

The integration process in Acquisitions

Case Study

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| <p>There are some major struggles with mergers and acquisitions, and the reasons why they fail seem to repeat themselves. Statistics show that the majority of the M&A's do not reach their intended goals, and for this thesis our focus will be on the integration process of a global Tech company. The author wanted to understand how the target employees felt and experienced the integration process. The author of this thesis conducted semi-structured interviews and utilized document analysis to analyse the gathered data by transcribing the interviews.</p> <p>The objective of this thesis was to understand the current acquisition and integration process at Company X, and from there develop improvement suggestion on how to make the integration process for both acquired company and Company X. The aim was to identify current challenges and based on the theoretical framework, find improvement ideas. The target Company X is a Technology consulting firm with more than 500 00 employees, that work on a Global, Europe, Nordic, and country level.</p> <p>This thesis was carried out using the Case study methodology. For the collection of data the author did a qualitative research as we needed to get depth in the answers and the answers couldn't be responded by selecting different options. There were three different target groups for the thesis: acquired leadership, acquired specialists and HR from company acquiring target companies.</p> <p>Based on the findings during the interview the author was then able to identify current challenges and pain-points with the current process and come up with improvement suggestions on how to make the integration process smoother, and hopefully more successful.</p> <p>A few of the key finding were the lack of transparency during the acquisition process, struggles to receive support from HR throughout the integration process and a lack of transparency for what way laying ahead for the acquired employees.</p> <p>The findings in this study can be considered as helpful for any larger scale organization, within the technology consulting industry, or any consulting industry, and matters to take into consideration before starting the integration of a new acquisitions.</p> | |
| Keywords Acquisitions, mergers, integration process, management structure, change management, organizational culture | |

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1 Introduction

Within the technology industry there is continuous changes happening as technology evolves over time, organizations grow on either headcount or production, and sourcing or outsourcing options appear to be increasing and changes on infrastructure. And with all these continuous changes happening, leading companies need to be able to keep up with the external market and keep their market position, or someone else will come in and take their place. Change within this industry is also a result of changes due to external factors such as environmental, social, global, and economic to name a few. And working in a technology consulting company I see the constant need for change and how those changes might be achieved.

One way to change and adapt to the external needs is by Mergers and Acquisitions, an established company sets its sight on a small boutique firm that is thriving in one of the change areas and decides to acquire it. Working in HR I have seen first-hand the struggles that come along with Mergers and Acquisitions and how much difficulties there can be in ensuring the integration of the new company goes smoothly, or how we call it “to reach the finish line”. A few examples could be that the acquired company is smaller than the case study company and they do not have processes and policies of working, whereas the study case organization is structured with established processes and policies and there tends to be clashes. Another example can be the internal systems that are used; the acquired company rely on excel sheets and case study company has internal systems to upkeep with changes and from where they monitor the data.

It is no secret that there are challenges within the merger & acquisition sector, and that there is a very high percentage of failure of the M&A deals done. As it will be discussed further, with Mergers and Acquisitions, between 50-90% of all M&A's fail due to various reasons, and the goal of this thesis is to uncover the potential risk factors that can currently exist within the integration process of Company X. This means that at least over half of all mergers and acquisitions made do not reach their goals that have been established. Further along in the thesis we will go into more detail on why merger and acquisitions fail. As Kenny (2020) states, most of the studies conducted show that it is mainly due to the failure of the integration process why around 70-90% of merger and acquisitions fail.

The goal of the thesis is to understand what is happening in the current Acquisitions process, the things that are taken into consideration during the integration time, what is potentially being left out and suggest improvements to the ongoing process. We will also focus on potential problems and challenges with the process to get a better understanding

of the areas that might need improvement suggestions. The aim is to suggest changes and improvement areas within the process to ensure a smoother integration process and a successful end result. We will be focusing on the cultural aspects of the organizations; how organizational structures might differ and how that might impact the merger and acquisition and matters to take into account in mergers and acquisitions.

The acquisition process is not a simple “drag and drop” process, but there are steps to take and different aspects to take into consideration throughout the integration process and also after the integration has been finalized. In this thesis I will focus on the cultural aspects of the integration process, both different country cultures but also differences in organizational cultures. As it will be discussed further in the thesis, integrating cultures has to be done in a mindful manner. Yehiav (2021) highlights the importance of how the integration process and how it is linked to the overall success of the integration.

While conducting the interviews I will deep dive into the process from an employee point of view, find potential gaps and flaws in the process and the consequently, support the organization with suggestions on how to improve the process even further. For this thesis there were three different focus groups: acquired Leadership, acquired Specialists and HR. After analysing the results from the interviews, and looking back at the theoretical framework, 7 different improvement suggestions were produced. These can be found under chapter 6 Conclusions.

1.1 Company presentation

The *target* organization is an international technology consulting company *operating on a global scale*. The company *in question* has more than 700 000 employees on a global level. The company works on different levels; on a local dimension, on a Geographical Unit level (Nordics), on a Geographical Market level (in this case Europe) and Global level. In this case our focus will be on the Nordic market and the M&A cases we have here. On a global level the organization serve clients in over 200 cities and 50 countries, across more than 30 different industries in 5 different industry groups. Over the past 5 years target organization has acquired 214 companies, and of those 14 were made in the Nordics. Below a few statistics:

- FY18: two acquisitions, one in Norway and one in Sweden
- FY19: 6 acquisitions, 5 in Sweden and one in Denmark
- FY20: none

- FY21: three acquisitions, two in Sweden and one in Denmark
- FY22: three acquisitions, one in Denmark, one in Sweden and one in Estonia.

It is evident that the Nordics have a very small portion of the overall number with a 7% of the total number of acquisitions but considering the size of the Nordic market unit it is significant. The Nordic market unit is the smallest of all market units. We employ around 5000 employees including the Baltic countries (approximately 3500 employees excluding the Baltics).

1.2 Scope of thesis

In this thesis we will investigate the following matters:

- 1) How can structural differences affect a merger and acquisition?
- 2) What are the potential cultural clashes while acquiring a company with different corporate cultures and structures?
- 3) What kind of problems or struggles are there with the current integrations process?
- 4) Potential opportunities and any positive impacts from the acquired organizations perspective?

1.3 Thesis structure

The structure of the thesis will be as following; Chapter 2 will focus on Mergers and Acquisitions, the processes both contain, different types of mergers, the role of Leadership in an Acquisition and the risks that come with them. Chapter 3 will focus on Culture, from an organizational point of view. We will deep dive into different company/management structures, rewards systems and differences in general organizational cultures and the risks that occur when you merge two different cultures into one. Chapter 4 focuses on Change Management and we will look into different change management methodologies, how to implement change and lastly will focus on Strategy.

2 Mergers and Acquisitions (M&A)

Before going into the details regarding mergers and acquisitions it is important to understand what they mean separately and the differences that entail with both approaches. Some might consider them as being closely related, if not basically the same, yet there are significant differences. It is also important to understand which process to utilize in each case, based on the end result one is looking for. Mergers and Acquisitions can be considered as a reorganization within a company, and reorganizing can be of value when the merging organizations want to find additional value. Yet this process requires both organizations to be integrated in a smooth manner, that all employees are aligned on expectations and outcomes, and that corporate activities streamlined and standardized (Robinson, Heywood and Edmonstone-West 2016).

When discussing mergers and acquisitions one can sometimes ask themselves why do organizations acquire other businesses? At its simplest, there is really only one reason for a Buyer to do an acquisition; to make more money for its stakeholders. A fancier way of expressing this is to create shareholder value. (Miller and Segall 2017, 1). Then one can ask themselves what does creating shareholder value actually mean? Miller and Segall (2017) continue by suggesting that creating shareholder value simply means making the acquirer's business more valuable. So the idea behind acquisitions is not only related to potential growth but more about increasing the value of the acquiring organization.

On a global level 2021 was a record-breaking year for M&A's. In the Global M&A Report by Bain & Company they highlight that the global deal value of M&A's was \$5.9 trillion USD, and as seen in Figure 1. it is the highest number since 2000. They continue by saying that the amount of M&A's during 2022 has so far slowed down compared to last year, mainly due to the increasing inflation, interest rates, supply chain issues to the war in Ukraine and also mentioning the geopolitical issues between China and the US. But this does not mean that organizations will stop doing M&A's completely as challenging times usually brings along business potentials. An example could be when Covid hit and almost all employees had to work remotely as companies closed their offices and organizations had to re-think the way of working as on-site work was not an option. This challenge brought significant opportunities for consulting companies as they could help clients change their ways of working, going from on-site to remote working, and support in the technological aspects.

