the market sustained to be positive to sellers, letting them to convert demand into higher prices. In the authors' view, this can be credited to a overall scarcity of appropriate targets, and the availability of substantial capital to possible buyers.

In line with what could be described as a seller’s market, there seems to be an increased tendency to use structured auctions to enhance competition amongst bidders, with vendor reports for the due diligence phase becoming more common, and timelines for due diligence procedures tightening evermore (Lauer and Abel, 2019). Locked-box purchase price concepts continue to be popular in the German market. This holds true not only for transactions involving private equity investors and for larger transactions; there also appears to be increased enthusiasm amongst sellers of German Mittelstand targets for the transaction security that comes with a fixed purchase price (Lauer and Abel, 2019).

Basic conditions continue to be favourable for M&A activities in Germany. To date, the envisaged Brexit and the politics of the US administration seem to have not influenced M&A activities negatively. It remains to be seen if protectionist agendas in the United States and elsewhere affect M&A activities in Germany (Lauer and Abel, 2019). Tax relief under the new US tax reform may even have effects in the opposite direction for US investors (Lauer and Abel, 2019).

7 Finland local M&A

Alma Media Oyj (Public Limited Company) is a media conglomerate that focuses on digital services and publishing (Alma Media, 2018). Additionally, to only news content, the corporation's products offer beneficial information on lifestyle progress, career progress and business development (Alma Media, 2018). Alma Media is traded in the Helsinki NASDAQ. Alma Media's service offering has expanded from Finland to the Nordic countries, the Baltic countries and Central Europe (Alma Media, 2018). In 2014, the company employed an average of 1,830 professionals (excluding distributors), of whom about a quarter worked outside Finland (Alma Media, 2018). Alma Media's net sales in 2014 were approximately EUR 295 million (Alma Media, 2018).

In 2015, it was announced that Alma Media Media Group will acquire Talentum Oyj, which already had about 32% ownership (Alma Media, 2018). The idea of the merger was to have Alma Media to acquire all Talentum’s shares and securities (Alma Media, 2018). Alma Media acquired over 90 percent of Talentum's shares (Alma Media, 2018). Prior to the merger Alma Media already was in control of, directly or indirectly, 32.14 percent of Talentum's shares (Alma Media, 2018). Alma offered to Talentum's owners a 14% premium from the purchase (calculated with Talentum's share price the day before the announcement (Alma Media, 2018).

The recently established corporation was projected to have a yearly revenue of around EUR 370 million (Alma Media, 2018). The purpose of the merger was to invest in digital services. The aim of the new company was to be a multi-channel media corporation that produces high quality journalism and support services for its target group (Alma Media, 2018). The proposed merger was expected to bring significant value to both Alma Media and Talentum shareholders, based, among many other things, on the introduction of a larger business entity, the benefits of economies of scale, concrete cost synergies, and unified utilising the corporation's subscriber potential (Alma Media, 2018).

The anticipated annual cost synergies for the merger would be in a range from EUR 4 to 5 million by an initial estimate of Alma Media (Alma Media, 2018). The merger also offered the opportunity for significant long-term returns because of economies of scale were possible (Alma Media, 2018). According to Alma Media's preliminary assessment of the merger, cost of integration was calculated to be approximately in EUR 1-2 million region, following the merger during the first year of operation (Alma Media, 2018).

Cost synergies were expected to be achieved through more efficient product and ad sales, and with the combination of development required by digitalisation, and more centralised management, also IT was seen as potential cost synergy opportunity (Alma Media, 2018). Full cost synergies were expected to be achieved within approximately two years after the merger (Alma Media, 2018).

Alma Media also estimated that the actual level of the total synergies would also be partly depended on areas such as key market areas' economic development and the investments required by digitalisation (Alma Media, 2018). Synergies were also to be gained by reducing some overlapping functions within the new corporation (Alma Media, 2018).

The company attempted to achieve some of the synergies of the merger through the organization of labour differently, Alma Media had approximately 1,800 employees and Talentum had approximately 700 employees at the time of the merger (Alma Media, 2018).

In addition, the merged company avoided also making overlapping investments, especially in the media business, which requires constant investment in both digital publishing and related business, such as orders and advertising management (Alma

Media, 2018). In the case of advertising sales, the newly merged company could also offer more attractive advertising solutions, for example, by combining both target groups into completely new products, and providing complete coverage for business to business advertising from point of a service package (Alma Media, 2018).

Post-merger Alma Media's profitability has improved significantly in 2017 (Investing.com, 2018). Full-year adjusted operating profit was over EUR 51 million, up 45% on the previous year (Investing.com, 2018). Alma exceeded all its financial targets in 2017, for example, digital revenues increased almost 24%, when the target was only 15% (Investing.com, 2018). The digital segment accounted for an impressive 43% of the Group's net sales, which can be considered a real success as it was one of the main reasons for the merger (Investing.com, 2018).

Alma's balance sheet is strong, net debt to zero in 2018 (Investing.com, 2018). According to CEO Kai Telante, the company can invest at least EUR 150 million in investments and acquisitions without paying dividends, so the dividend will increase in 2019 (Alma Media, 2018).

One part difficult to define as a success or failure is their IT integration, they claimed to have some cost synergies in IT, however there are no concrete evidence of such synergies. Their IT costs have remained on similar levels post-mergers, yet their profitability has improved, therefore one can rule out the prospect of IT integration being a failure (Investing.com, 2018).

Alma Media Corporation currently has about 2,300 full-time employees, so we can see that they have achieved synergies through the merger (Alma had about 1,800 employees and Talentum had about 700 before the merger) (Investing.com, 2018). They have also been able to achieve a reduction in customer acquisition costs by combining two of the company's previous clientele (Alma Media, 2018). Other significant synergy benefits are reduced advertising and marketing costs, as they can now create economies of scale with their massive market share in Finland and the Nordic countries (Investing.com, 2018).

8 Finland cross-border M&A

In 2011 Alma Media Oyj agreed in to acquire LMC s.r.o, which at the time owned two of the leading recruitment portals in the Czech Republic (Alma Media, 2018). The acquisition price was based on corporate value, which in total, was to be EUR 35.4 million (Alma Media, 2018). The transaction of the acquisition was paid in cash at the time of the transaction. The acquisition took effect on January 2, 2012 (Alma Media, 2018).

The acquisition was based on Alma Media's strategy of seeking growth in digital services and internationalization, which was also studied in chapter, **7 Finland local M&A** (Alma Media, 2018). In 2011, Alma Media calculated that the net sales of LMC were expected to grow by about 25% on the previous year and to be approximately EUR 16.5 million. EBIT was estimated to be at the EUR 5 million mark. The company is reported as part of the Alma Media Marketplaces segment (Alma Media, 2018).

The company acquired by Alma Media was founded in 1996 by Libor Malý, an LMC vendor, and was ever since the market leader in the Czech Republic. LMC owned two recruitment portals in the Czech Republic (www.jobs.cz and www.prace.cz) and one in Slovakia (www.topjobs.sk) (Alma Media, 2018). LMC portals had a total of 25,000 registered business customers and about one million registered job seekers (Alma Media, 2018). LMC employed about 200 people mainly in Prague (Alma Media, 2018). The acquisition was said to have no impact on LMC's personnel or service brands (Alma Media, 2018).

> "It has been very important to ensure LMC continuity and the strong development also after the transaction. I am very satisfied with Alma Media's input as the company's new owner, I am convinced that the merger will create exciting new opportunities to the employees of LMC as well as to its' management. The acquisition also enables LMC to bring new innovative services to the market in the future," said Libor Malý, founder of LMC.

In the evaluation of the success of the deal one must focus only to the Alma Markets segment, as the other segments within the corporation are irrelevant to the comparison, in terms of the success of the acquisition.

Alma Markets' net sales in 2017 were MEUR 83.2 (2016: MEUR 69.4) and accounted for 22% of the Group's net sales (Investing.com, 2018). The segment is Alma Media's most profitable and its adjusted EBITDA in 2017 was EUR 31.3 million (38% of net sales) and adjusted operating profit of EUR 28.3 million (34% of net sales) (Investing.com, 2018). Alma Markets' share of Alma Media's adjustment operating profit was 48% (Investing.com, 2018). Alma Career's share of Alma Markets' net sales in 2016 was about 76% and other services (Alma Mediapartners Oy) about 24% (Investing.com, 2018). Alma Markets' net sales are generated by 100% of the digital business and 93% of the segment's revenue comes from online service announcements and advertising revenue, and digital service revenues account for about 7% of net sales, respectively (Investing.com, 2018).