M&A deal market value (in trillions of US dollars)

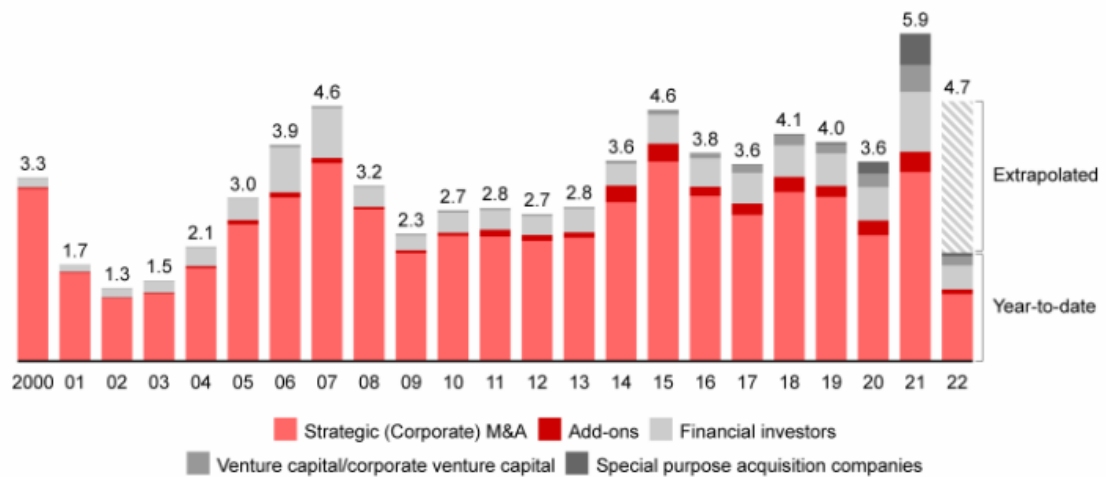


Figure 1. Global trend of M&A's (Bain & Company)

Continuing to do M&A's during these uncertain times does come with risks but as per Bains research concludes organizations that continue to invest in M&A's during the whole economic cycle have higher returns that organizations that invest in M&A's in a more sporadic manner. They continue by saying that one of the keys for success during these circumstances is that the organization keeps changing their strategies according to the external impacts and continue to keep M&A as a big "lever" to continue to grow and strengthen their competitive advantage.

The main difference between a merger and acquisition is that when there is a merger there are usually two organizations involved and after the merger, they turn into one. An acquisition is when the "mother" organization acquires another company and the acquired company is integrated into the mother company. The acquired company usually implements the acquiring company's processes, structure and internal systems and this integration takes time. In the chapters below we will go into more detail of what there two processes actually are. The Corporate Finance Institute defines a merger as an operation when two or more individual businesses consolidate to one and forms a new organization, and an acquisition as when a larger (and financially stronger) corporation takes over a smaller one (2022).

In this thesis we will focus mostly on Acquisitions due to the nature of the target organization and they only rely on acquisitions, not mergers.

2.1 Mergers

According to Soofi and Zhang (2014, 10) a merger can be defined as a transaction that forms one new organization by combining two or more independent organizations, or also as one company legally absorbs all assets and liabilities of another company. Mergers are mostly a friendly transaction but usually one of the firms is stronger and dominates the transaction. Another characteristic of a merger is that they are negotiated deals that have to meet certain legal and technical requirements.

2.2 Acquisitions

In an article in Harvard Business Review from March 1986 by Jemison and Sitkin (1986) state that the reason managers prefer acquiring companies rather than trying to gain the same goals internally is because they can reach products, markets, resources and technology (among other) less risky. And to this day this statement is still quite accurate, while adding the shareholder value to the equation. One of the biggest reasons acquisitions happens is to add value to the company acquiring the external organization.

2.2.1 Acquisition process

Every process, to be successful, requires a plan and specified steps along the way. According to Soofi and Zhang (2014, 19) they divide the process into the following steps: Strategic Planning, Screening, Acquisition, and Integration. In this chapter we will go into more detail of each of these steps and what they entail.

The **Strategic Planning** part can be considered as the evaluation, the reason why a company is considering acquiring another company, and what are the reasons behind the acquisition. Soofi and Zhang (2014, 20) continue by stating that for an organization to be successful they constantly have to adjust to the changes within technology, in the production process adjusting to changes within the product quality and changes within the economic environment among others. Change is all around, is constant, and to be able to compete, an organization needs to adjust and be agile (this will be explained in chapter regarding change management). To be able to adapt to the constant change always requires planning, having a flexible organizational strategy (to be discussed more in chapter regarding Organizational Strategy) and being innovative. They continue by saying that by innovation it means potentially lowering the cost of production, improved product or service and offering better customer service (2014, 20). So, while defining the needs of an organization to stay ahead of competition and answering those above topics, that is where the question

regarding M&A comes in, can an M&A support this journey into improving our position in the market?

But then there are more options available than only M&A for growth of a company. A table created by Weston, Mitchell, and Mulherin (Soofi and Zhang 2014, 20) divides the different approaches to growth for a company according to the following methods internal changes, financial restructuring, external opportunities, contracting and restructuring. A more detailed overview, with a few examples of what each area entails, can be seen below:

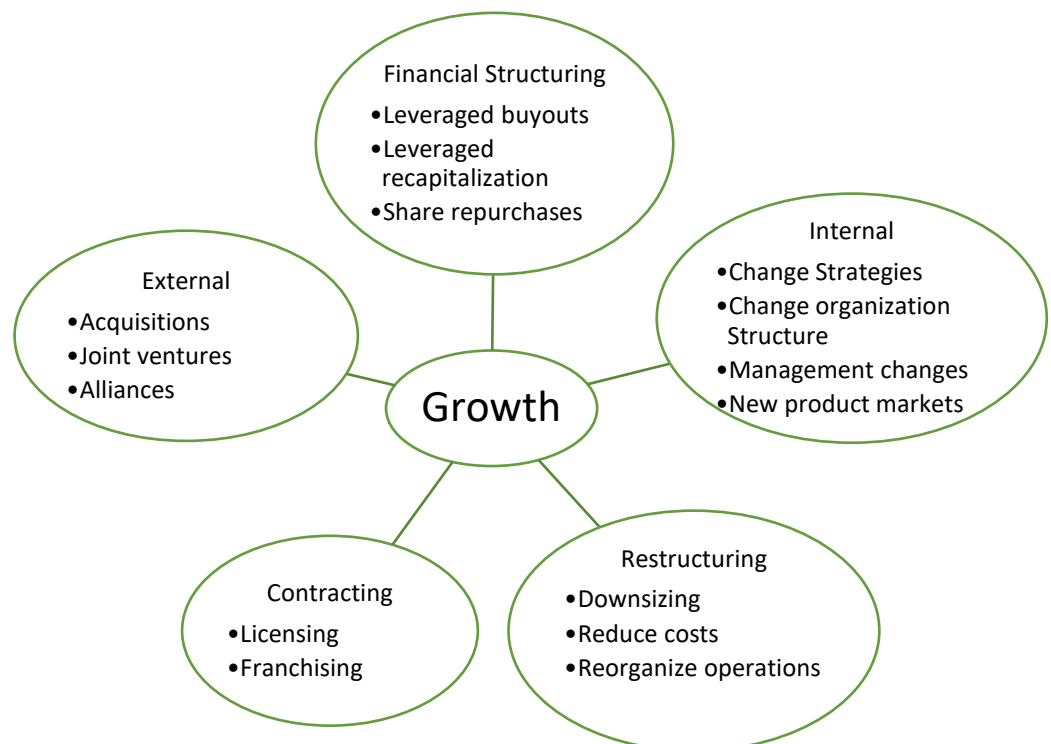


Figure 2. Different growth options (Soofi and Zhang 2014, 20)

There are a wide range of options when it comes to the different types of methods within the approaches. For example, if the organization wants to grow utilizing external changes there would be three different options with Acquisitions having three more options within. But when it comes to the planning phase there can be challenges and one is, according to Soofi & Zhang, that the acquiring company needs to develop a strategy which ensures that there will be no negative impact on the financial performance of both acquiring and acquired organization. There are three important factors that have an impact on a successful transaction: a clear and transparent of purpose for the transaction, having control of the overall M&A process to ensure the day-to-day business is not affected and lastly managing the employees (Soofi & Zhang 2014, 14.)

Screening is quite self-explanatory, but this is the stage when the organization looks for potential companies to acquire and which are the most suitable ones. There are certain criteria's during this stage that needs to be taken into consideration and those are: industry and the size of the deal. There are several ways into identifying potential target organization. According to Soofi & Zhang there are databases as Disclosure and Capital IQ, but organization can also utilize investment banks and brokers to identify target companies (2014, 21). While setting the correct screening targets the company set the foundation to have a successful deal execution and integration to follow.

The third step of the process is the **Acquisition** phase. In this phase the organization does the due diligence, the valuation of the acquisitions, the negotiations take place and then finally the deal structuring itself. (Soofi & Zhang 2014, 22). They continue by defining the above steps as following: Due diligence is the activities the investor is required to take to ensure the target company will fit the strategy underlying the merger and or acquisition. The valuation is defining the worth of the target company in mind. The negotiations refer to the different activities that lead to identifying, acquiring and eventually then successfully completing the merger or acquisition of the target company. Lastly, the deal structuring is the formal agreement between the two parties in the M&A deal where they define the corresponding rights and responsibilities concerning them both.

The final stage of the process is the **Integration** part, which is considered to be the most challenging one of all (Soofi & Zhang 2014, 22). This stage involves the combination of strategic, financial, operational, technological and human capital of both businesses so that both organizations can function smoothly as one. They state that many M&A fail due to the unsuccessful integration of both parties (2014, 22).