The Digital Services business model normally provides a strong operational cash flow, as the revenue from digital services is typically front-loaded and includes advance payments. In addition, the investment needs of digital services are very low and consist mainly of intangible assets generated through acquisitions.

Alma Markets' growth has been very strong in the current decade and the segment's net sales in 2009-2017 increased by an average of 15% per year (Investing.com, 2018). The fastest growth was in 2012 (+34%), where the segment made several acquisitions to expand recruitment services (Investing.com, 2018). In 2013, growth slowed down clearly as the company focused on recruitment and housing portals and sold the marketplace for heavy machinery and vehicles. In addition, weak economic development in Finland weakened growth. From 2014 onwards, growth again accelerated to an average of around 13% per year (Investing.com, 2018). Most of the increase in net sales (+60%) in 2014-2017 was organic growth (Investing.com, 2018). Despite rapid growth, Alma Markets' profitability development has been at an excellent level in 2010-2017, reflecting the scale of operations, successful acquisitions and a strengthened market position (Investing.com, 2018). In 2017, Alma Markets' adjusted EBITDA margin was 38% and the operating margin 34%, compared with 35% and 28% in 2016 (Investing.com, 2018). Profitability was particularly improved by the good development of the Eastern Central European economies, which increased the recruitment services to more than 20% (Investing.com, 2018).

Considering the numbers and financial information presented, it is simple to distinguish that Alma Media’s acquisition over LMC has been profitable. LMC provided them with platforms needed to expand rapidly outside the Finnish market, and Alma Media made a good use of that. As this acquisition consisted mostly IT integration, one must state, that they performed well. Alma Media did not approach the IT integration with “who cares” attitude, instead they evaluated and calculated the budget and timeframe needed and did it successfully. All in all, one could argue that Alma Media was even more successful in this acquisition than they were with the merger with Talentum. In comparison Alma Market’s financials have improved more percentage wise.

9 Germany local M&A

In 2013 Funke Mediagruppe acquired Axel Springer SE’s regional newspapers, woman's magazines, and television magazines for MEUR 920 (Morningstar.com, 2017).

Funke Mediagruppe acquired a whole package of profitable media brands, that fit in well with their portfolio at the time (Morningstar.com, 2017). Due to the acquisition Funke Mediagruppe positioned itself in the section of program magazines, and as the top regional newspaper publisher in Germany (Morningstar.com, 2017). At the time of the acquisition and from the position Funke was, the acquisition was logical for Funke Mediagruppe. Unfortunately for Funke Mediagruppe they also ended up acquiring problems from the past with the transaction. As the circulation of printed newspapers and magazines have been on a decline for years, as well as the returns and sales, as this has been a megatrend in the media industry for years now, due to the introduction of social media and free publications available in the internet. That seemed to be a major reason for Axel Springer to be in such a hurry with the transaction: the value of the assets sold back then, would have most likely kept on declining year on year out (Morningstar.com, 2017).

Axel Springer had very different plans in the mind of the management. Axel Springer’s CEO at the time Mathias Döpfner announced, that they were going to build the number one digital news service in Germany. Springer started to pursue the path of digitalisation with consistency and ruthlessness. Already back then Axel Springer’s management nor shareholders believed in regional newspapers and TV magazines anymore (Morningstar.com, 2017). They likely thought that the sale of the titles to the Funke Group is the best option is Axel Springer long term strategy and growth plans (Morningstar.com, 2017). Axel Springer sold the operations anyway because they thought it is most likely the most beneficial action to take, in terms of the whole group, the share price, and the shareholders (Morningstar.com, 2017).

Springer now had new capital for crucial digital investments, that they needed to make in the journalistic media segment (Morningstar.com, 2017). The clear speculation about a possible acquisition of ProSiebenSat.1 was once again examined, though this might prove to be unlikely (Morningstar.com, 2017).

Time for a assessment of the Springer-spark deal. It turned out with little bit mixed feelings (Morningstar.com, 2017). From the original determined plans of the Allies at first glance, not much is left (Morningstar.com, 2017). On their five-year journey, the partners have suffered a lot and they are not at the finish yet (Morningstar.com, 2017).

For Axel Springer, the now finalised sales of the story lines, also mean a defeat (Morningstar.com, 2017). Both publishers desired to package their entire sales activities in a joint venture and create a company majority owned by Springer, however that would not have been approved by the Bundeskartellamt (Morningstar.com, 2017).

Due to the problems with the joint venture, both companies decided to participate in a light sales alliance, the newspaper and magazine distribution also stayed as separated (Morningstar.com, 2017). In the future, Funke's subsidiary MZV will distribute all the radio magazines, together with the labels bought at the time by Springer, such as "Bild der Frau" or "Hörzu" (Morningstar.com, 2017). Since 2017, the new Springer subsidiary Newspaper Impact has centrally organized the distribution of all newspapers from the Springer and Funke stores, the intended joint venture did not work (Morningstar.com, 2017).

That's a key problem for Springer. Since the publishing house had maintained its widespread sales apparatus in the hope of green light from cartel office, after the sales of its magazines (Morningstar.com, 2017). Now only the less profitable newspaper distribution remains (Morningstar.com, 2017). For the partner Funke, however, the sales issue went well (Morningstar.com, 2017). Its' Munich based subsidiary MZV is strengthened, and the publisher has one looming problem less(Morningstar.com, 2017). Had the antitrust agency waved through the original plan, the Funkes would somehow have had to agree with their MZV joint venture partner Burda.

All things considered, mixture between an acquisition, merger, and joint venture is tough to define as a success or a failure. Axel Springer did the right choice by selling some of its' brands to Funke Mediagruppe, as these brands were already in decline, however for Funke it was clearly the incorrect decision, even though it appeared sensible at the time. After the selling of the so-called dogs, Springer's revenue has still grown well and their liabilities on the balance sheet have declined a bit, their fixed costs have also declined (Morningstar.com, 2017). However, even though they sold their dogs Axel Springer is still left with traditional print business, and it continued to decline in 2017 (Investing.com, 2019). The separation of the publishing house into print and digital prescribed by CEO Mathias Döpfner in 2017 is due to the extremely different dynamics of these two areas (Investing.com, 2019). Nevertheless, the fact that the "News Media" segment grew by 1.9 percent to EUR 1.5 billion 2017 is due to the growth momentum of news portals on the Internet (Investing.com, 2019).

For Funke it is alternative story, at first their revenues from the newly acquired sectors were on the rise, however after some time they started to decline (Morningstar.com, 2017). Their leverage has also gone up a bit and their profit margins have declined (Morningstar.com, 2017). It would be another story if the Bundeskartellamt would have shown green light for the proposed merger, we would be looking at the Walt Disney Corporation of mainland Europe.

10 German cross-border M&A

Axel Springer had the largest listed contract in 2015 M&A operations in Germany with the acquisition of 98.7% of the French portal SeLoger for MEUR 633 (Investing.com, 2019). After a strong focus on German-speaking Europe, Springer is looking to expand its online offering more widely still.

According to estimates, Axel Springer achieved roughly 8% of its digital revenues of EUR 2.6 billion through organic digitalization, i.e. by digitally transforming its internal core business per business development activities (Investing.com, 2019). Consequently, 92% is attributable to inorganic measures (Investing.com, 2019).

This emphasizes Axel Springer's high level of investment activity. With reported revenues of EUR 4.1 billion in 2017 (Investing.com, 2019).

Primarily through investment activities, media companies have increased their digital revenue share over the past few years (Investing.com, 2019). Axel Springer had the highest digital share of 71% in 2017 (Investing.com, 2019).

Looking at digital profits, Axel Springer reports 80% digital EBITDA for 2017; One successful example in this respect is the acquisition of the French company SeLoger by Axel Springer, and SeLoger has consistently generated them an impressive an EBITDA margin of more than 60% (Investing.com, 2019).

Axel Springer increased their sales in the period from 2011 to 2017. With annual revenues of EUR 3.6 billion in 2017, Axel Springer invested nearly EUR 4 billion in equity investments in the period from 2011 to 2017 (Investing.com, 2019).

Axel Springer's investment focus has developed over the years from ad sales to paid content/services (Investing.com, 2019). The company is not seeking to diversify, but to instead aim to digitally expand its core business (Investing.com, 2019). Fifty-five percent of all agreements listed by Axel Springer are assigned to this area (Investing.com, 2018). The change in the search focus can be explained by the fact that only a few targets in the classifieds context (expensive) are still to be acquired (Investing.com, 2019).