According to Jansen (Gleich, Hasselbach & Kierans 2010, 44) the acquisition process can be divided into three different categories, as seen in Figure 3 below. The first phase, Strategic Analysis and Searching Phase, can be considered as the preparation stage where the acquiring organization does a pre-study on the market, competitors, collection of potential target companies and different calculations focusing on synergies. This stage is proactive as the acquiring company does not wait to see what is available in the market, but they search for what they think they need. The second phase, Transaction and Audit Phase, is where the acquiring company has found a target company and they do an in-depth analysis of the organization. In this phase they focus on legal, finance, market environment and taxation among others. The last phase is the Integration Phase, where they plan the integration of the M&A. During the integration phase it is important to take into

consideration the data collected during the due diligence stage as it provides important and valuable insight, which in hand can decrease time and effort during the integration phase as it highlights potential challenges.

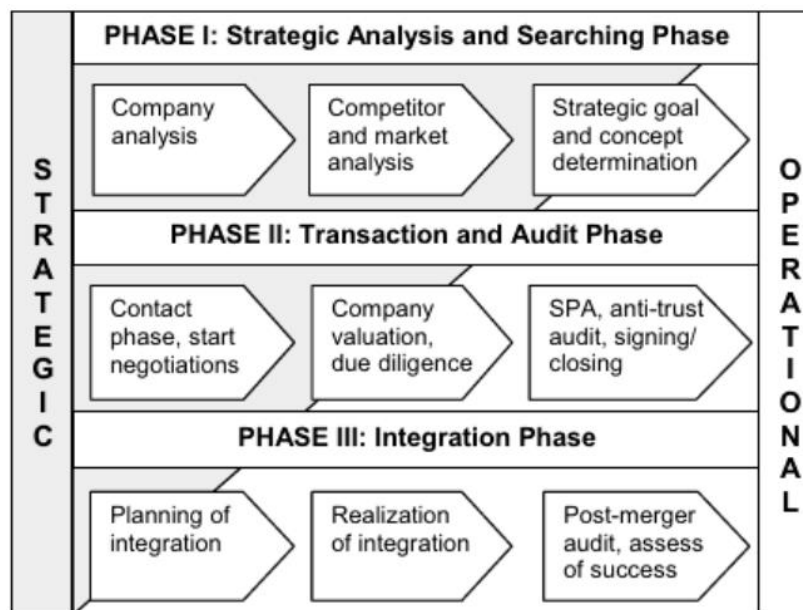


Figure 3. Different M&A phases (Gleich, Hasselbach & Kierans 2010, 44)

2.2.2 The role of leadership in Acquisitions

In 2014, J. Keith Dunbar made a study for Harvard Business Review on what characteristics leadership should have to make M&A's a success. He based the research on the fact that past research on this area mainly focused on financial characteristics, capability matches and human factors as in culture, but he noticed that there was a lack of quantitative research on collective leadership capabilities.

Dunbar (2014) investigated what the different areas and competencies in both acquiring and target companies can affect the financial performance and the relative importance of middle managers and senior executives' leadership capability. Based on his findings he divided them into two sections: Acquirers and Targets, with highlighting the key leadership competencies.

Table 1. Leadership competencies (Dunbar 2014)

| Acquirers | Targets |
|-------------------------|---------------------|
| Motivate others | Motivate others |
| Influence others | Influence others |
| Build relationships | Build relationships |
| Develop others | Provide direction |
| Act with integrity | |
| Show adaptability | |
| Focus on customer needs | |

In his research three major findings stood out: firstly, leadership skills within the area of thought, result and people can indicate a successful M&A in both acquiring and target company. Secondly, the table above demonstrates the 7 key competencies and four competencies each leadership should have to have a successful M&A, and thirdly, is that senior leadership capabilities from the acquiring company and middle management leadership from the target company can have the greatest influence on the success. He continues by stating that part of the due diligence process of a potential M&A should be assessing the collective leadership capabilities of both organizations. (Dunbar 2014.)

2.2.3 Risks with M&A's

Majority of the studies show that between 70 – 90% fail in the mergers and acquisitions process and mainly due to the integration process (Kenny 2020). The number of reasons for the high percentage in failure are several and it all depends on the expectations of both organizations. Romano and Jobe (2022) explain that main topics that come up as a reason for failure are the following:

- Hubris and bias
- Inadequate diligence and planning
- Lack of integration strategy and priorities
- Leadership and resource challenges
- Poor communication
- No end-state clarity
- Slow or weak implementation.

Another study conducted by Deloitte Consulting LLP in 2013 state that between 50%-80% of all M&A deals fail to reach their expectations, with 70% of the deals where the synergies are not achieved and a mere 23% ear their cost of capital. They continue by sharing that during the first six months productivity drops by 50%. The reason why most organizations fail to reach the synergies is due to poor integration Planning phase, whereas there is direct correlation between effective integration Planning and desired integration end-results; higher value, faster outcomes, and less risks (Deloitte 2013).

But why is there such a big number of M&A's even if the success trend data is so low? Competition in every market is growing by the day and as technology evolves so much every organization as well to stay ahead of competition. And it is hard, in this day and age, to find an organization which is not hungry work growth, may it be organic growth or inorganic growth. And according to Romano and Jobe (2022) ambitious growth can be one big reason why repeated M&A transactions fail stating that the mentality that capital needs to be invested for a return of investment. According to Lewis and McKone (2016) the reason behind high number of failures is not the increasingly amount of M&A cases itself, but rather there is failure in the evaluation process in the process as a whole. They continue by stating that even if it is important to accurately identify and calculate different company synergies, the results of the diligence work can often be too optimistic from a revenue synergy perspective.

Previous studies have shown that differences in both corporate and national cultures have a significant negative impact in M&A performances (Shi, Liu X., Yang, Yao and Liu D. 2016, 41). A merger or acquisition is not a simple "drag and drop" process where everything will work smoothly once the transaction has taken place, as it involves people and not only with different national backgrounds but also different ways of working.

When looking at the integration part of the integration process Soofi & Zhang (2014, 139) state that there are three different approaches to think about; status quo integration, complete integration and a hybrid integration. The status quo integration is when existing conditions remain, with only the financial reporting aspect being integrated, and requires the minimal effort in integration from the target company. Complete integration means, as the name says, a complete integration of the target company into the acquiring company, and lastly hybrid integration which refers to integration focusing on the best employees, processes and technology (among others). As the integration process is so complex there needs to be clear plans in place to reduce any challenges throughout the process, and clear expectations needs to be set.

Soofi and Zhang (2014, 25) continue by stating that the main reasons why M&A's fail are due to poor planning; poor execution; or the pace of the integration process. With this they mean that if the process is taking too long or is executed too fast. In any merger and acquisition this needs to be evaluated on a case-by-case base and not presume that all cases are the same and same process can be utilized to any merger or acquisition.

2.3 Types of Mergers and Acquisitions

Below is a list by Soofi and Zhang (2014, 10) of different types of M&A, or as they also call it Corporate Restructuring. We will not go into detail of what each of the transactions entail but more show that there are different types of corporate restructuring. In table 2 one can see the different types of Corporate restructuring options.

Table 2. Different types of Restructuring (Soofi & Zhang 2014, 10-13)

| | |
|------------------|-----------------------------------|
| • Mergers | • Industry Roll-ups |
| • Consolidations | • Takeover or Buyouts |
| • Acquisitions | • Leveraged Buyouts |
| • Tender Offers | • Leveraged Recapitalization |
| • Restructuring | • Greenfield Investment |
| • Spin-off | • Cross-border M&A |
| • Split-up | • Foreign direct investment (FDI) |
| • Divestitures | • Equity Carve-out |

But why do Corporate restructuring occur? As mentioned already at the beginning, the majority of the M&A's happen to achieve a certain goal, which most analysts consider to be profit maximization (Soofi & Zhang 2014, 12). Organizations, as in this case study, follow the external market and trends which occur, and sometimes organic growth is not possible to reach a specific goal so they look into inorganic growth meaning potential acquisitions.

3 Culture

When we speak about culture one can quickly say that culture is what meets the eye, but that is not necessarily the case. There are so many factors that have an impact on culture, what it is and what lies behind it as there is more than what meets the eye. Edgar T Hall's Iceberg theory on culture describes culture as only a few things that are visible to the eye, but there is so much more lying underneath the visible and these things aren't necessarily tangible. They are matters rooted to the core of the individual based on history, religion, and national cultures. It's the things that differentiate people from each other and what makes us also unique. According to Yehiav (2021) culture can be considered critical to success, that it can take years to build up a good and right culture, yet it can be destroyed in a matter of days. One of the reasons Yehiav (2021) mentions, that can destroy a company culture, is by setting up new priorities that are not aligned with the acquired company's vision, and that can affect how the employees perceive the new organization and their commitment to it.



Figure 4. Iceberg analogy of culture (Singanamalli)

A following question one can ask oneself is why does company culture matter and why should it be taken into consideration when doing business? Company culture is often overlooked — and yet it is among the most important criteria for evaluating a job offer. Simply put, culture is an organization's DNA. It is the shared values, goals, attitudes, and practices that characterize a workplace. It is reflected in how people behave, interact with

each other, make decisions, and do their work (Sawhney 2021). According to Camberato (2022) he highlights 5 areas where culture affects business performance:

- Better employee retention
- Greater Innovation
- More Efficiency and Productivity
- Creates a Better Customer Experience
- Creates a Sense of Community.

So organizational culture is definitely not something to be ignored and should be considered as essential for all businesses, no matter the size of the organization. A positive company culture makes the workplace more enjoyable for the employees and there is often less attrition. And where does a positive company culture start from? From leadership, according to Camberato (2022). If the employees do not trust a positive leadership, leadership will not be able to create a strong culture. A strong culture cannot be created bottom-up but it needs to come top-down, and if leadership is not happy about the state of culture they should ask their employees for feedback to get an understanding on where they are now, and do a plan on where they want to go next.

3.1 Organizational culture

But what is organizational culture then? How does organizational culture impact the business they run and what type of conflicts can occur when you combine two different cultures into one? Yohn (2021) describes it as culture can be defined as the ways people in the organization behave and the attitudes and beliefs that inform those behaviors (i.e., “the way we do things around here”) — including formal, stated norms as well as implicit ways people work and interact. Another way to describe organizational culture can be, according to Heinz (2022), organizational culture refers to the shared values, attitudes and practices that characterize an organization. It's the personality of your company and plays a large part in your employees' overall satisfaction.

A part of organizational culture is organizational behavior, meaning how people within the organizations acts. According to Robbins & Judge (2017, 31) up until the late 1980's organizations, focusing on management, monitored it according to accounting, finance, economics and quantitative techniques, and human behavior was left to the side. But since the late -80's the role of interpersonal skills has grown and become more significant in determining managers effectiveness. With time organizations have come to understand the impact and importance of the employees working for them and the impact they can have

over the outcome of the company. According to Kitching (Soofi & Zhang 2014, 138) already dating back to 1960s and early 1970s studies showed that a larger percentage of the failed M&A deals were due to ineffective integration processes and reorganization. This means that the study of M&A deal failures has already been ongoing for decades and has highlighted the importance of the integration process, and now the aspect of culture has become more prevalent.

Organizational culture also has a significant impact in the integration process during a merger or acquisition as it generates commitment to the organization during the transition time and it increases organizational stability during the main transition time. According to Stenberg (2021), organizational culture plays a significant part in organizations gaining competitive advantage.

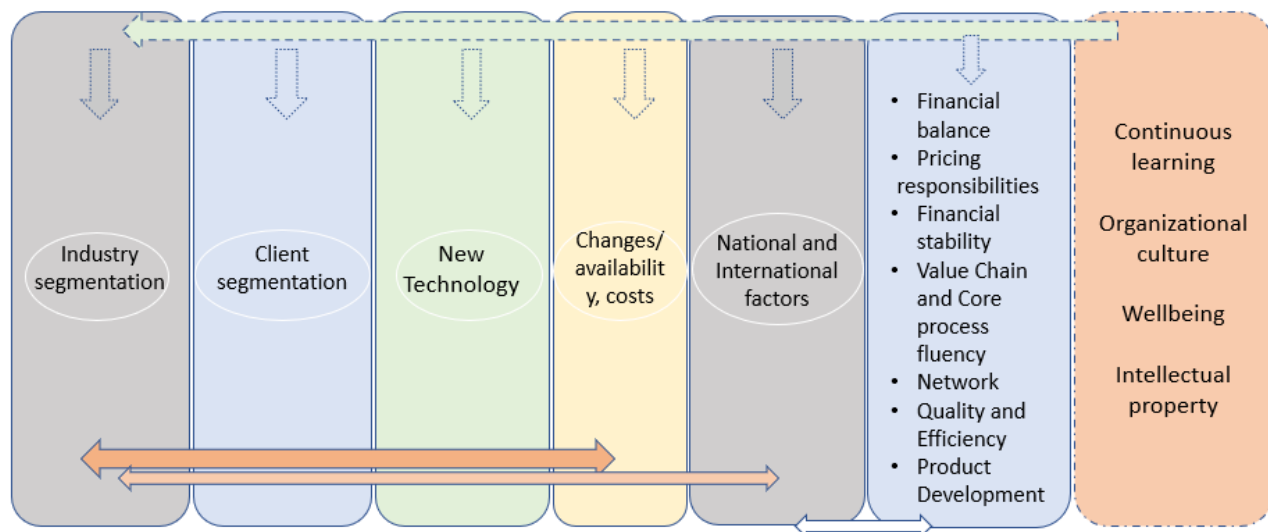


Figure 5. How to create competitive advantage (Stenberg 2021)

Organizational culture also creates some sense of identity to the employees in the organization; hence it is a very important aspect to keep in mind (Soofi & Zhang 2014, 136). But depending on how the acquiring company is set up from a cultural perspective (is it a multicultural organization) and the target company, there might be more challenges in the integration process. If the acquiring company is multinational and diverse, and so is also the target company, chances are less that there will be major conflicts as both organizations encourage and also tolerates diversity. Yet, if one of the organizations is not multicultural and lacks diversity, then there will be a need to create a uniform culture across the organization to ensure stability and less conflict. Cultural diversity can be considered a richness for an organization as it brings different ways of working and different ways of approaching matters, hence gives more perspective.



Figure 6. 5 step to create strong culture (Shmidt)

But how to upkeep a good and strong organizational culture? According to Schmidt (2022) there are five steps to build a strong culture:

- **Accepting that company culture matters.** Company culture should not only be used to create excitement regarding the company, but it should matter. Having a good culture attracts top talent, increases the retention rates, and increases overall productivity within the company.
- **Defining and sharing the company's mission, values and goals.** The work the employees does need to mean something for them, hence it is important to clearly define and share the aims of the organization. The values the organization has will define the expectations set on the employees on how they will collaborate together and achieve results. Also ensure there are clearly define short- and long-term goals, as these help the employees to stay focused and motivated.
- **Encouraging healthy communication.** Company culture can become visible in the way employees interact with each other and how they communication. Do they feel comfortable sharing new ideas openly, can they share their concerns freely, how the conflicts are being resolved or do

they receive sufficient feedback when needed? For an organization, instead of expecting the employees to communicate in a certain way, it's encouraged to outline some main principles that you believe can create a positive environment at work. This can be done by, for example, creating communication guidelines.

- **Prioritize employee well-being.** Organizations should not shy away from investing in employee well-being as employees who feel good are at the heart of a positive organizational culture. Some benefits that are considered to improve company culture are: development opportunities, flexibility at work, mental health support and flexible work schedules.
- **Continuously monitor and nurture the culture.** As the organization changes, as will the culture, so there is nothing wrong with making small adjustment as time goes by. A strong culture does not happen overnight, and it takes time to develop as the employees need to feel values, respected and welcomed. Once a strong culture has been created does not mean that the work ends there as it needs to be upkeep as well.

According to an article published by Gartner in 2019 it states that through 2022, 75% of organizations with frontline decision-making teams reflecting a diverse and inclusive culture will exceed their financial targets. And gender-diverse and inclusive teams outperformed gender-homogeneous, less inclusive teams by 50%, on average. Bringing different cultures together brings value to organizations, and as mentioned above, also brings a business advantage.

When it comes to organizational behavior it evaluates three different areas; the individual behavior in a company, group behavior and structure of the company, and how all these combined has an impact on the organization's performance. Organizational behavior focuses on employee/job satisfaction, human performance, turnover, productivity, management and potential absenteeism (Robbins & Judge 2017, 33). According to Robbins & Judge (2017, 33) the core topics for organizational behavior include, among others:

- Motivation
- Leader behavior and power
- Interpersonal communication
- Group structure and processes

- Change processes
- Work design.

All the above can have a significant impact on how employees feel connected to their work and how they act on a day-to-day basis.

When defining organizational behavior and what contribution factors there are, Robbins & Judge (2017, 37) separate them into four categories: Psychology, Social Psychology, Sociology and Anthropology. They state that organizational behavior is about behavioral science which is built on contributions on different disciplines.