The media company Axel Springer increased its revenue in 2018 into EUR 3.2 billion (Investing.com, 2019). One major reason for increased revenue was the company's continued strong digital business, which made up 70.6 percent of the whole group's revenue, all in all, the journalistic offerings contributed just under one third to the operating result last year (Investing.com, 2019). The gross profit climbed from EUR 2.6 billion to EUR 2.7 billion (Investing.com, 2019). 2018 was arguably the most successful year in the company's history (Investing.com, 2019).

At the same time, only the Classified Media division with its job and real estate portals contributed around 20 percent to the increase in sales; the business of the news media, which includes the newspapers Bild und Welt, had slight decline (Investing.com, 2019). The share of digital businesses in Group sales was 70.6 percent in the reporting period (Investing.com, 2019). In addition, they generated 84.3 percent of adjusted Group EBITDA. In 2017, the proportion was 80 percent (Investing.com, 2019).

Adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) also climbed as by 14 percent to 737.9 million euros (Investing.com, 2019). In 2018, the Group had an operating profit of MEUR 365.3 (Investing.com, 2019).

As anticipated, sales increased by around 4 percent to 3.2 billion euros (Investing.com, 2019). In current business, adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) grew by 14 percent to 737.9 million euros (Investing.com, 2019). The consolidated result fell from 280 million to 208 million euros, which is also related to purchases and sales (Investing.com, 2019).

In the light of the financial data, one could argue that the acquisition of SeLoger was a profitable one. The early signs of the acquisition are promising. However, as learned from **Chapter 2 Literature review**, one also knows that to truly evaluate performance and success one must wait even ten years.

11 Comparison between the case studies

First, examination between the local mergers and acquisitions transactions in Finland and in Germany, and a comparison between them.

In Finland our companies of focus are Alma Media (acquirer) and Talentum (target) and in Germany they are Axel Springer and Funke Mediagruppe. In both countries the companies of choice, are media corporations.

The differences start to arise, when the M&A method and structure are observed more carefully, in case of Alma Media and Talentum it was a merger, which was completed by Alma Media's acquisition of Talentum, Alma was also already a shareholder of Talentum. In the case of Axel Springer and Funke Mediagruppe, Funke acquired a portfolio of different products at first from Axel Springer, then they wanted to merge their sales and distribution under Axel Springer, however they ended up with a distribution joint venture.

German companies have a habit of favouring different kinds of mixture M&A e.g. with different kinds of options etc., on the other hand Finnish corporations appear to seek clarity and fast implementation. In terms of success Alma Media can proudly claim that their merger with Talentum was a success, as their financials improved, they realised synergy benefits, economies of scale, and their employees appear happy within the new organisation (Alma Media, 2018). The case of Axel Springer and Funke Mediagruppe is more complicated like, a double ended sword, Axel Springer did well with the sale of some products, their financials improved, and they had money to invest in somewhere else (Morningstar.com, 2017). Funke on the other hand, made an error, as their demand in above stated products have been declining ever since the transaction, however the joint venture would have been great for both, it was just not sanctioned, and they did not realise everything they tried to (Morningstar.com, 2017). Therefore, the whole Axel-Funke mixture may be well considered as some sort of a deadlock, some things worked, and some did not.

Secondly a comparison between the cross-border M&A actions in Finland and in Germany.

In Finnish cross-border acquisition Alma Media bought a digital platform provider LMC, reasoning behind the deal was to broaden Alma Media other market segments and ventures outside of Finland. In the German cross-border counterpart Axel Springer acquired the French company SeLoger in a similar manner. They also wanted to extend their network and products outside the German speaking world. Both M&A actions were conducted as acquisitions, where the respected corporations gained majority share of the acquired companies. However, having so strong brand names in their home markets, both acquired companies still operate with their old names as a subsidiary of their parent organisation.

The similarities do not end here yet, even though there were some synergies to be found with rearrangement of the staff, neither of the parent organisations decided to do it in a larger scale.

In terms of implementation of the respective deals, there were not any key differences, both corporations being stock listed, they publicised their plans well before and completed the deal, both deals were financed with companies' own equity. Both deals also proved to be successful for the corporations. Alma Media has done well after the acquisition and if they can continue the direction they are going in, they will do well in the future also.

Table 3 Key financials of Alma Media Oyj (Investing.com, 2018)

Year	2014-12	2015-12	2016-12	2017-12	2018-12
Revenue (MEUR)	295	292	353	367	355
Operating income (MEUR)	18	15	25	44	55
Operating margin %	6.0%	5.2%	7.2%	11.9%	15.5%
Net income (MEUR)	14	10	17	32	42

In terms of key financial statistics, Alma Media has improved MEUR 60 in the last five years, even though they suffered a decline from 2017 to 2018 (Investing.com, 2018). However, even though they had a small decline in revenue, their operating margin and net improved substantial amounts, this highlight even more the fact that they have been quite successful in their mergers & acquisition strategy (Investing.com, 2018).

Table 4 Change in balance sheet figures (Investing.com, 2018)

Year	2014-12	2015-12	2016-12	2017-12	2018-12
Total current assets (MEUR)	41	54	63	69	90
Total non-current assets (MEUR)	215	274	264	265	256
Total Assets (MEUR)	256	328	327	334	346
Total current liabilities (MEUR)	72	120	109	105	98
Total non-current liabilities (MEUR)	96	97	100	92	88
Total liabilities (MEUR)	168	217	209	197	186

Alma Media's balance sheet is also an interesting one. They have more than doubled their current assets and at the same time they have kept their non-current assets on a similar level, through 2014 to 2018 (Investing.com, 2018). In terms of liabilities one can see that they needed short term financing to conclude their vast M&A actions, however their current liabilities have been on a steady decline since 2015 (Investing.com, 2018). One can only assume that they continue that road ahead.

Axel Springer on the other hand is a little bit on a cross-road, they should divest their business and get rid of all of the printing press or at least most of it, as it is only dragging resources from the place where they could really make a difference, meaning their digital platforms.

Table 5 Key financials of Axel Springer SE (Investing.com, 2019)

Year	2014-12	2015-12	2016-12	2017-12	2018-12
Revenue (MEUR)	3,038	3,295	3,290	3,562	3,180
Operating Income (MEUR)	303	314	312	329	409
Operating Margin %	10.0%	9.5%	9.5%	9.2%	12.8%
Net Income (MEUR)	799	252	427	346	181

Their revenue is interesting, as it bounces around, 2017 it even went over EUR 3.5 billion (Investing.com, 2019). However, it is similar case as Alma Media's on Table 4 on page 27, both corporations have improved their operating income and operating income margin over the five-year period (Investing.com, 2019). Unfortunately, Axel Springer have not been able to turn it in to net income, their enormous net income from 2014 compared to other year on the Table 5, is mostly due discontinued operations. (MEUR 668) (Investing.com, 2019).

Table 6 Change in balance sheet figures of Axel Springer SE (Investing.com, 2019)

Year	2014-12	2015-12	2016-12	2017-12	2018-12
Total current assets (MEUR)	1,242	1,317	1,063	1,442	1,211
Total non-current assets (MEUR)	4,316	5,187	5,393	4,994	5,268
Total Assets (MEUR)	5,558	6,505	6,456	6,436	6,479
Total current liabilities (MEUR)	1,033	1,538	1,390	1,598	1,404
Total non-current liabilities (MEUR)	2,520	2,904	2,848	2,548	2,651
Total liabilities (MEUR)	3,554	4,442	4,239	4,146	4,055

Table 6 shows nothing extraordinary, total assets have risen to MEUR 6,450 level, and been there quite consistently (Investing.com, 2019). Axel Springer has also been using short term financing in their M&A transaction, as one can see from the risen levels of current liabilities from 2014 to 2015 (Investing.com, 2019).

Chapters 7-10, with the case studies, were created in order to find similarities or differences between the corporate cultures and M&A actions within the two countries in focus. As expected, the similarities overcame the differences within Germany and Finland. The cultural proximity of the respective countries could be the major reason for this.

12 Why M&A might fail?

This chapter of the Thesis evaluates and studies the main reasons behind the failures or let downs of merger & acquisition transactions.

The main reason why mergers are mostly failing is because two cultures are conflicting with each other, and the result is chaos and power vacuum, in which no meaningful decisions are being made. The much talked-about tolerance often does not apply when corporate cultures get together. It is like a situation in which two strangers would move in together, and they would need to change their routines learned over several years. People are usually too stubborn to be able to change fast, and the ones who can adapt quickly are in a strong position within the newly established environment.

Leadership always has the responsibility for developing company culture, however they rarely understand, that it should be their most important task within the first few months. Recruitment is a precious tool to strengthen the culture, however it also an easy way to weaken the culture.