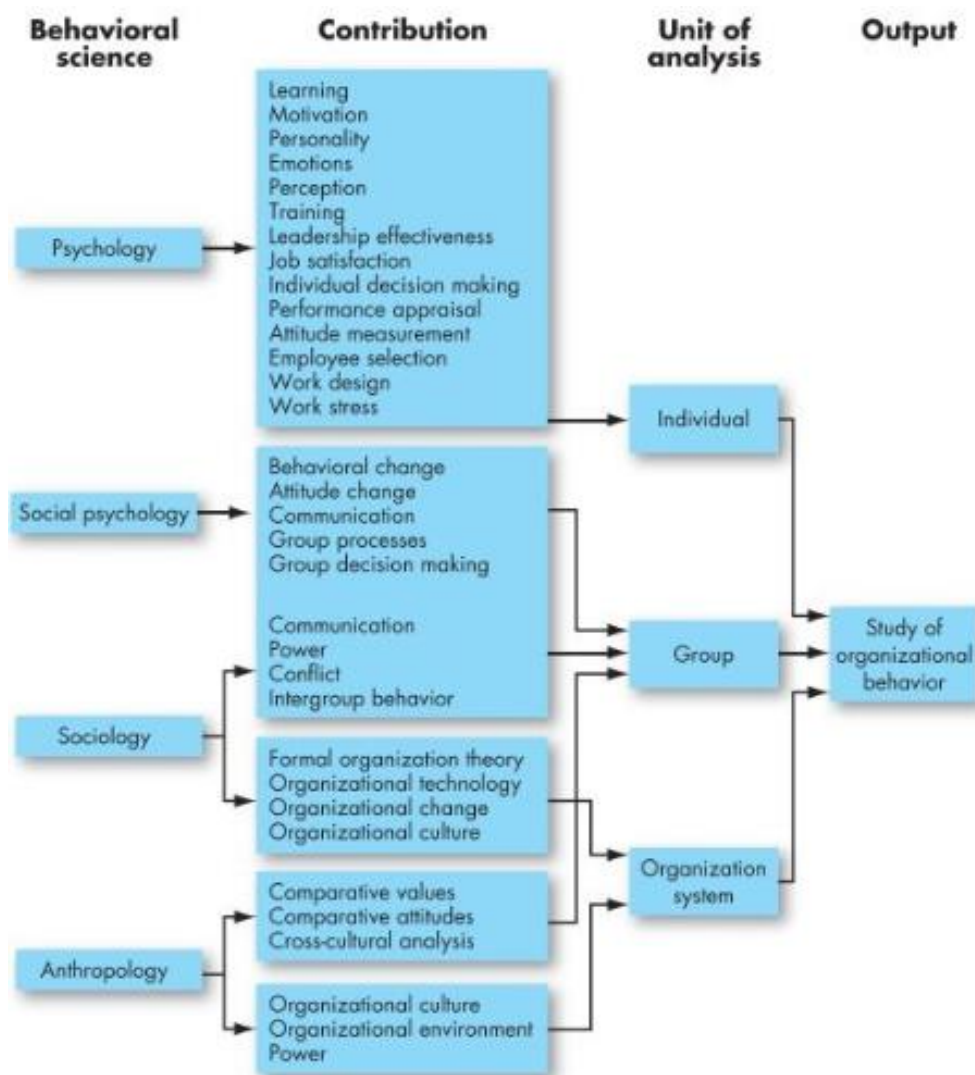


Figure 7. Behavioral disciplines (Robbins & Judge 2017, 37)

With **psychology** they refer to seeking to measure, explain and potentially change the behaviours. Past studies by organizational psychologist focused on problems related to boredom, fatigue and other working conditions that could disrupt efficient execution at

work. But in more recent studies have expanded the different contributions to trainings, leadership effectiveness, learning, work design and job satisfaction that can affect work execution.

Social Psychology focuses on a more blended approach, meaning from a psychological and sociological perspective and how people influence others. One of the main focus areas for this aspect is change, how to implement change and how to minimize the number of hurdles so that the change is more accepted. Robins and Judge continue by stating that social psychologists also contribute to measuring, understanding and changing attitudes; identifying communication patterns; and building trust (2010, 36).

Sociology focuses on the social environment and culture of people. From the organizational perspective researchers have focused on group behaviors in organizations, with high focus on more established and complex organizations. Their focus within those have been on culture, structure, communications, and conflicts among others (Robins & Judge 2017).

Anthropology study focus is on the society to get a better understanding about the people and what they do. The studies made by anthropologists on culture and environments have helped us to understand the differences between organizations and countries, while focusing on the attitudes and fundamental values of people (Robins & Judge 2017).

According to Edgar Schein culture is something that is constantly influencing us as a “here and now” event and also as a coercive background structure, and it is something that we shape based on our interactions and how we behave with others (Schein 2010, chapter 1). when someone has the capacity to influence others in their behaviours and values, that is something we call Leadership, and that is something that needs to be taken into consideration on an organisational level. And even more, that is something individuals in senior positions need to have in mind as they set the tone and atmosphere at work.

Schein divided organisational culture into 3 different levels, all of them representing a different level of cultural visibility, meaning what is visible to observers and what is not directly visible. According to Schein there is some confusion when it comes to defining culture and what culture actually is as people do not necessarily always know how to differentiate the different levels (Schein 2010, chapter 2).

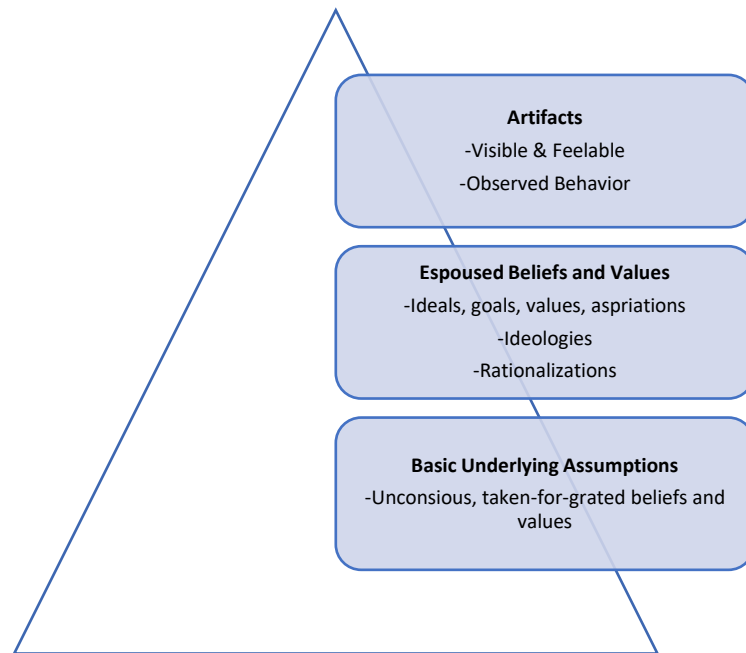


Figure 8. Cultural Levels according to Schein (2010, chapter 2)

Artifacts can be defined as the things you can see, hear, and feel when you meet people from a different culture. Going one level deeper that can be the language, mannerism and behaviours, how people are dressed and non-verbal communication styles. From an organisational perspective different processes can also be considered as artifacts, and also organisational charts and descriptions on how the organisation works. One thing Schein highlights (2010, chapter 2) is that even though artifacts are visible they can be difficult to explain as the idea, or meaning, behind the artifacts might differ, and the interpretations on each are depending on the person trying to understand them. When discussing Edgar T Halls Iceberg interpretation of culture, there is so much more than what meets the eye, and that goes as well with artifacts. But once you have spent enough time observing the people/organisation you will start getting an understanding of why certain things are they way they are.

Espoused Beliefs and Values go one level deeper than the Artifacts, they focus on the employees and what they value. An example that Schein explain is his book (2010, chapter 2) is when there is a new team created and they are given a problem to solve, and that the first idea proposed reflects on the beliefs and values of the person who proposed the solution. Espoused beliefs and values are those that define how individuals think, what they consider right and wrong, how matters are supposed to be handled and what approach they think is the best one. If one person of the group manages to convince all other team members that their approach is the right one then they can be identified as a

leader, but to reach that point requires time. Schein continues by stating that only the beliefs and values that can be empirically tested and that continue to work reliably in solving group's problems will become transformed into assumptions (2010, chapter 2). But there are some cases where it is not possible to be tested as in, for example, the strategy or goal of an organisation. In this case it is impossible to test the espoused beliefs as it can be hard to difficult to prove the link between organisational performance and strategy.

The last level of Schein's culture is the **Basic Underlying Assumption**. Basic assumptions are things that are usually is taken for granted. Taking the example above with beliefs and values, if the proposed solution to the problem works, time and time again, it is not a proposed solution, but it is a real fact that it works and it becomes the favoured solution instead of just an idea. After frequently implementing a specific set of beliefs and values it becomes the norm (Schein 2010, chapter 2). Basic assumptions are very hard to change as they are things we perceive as "a given", how we think and the way we act. When we learn something new, something that interferes with our basic assumption, we feel a level of anxiousness as the things we have learn, and come as basic assumptions to us, is not needs to be reshaped and restructured. Looking at basic assumption from an organisational level, if a team has been working together long enough they will have shared basic assumptions as they have found the same way of thinking within the group.

But here is where the struggle also comes along; if you combine two different organisational cultures together there will likely be a clash as, in most cases, all individuals and teams have their own assumptions, belief, values and artifacts. To find the harmony when integrating different people, different teams and or different companies together, to establish the right culture and a good way of working, one needs to first understand their shared basic assumptions and learn the process of how basic assumptions evolve (Schein 2010).

3.2 Types of Organizational Cultures

Robert E. Quinn and Kim S. Cameron, from the University of Michigan, did a study regarding different organizational cultures and what makes business effective, and they found two different polarities: internal focus and integration vs. external focus and differentiation, and flexibility and discretion vs. stability and control. (Heinz 2022). Figure 7 shows the different cultures and to continue we will go into more detail what each entail, the benefits and drawbacks. All definitions and explanations are based on Heinz (2022) findings.

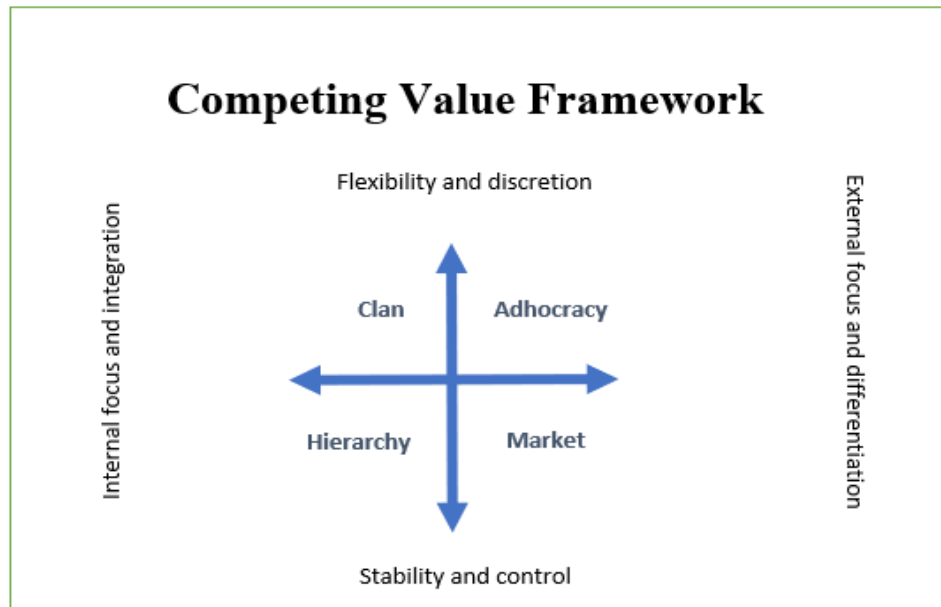


Figure 9. Different organizational culture (Kate Heinz. Image modified)

Clan Culture can be seen as a culture that reminds you of a family, it focuses on mentoring and having a nurturing atmosphere. Clan culture has a people approach, with a highly collaborative environment. In this culture all employees are valued as individuals and a priority is communication. One can often find this culture type in a horizontally structured organization, where they break down barriers between the employees and C-suite levels. This culture type adjusts very well to change and have a flexible nature. The benefit with this type is that employee engagement is high and there are big opportunities for growth as they adjust so well to change and have a flexible approach. The downside of this type of culture is that as the leadership structure is usually flat there might not be clear direction on how to work, and as the company grows there might need more structure.

Adhocracy Culture has a more dynamic aspect with a risk-taking and innovative approach to it. This culture thrives on innovation and wanting to develop the next big thing. This culture values they employees and encourages them be creative and bring new ideas to the table. The benefit with this culture is the fact that they encourage employees to be creative and that increases motivation, and opportunities to grow on a professional level increase due to creativity. The downside with this culture is that there are always risks with risks and not all ideas might have a good end result. There is also risk for competition between employees, which is not always considered as a good thing.

Hierarchy Culture is focusing on structure, control, stability, and efficiency in the organization. The structure of the organization defines the culture, meaning that there are several levels between leadership and employees. This culture can be considered as quite

strict as there are likely dress codes to follow, processes and policies on how to do things to ensure stability. With this culture there is clear directions on how to do things and the internal organization is a priority, but the drawback is that this culture leaves little room for creativity as there are processes in place. Another downside is that as it can be considered a rigid culture adapting to change takes times, and that in turn makes it difficult to potentially keep up with the external market changes.

Lastly, **Market Culture** is results oriented where they value competition and achievements. Market culture focuses on the Win, ensuring profitability and ensuring the objectives are in line with the organization's goals. Market culture is the opposite of Clan culture, they don't have a people approach as they are results oriented and prioritize external success over employee satisfaction. The benefit of this culture is that it can be highly profitable and successful as they focus on the external market but the downside is that there can be risk for burn-outs as the environment can be quite aggressive and fast-paced.

3.3 Organizational structure

Not all organizations have the same set-up on how they work and as Ahmady, Mehrpour and Nikooravesh (2016, 455) explain that structure refers to the relationship between the different components of the whole organization, how the teams work with one another. Freedman (2022) defines organizational structure as the different rules, roles, responsibilities and relations that outline how the organizations daily activities work so that they can meet the organizational goals. He continues by saying that there are 8 different types of organizational structures: Hierarchical structure (can also be referred too as line structure), Functional structure, Divisional structure (also referred too as multidivisional structure), Flatarchy structure (can also be called horizontal or flat structure), Matrix structure, Team structure, Network structure and Projectized structure. According to Ahmady, Mehrpour and Nikooravesh (2016, 457) categorize the same organizational structure as Freedman yet they add two more alternatives: Hybrid structure and Bureaucracy. To continue I will go into detail of the different structures according to Freedman (2016).

Hierarchical structure can be seen as the most common organizational structure of all, and it fits all businesses within all industries. It is well structured and clear on the chain of command where either the board of directors or CEO are at the top and power flows down from them to the bottom. In this structure there is usually a staff director that oversees all departments and reports to the CEO. This structure makes it clear for the employees how

the promotional structure works and from a relationship perspective there will be strong relationships between team members. It also helps employees specialize in their own area. But on the downside, it can be demotivating as this structure can give the impression that the employees' opinions do not matter and can create silos between teams as the teams might prioritize their own agenda and not see it from the overall company perspective.

The **Functional structure** is fairly like the Hierarchical structure but with one main difference. In Hierarchical structure there is a staff director that oversees all departments, yet in Functional structure all departments have their own staff director and that individual reports directly to the CEO. So, in this structure the CEO is in dialogue with more staff directors as there is not one overseeing the overall situation. This structure works well if an organization has modest sized departments. One of the disadvantages with the structure is that it limits the communication between other departments and also can make it hard for people from other departments to understand strategies from other teams. An advantage is that it is easy to scale this structure.

Divisional structure works best for large companies, especially within the manufacturing industry, as it gives the department some independence to work in an independent way from the organization, giving some flexibility. In this structure each department has its own chief commanding executive. This gives each department more room for creativity and innovation and can adapt better to customer or external needs. Risks are though that, from a recruiting perspective, you recruit similar people into different departments as they work independently, and collaboration can be small and can have poor communication.

Flat structure is quite easy to understand; there is not hierarchy within the organization and all employees have equal power. This structure is well suited for start-ups as they do not necessarily have enough employees to have separate departments. This structure gives employees independence and responsibility and can improve communication within the company, yet it does lack structure and can cause confusion when it comes to reporting as all employees have equal say. In some cases, the executive might have slightly more authority but not always.

The **Matrix structure** gives the employees flexibility to move between different projects and or departments. It is like the hierarchical structure but with a more fluid approach. This gives employees to take on varying assignments and significant learning opportunities, yet

this can cause conflict of interest between teams and from an organizational perspective the chart might change constantly, which makes it hard to know what the current set-up looks like.

Team structure comes next to the Matrix structure when it comes to flexibility for employees, but the only difference is that in Team structure the flexibility relies on the supervisors of the departments and not the team members. This approach can increase productivity as it's not compartmentalized, it also drives for growth and transparency and there is prioritization on experience over seniority yet can demotivate employees as the corporate ladder can be unclear for those who are working towards promotions.

The **Network structure** works well for organizations at larger scale and international set-up. The goal is to establish relationships with all departments, no matter where they are located globally, and as it can work on a multi-location base it creates and improves understanding of processes and how functional roles work. This structure pushes for employee communication, collaboration, and it can be clear on the chain of command. The issue with this structure is that it can be very complex and can be unclear who makes the final decisions.

Projectized structure works based on the projects the organization has, they take it one project at a time where the project managers are the supervisors. This approach doesn't have a clear structure as the teams are set up depending on the needs of the new project. There is clear hierarchy in this structure which helps manage the overall business. This structure has significant flexibility as you might not work with the same people often and as it works one project at a time it can improve cooperation. Yet this can also cause high stress levels with tight deadlines, and it can be unclear on long-term development plans as the future can be quite unknown.

Combining different types of organization structures might cause tensions and conflicts at the workplace so it is important to keep that in mind if considering mergers & acquisitions possibilities.

3.4 Risks of integrating different cultures

When combining different organizational cultures there are usually risks involved. If the acquired organization has the same structure and way of working the risks and cultural

clashes might not be as significant as if we are combining two different cultures. According to an article by Deloitte culture can be implicit, resilient and influences how people behave and understand their own actions. Culture can affect several things as it is integrated in how people are and how they work, and changing the culture can in hand have implications. For example, there might be differences in decision-making styles. During the integration process it is important to make fast decisions, yet if combining two organizations with different decision-making styles it can lead to slow decision-making process, or even failure to implement or make decisions (Deloitte). Another example is different leadership styles and if an acquired organization has a change in leadership, it can increase turnover, especially with the employees that do not support the change. This can in hand lead to decrease in the integration value as top talents might leave the organization and potentially take with them clients. Not all employees for an acquired organization are necessarily onboard with the transaction and might not be willing to change their ways or working and that can lead to unwillingness in creating new strategies aligning with the acquirer organization. It is no surprise that there can be push-back from employees during change as some of them might be happy with the way things are and that can create friction going in to the new.