Solid corporate culture is always more than a single person or strategy. That is a lot to say, however it is not an overstatement. Such a culture accepts or rejects new employees, makes decisions about self-determination, and opposes anti-cultural activity. It teaches people to perform and act according to corporate culture. It has its own coding and unscriptural code. It inspires you to be proud of what you do and where your work is being done.

Other explanations for problems in M&A actions seem to be IT. It is frequently neglected a little bit; therefore, due diligence should be extended to information technology. Companies often just inform that they are going to have e.g. 20 million euros in synergy benefits on IT, however nobody is telling, often not even thinking, how they are going to do it.

In order to achieve cost and revenue advances, organizations need to realize synergies. Cost reduction potentials are realized by removing identical activities or making use of economies of scale and increasing operational productivity. Revenue synergies refer to the combined sales potential of both organizations, and value-adding revenue synergies are realized by cross-selling opportunities. On average, approximately only one quarter of acquirers can realize (in some cases significant) improvements across different business functions (Deloitte, 2019). Most synergies were realized within the R&D function, Marketing & Sales, Customer Service and Procurement. Most organizations reported only irrelevant to no improvements, while around 10 to 15 % of the organizations reported negative effects (Deloitte, 2019). Thus, they need to avoid stranded IT costs and identify options to run their IT function more efficiently. Furthermore, they might also use the window of opportunity to remove information systems that are no longer required and streamline their IT department.

In these kinds of situations, only the software vendor is likely to get anything out off. The seller is likely to pay for licenses, which are no longer of any use in the company, and the acquirer will have to purchase new licenses. For example, one-users Microsoft licenses may incur a one-time additional cost of 200 to 800 euros after the transaction (Microsoft.com, 2018). License issues typically arise at the end of the merger discussions. Unexpected license fees will then often be left to the acquirer, depending on the negotiation situation and the skills.

If the business or IT views are too overriding in integration, the strategy is biased. It is essential to ensure that business and communication are adequate. Business needs to be involved in IT integration planning, even though it does not dominate the process.

The numerous technical environments of the merging corporations can also be the reason for difficulties. For example, customer information and statistics is going to be very difficult to combine, if customer databases are built with a completely different logic.

Lack of resources on IT can also be major problem on M&A as merging information systems will be put at risk, if the transition plan does not have sufficient timeframe, money or factors. This risk is solved by realistically evaluating and responding to the project's resource requirements. Using external assistance would be in many cases beneficial, however as it is not seen often as a money saving measure, corporations are reluctant to use any. It does not get any money, though. The leader of a full integration project should know both organizations both for business and IT - and integrations should also have previous experience.

13 Conclusion

So, in which country is M&A actions executed more successfully, in Finland or in Germany, in all honesty one can’t determine that without more extensive research.

All in all, one can see that on this thesis, the two states compared are very similar in terms of the mentality of the people, thus it is tough to differentiate real differences between the people. Subsequently claiming that, one must remark that possibly Germany’s more open atmosphere (meaning small talk culture and more human centred culture) is a real asset, in comparison to Finland’s shy engineering approach, and to the empirical reflexion of Finnish people’s incapability to sell their products and knowledge, even reasons for M&A. As a whole, German businesses have more familiarity on M&A and that should provide more knowledge, how to handle the circumstances, e.g. what usually works and what does not. While people in Finland might seem more content, they might reply like that in a study, just to satisfy the people conducting it.

This study has revealed that there are no prevailing characteristics of successful transactions, nor are there dominant strategies. Small transactions fail or succeed as much as large transactions and stand-alone transactions can be as successful as absorptions. There is also no “silver bullet” that guarantees transaction success. In fact, transactions are unique and thus need a tailored approach; however, the study has identified important lessons for successful M&A transactions. Thus, combining common findings with a tailored approach will likely increase the chance of transaction success. The results of this survey have not only confirmed the findings of prior studies, but also provide new and partly surprising findings, for example the lack of resources provided to IT integration.

Hence, a corporation considering implementation of M&A process, should consider the following with the aim of making it a successful one. First, one must carefully study, whether the company cultures of the particular corporations are combinable, in effort to achieve synergy benefits. Furthermore, one must reason, if there are economies of scale to be realised, or a new market share to be increased. To conclude, one must not overlook the importance of IT, and its’ limitations, as databases should be easily combinable, in order to dodge pointless costs on licensing fees.

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