Soofi and Zhang (2014, 142) also highlight the challenge of combining tall versus flat organization structures. They define tall structures as pyramid like enterprises that has several different management levels, whereas flat organizations have fewer managements levels but a broad span of control. This can create a challenge in the integration process as both organizations are used to working in their own way, and adjusting to a new way of working can be hard. Yehiav (2021) notes that “it is important to note that employee integration to the larger corporation is critical for the overall success; feeling part of a different team over time will degrade the value from the acquisition. Therefore, it is important to integrate the culture, the people and the brand. However, doing it right is even more critical.” This means that the integration of the employees, into the new organization, has to be handled with care as otherwise it can impact the overall engagement and wellbeing of the team. This can then lead to devaluation from the overall acquisition.

4 Change Management

"Change hurts. It makes people insecure, confused and angry. People want things to be the same as they've always been, because that makes life easier. But, if you're a leader, you can't let your people hang on to the past." - Richard Marcinko

Change can be seen as continuous, may it be external or internal factors affecting the reason behind change, but when it comes to organizational change the reasons are mostly external. According to Dobbs, Koller and Ramaswamy (2015) identified the reasons behind the changes to be, among others:

- Increased competition from Emerging Markets
- Significant growth in global consumer class
- Privatization: Private-sector competition growth, i.e. automobiles, electronics, telecom industries and transportation.

Burnes (2004, in By 2005, 369) states that change is an ever-present feature of organisational life, both at an operational and strategic level. Therefore, there should be no doubt regarding the importance to any organisation of its ability to identify where it needs to be in the future, and how to manage the changes required getting there. (By 2005.) Hence when it comes to planning the organizations strategy, while creating the strategy awareness of potential change always needs to be there.

For an organization for the able to keep up with constant changes there might be in the market they need to be able to work in an agile way and if they can't work in an agile way, they might suffer more than before. According to Miller & Proctor (2016, 10-12) there are several reasons why organizations need to prepare for change in a successful manner, and for that they need to be able to make strategic decisions and executions effectively and quickly. If an organization is not capable to change in an effective and quick way, there can be critical consequences:

- Organizations can't keep up with their competitors. This is especially true when industries have several newcomers and do not have history or baggage.
- Recovery can be challenging.
- Employee engagement becomes difficult.
- Change fatigue with the employees; meaning employees who have been at the company for a longer period of time can consider constant change to be tiring, and

- Business performance declines.

Miller and Proctor (2016, 12-13) focus on the term ECM, Enterprise Change Management., and they define it as a belief that for a company to manage change in an effective way it requires more than a set of specialists focusing and supporting the change, but the whole organization needs to have the set skills and tool to support the change. So, from their perspective change management isn't driven by a set group of people who have received change management training, but more it's a motion driven by the whole organization and been driven by the C-suite level. So based on their idea of enterprise change management, for a successful change, the change needs to happen on an organizational level and led by the whole organization and driven by the C-suite individuals. If it is managed by "only" a set team, then the change might fail.

But what does Enterprise Change Management consist of? It consists of a a shared language throughout the organization, defined processes and tools that can be implemented to different projects and different parts of the organization, strong change leadership competency on all level across the whole organization and a mindset that supports effective implementation of strategic change (Miller & Proctor 2016, 17-18).

When going into the change management process one needs to evaluate in what state the organization is in prior to the change, and this can be defined as the maturity level. Miller & Proctor continue (2016, 21-22) there are different organizational maturity levels for change management, as seen below:

| Stage | Description |
|--------------------|--|
| 0 - Technical | Change is seen as a technical process where people will comply with the requirements of the change |
| 1 - Rudimentary | Project implementation contains little change management beyond basic communications and training support |
| 2 - Tactical | Change management is applied inconsistently across projects, making it insufficient for creating competitive advantage |
| 3 - Organizational | Change management is applied consistently across major projects, helped by strong executive support, but it may still be insufficient for highly disruptive and fast-moving environments |
| 4 - Enterprise | Organizational level maturity is accompanied by a strong adaptive culture, making change management a key building block for organizational agility |

Figure 10. Change Management maturity levels (Miller & Proctor 2016, 18-19)

Figure 7. categorized the different levels of maturity that an organization can have according to Miller & Proctor, and, depending on the maturity level the organization has there is more or less time and effort spent on the process. Based on the maturity level of the or-

ganization, a plan can then be defined on how to execute the work, identifying the gap between current state and desired end result. Continuing below, Figure 8, goes into more detail of what each of the single levels actually means, what each level already has in place, from a maturity level and general commentary on the likelihood of success from change.

| Stage | What is in place | Commentary |
|----------------|--|---|
| Rudimentary | <ul style="list-style-type: none"> • Little or no change management • Basic communications and technical training support • Low to non-existent interest of executives | Unlikely to deliver benefits from even non-critical change projects |
| Tactical | <ul style="list-style-type: none"> • Low executive support • Inconsistent change processes • Applied to few projects • Specialists lead change efforts | Insufficient maturity to support the creation of competitive advantage by the organization. Potential pilot stage for Organizational application |
| Organizational | <ul style="list-style-type: none"> • Strong explicit executive support • Consistent use of change methodology • Methodology applied to all projects • Role-based skill acquisition • Integration into other organizational processes • Project initiation and review processes now include change management | Insufficient maturity for highly disruptive and fast-moving environments. Move to Enterprise level is in itself a major change with cultural implications. Many organizations stop here |
| Enterprise | Organizational <i>plus</i> <ul style="list-style-type: none"> • Strong adaptive leadership • Resilient workforce • Change context understood • Prioritization decisions being made | Key building block for organizational agility now in place |

Figure 11. Summary of different maturity levels in Change Management (Miller & Proctor 2016, 20-22)

“Successful change implementation matters for corporate health and success, but too much change has negative impacts on results.” (Miller & Proctor 2016, 47-48).

4.1 Different methodologies in Change Management

According to John P Kotter the change process has a series of phases, and each phase in itself requires a significant amount of time. If one rushes through these phases to reach the end faster it rarely creates the end results one would want, and also if one makes any mistakes during the different phases, it can have a devastating impact and slow down the ongoing momentum they might be experiencing (Kotter 1995). But why do companies want to go through a remake or restructuring? Kotter continues by stating that the basic goal has been the same: to make fundamental changes in how business is conducted in order to help cope with a new, more challenging market environment. (1995) This statement was made by Kotter in the Harvard Business Review article in 1995 and the reasoning behind it still today remains the same, to be able to keep up with market changes and continue having competitive advantage. He states that the majority of the corporate changes he witnessed (back in 1995) fall closer to the failure side of the scale, which is where we are today as well as stated earlier with the high percentage of M&A cases failing to reach their targets. Hence one can say that the processes might not necessarily have improved in the last few decades.

Kotter created the 8-step model to change management, to ensure a structural change is successful.

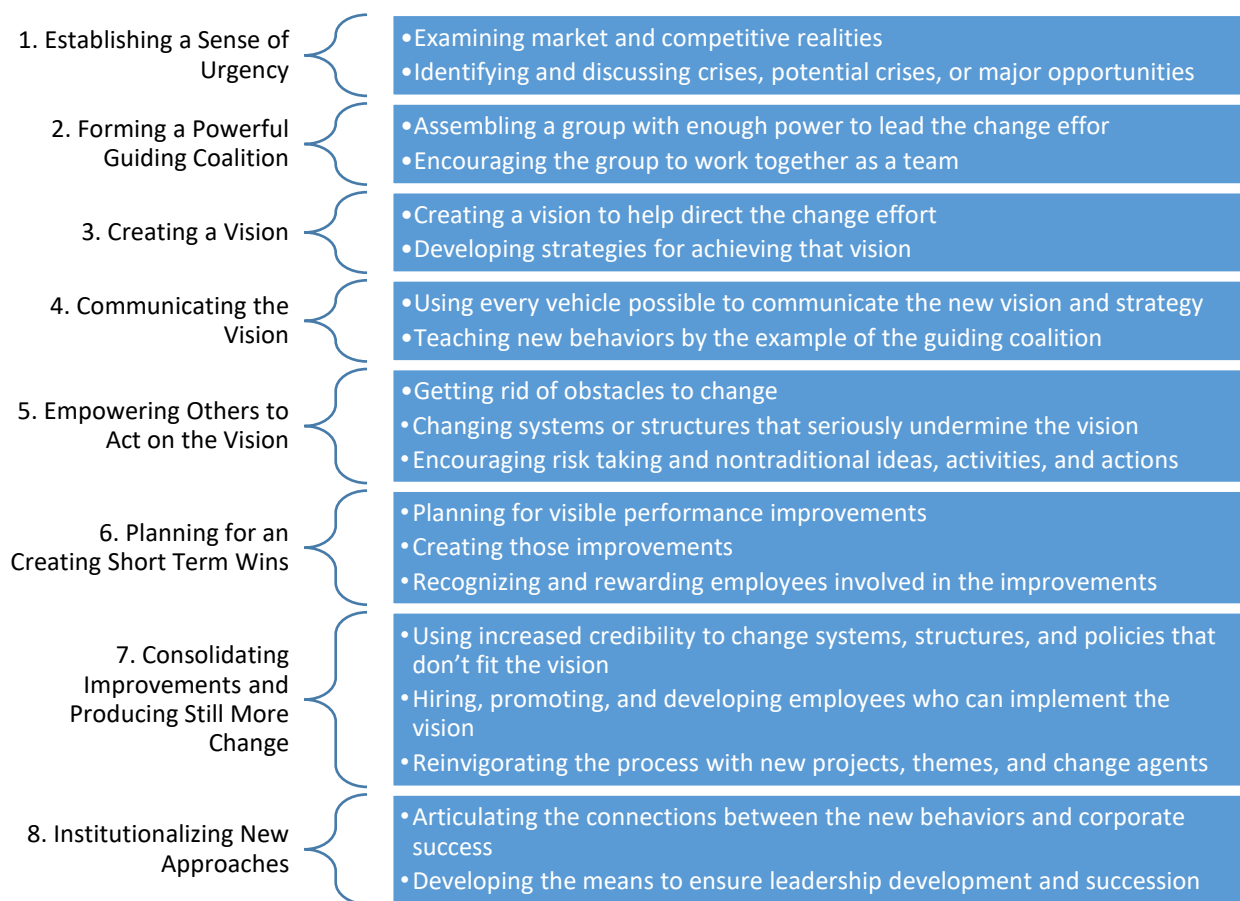


Figure 12. Kotter's 8-step Model

As we mentioned above all the different phases require a long time and there are no shortcuts to be taken. If one tries to cut corners and or skip a step it can have drastic consequences.

According to Cowan (1999, chapter The Dynamics of Change) for an organization to manage change it requires some key players to manage the change itself: trainers, HR experts and organizational development experts. These key players are critical on managing the change and ensuring it goes well. She continues by stating that there is no magic solution in managing change but there are certain tactics to ensure the process goes smoother and specific skills needed to facilitate the change. And one must also that the broad, or as she calls it the Aerial, overview. When it comes to change Cowan (1999) states that “change is incremental relative to both the redesign or reengineering of processes and the transformation of employee attitudes and behaviors. Attitudes and behaviors such as sliding trust, increasing disengagement, and growing fear are challenging to manage” and for this she utilizes the **Six-Phase Change Strategy Model** to support the change process. It is important to keep in mind that change takes time and does not happen overnight. And getting employees on board of the change is not an easy task, Cowan

explains it as an emotional experience and people adapt to change in different pace. The change can bring on different kind of emotions like pain uncertainty and confusion, but also positive feelings like excitement so it is important to take this into consideration and understand that everyone will not have the same experience (1999). And that is where the Adaptation/Acceptance Spectrum comes in.

But what is the Six-Phase Change Strategy Model? The model shows the steps to take to ensure a smooth change process. According to Cowan the steps are not necessarily independent, even if the model depicts the phases as independent. They highlight, as an example, that phases 4 & 5 should be happening in all the different stages, hence it is not one separate step from the rest.

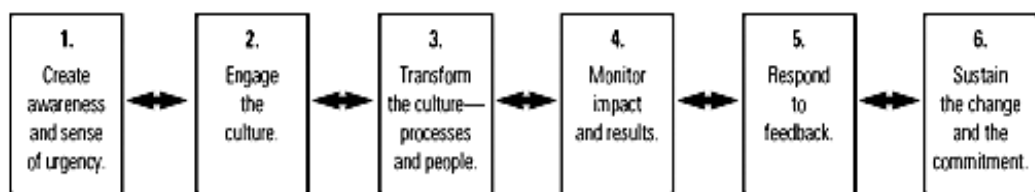


Figure 13. Six-Phase Change Strategy Model (Cowan 1999, The Dynamics of Change)

In short, as Cowan explains (1999), what each step entails are the following: by **creating a sense of urgency** you communicate to the employees of the affected future change of the Need of change and do it in a time matter. Help the employees understand why the change is needed and what specific strategies will be used to implement the change. **Engage the cultures** by setting up town meetings, different merger, or integration phonelines with updates ready and different change leadership support systems. **Transforming the culture-processes and people** by creating and implementing actions which support the process by having trainings, coaching sessions and redefine new job positions and internal systems. **Monitor impact and results** by checking in with the employees and customers to see how they have adapted to the change. Collect and analyze that data to see how the trend develops and are we going in the right direction. By **Responding to feedback**, you listen to the people and their opinions and make necessary adjustments with the strategy and tactics. Lastly, **Sustaining the change and the commitment**, the organization needs to ensure all HR related systems like recruiting, trainings and rewards

can take the new culture forward. Also ensure the decision-making and communications processes are aligned with the new culture.

By following these steps, in Kotter's 8 step model or the Six-phase change strategy model, and utilizing each step with logic, one can ensure a smooth process. And as we can see in both example methodologies there are similarities in between them. As mentioned in chapter 2.2.1 Acquisition process, all processes for it to be successful requires a plan and step-by-step guiding to ensure everything goes as planned. And by following the steps mentioned above, from either the Six-phase Change Strategy Model or Kotter's 8-step Model, there will be a specific plan in place that should lead to a successful end-result.

4.2 Implementing changes by projecting

"I am always ready to learn although I do not like always being taught." -Winston Churchill

When it comes to change management executions, some people might think that it is the force of the whole organization driving it. In the previous chapter we discussed about Agile change management and that the whole organization needs to stand behind the change to make it successful. Yet at the same time, significant change cannot be driven by the whole company itself, but there are teams driving that change. I believe it has been established throughout the thesis that Acquisitions are not easily executed and change management is not an easy process.

Studies, driven by academics, consultants and managers, look into understanding why transformation work is so complex, have been ongoing for decades and there has been clear appreciation for leaders that "walk to talk" and communicate openly their vision, for the change to be a success (Sirkin, Keenan & Jackson 2005). They continue by stating that it is not only the hard issues that impact the change, but focus should be more on soft issues, as in culture, leadership and motivation. These specific areas will not alone guarantee success but can have an impact on the transformation. One can say that one of the challenges when it comes to change management is the attitudes and approaches the employees have to the change. Sirkin, Keenan and Jackson (2005) continue by stating that changing attitudes and relationships is not easy as it can be deeply rooted in the organization and people. Yes, matters of culture and motivation can in fact change and can

be monitored through interviews and or surveys, but soft issues are in general harder to control and monitor.

Taking away focus from the soft factors, Sirkin, Keenan and Jackson mention that the hard factors are aspects of change management that are not so fashionable, and the hard factors include three specific characteristics: an organization should be able to measure them in directly or indirectly, organizations can easily communicate the importance either internally and also externally of the organizations, and lastly business can influence the specific elements in a prompt manner (2005). After years of studying the topic and doing research they noticed certain correlations between the study groups consisting of organizations doing transformation work: Project Duration, Performance Integrity, Commitment and Effort. Following these four factors will be broken down in more detail (2005).

- **Duration:** this is something organizations put significant emphasis on. There is an assumption that the longer the initiative takes the likelier it will fail. A few examples: specific objectives can be forgotten over time, key people might leave and or lose interest, and lastly problems will pile up. But the studies show the contrast; if a long projects has regular review check-in's it is likely to be more successful compared to projects that do not do frequent reviews. They continue advising that organizations should do check-ins bimonthly as that would give sufficient time to intervene if any problems arise. Waiting more than 8 weeks can give the transformation time to go off track.
- **Integrity:** Performance integrity refers to the extent an organization can rely on their people, meaning supervisors, managers and staff to drive the change through. For this they would need to prioritize the all-stars team to ensure success, but that is something senior employees often refuse to do as the everyday job might suffer. Yet, to have a successful team behind the change they need to free the best people while ensure the everyday tasks do not suffer. In the studies it has come to light that employees go the extra mile in ensuring the support to the change while also ensuring that the daily tasks are done. The person leading the team behind the change needs the following characteristics (2005): "Usually, good team leaders have problem-solving skills, are results oriented, are methodical in their approach but tolerate ambiguity, are organizationally savvy, are willing to accept responsibility for decisions, and while being highly motivated, don't crave the limelight."

- **Commitment:** This is something critical but from two perspectives: the company needs the commitment from the internal executives from the first to support the change, but they do also need to consider the engagement, motivation and enthusiasm, or potential lack of, from the people who will be the ones working with the new processes, systems and new ways of working. Leadership commitment is critical because if the employees see that their leadership does not support the change then they are also unlikely to support it. It is understandable that top leadership can sometimes be reluctant to support change as they know it can affect the employees in a negative way, but if they do not support the change, it can have an impact on their projects success. What some organizations sometimes fail to understand, and often underestimate, is the roles of managers and staff during transformation initiatives. Communication is key, and once they communicate too late with them, or even in an inconsistent way, the end result is that the people who are most affected by the change feel alienated.

- **Effort:** A matter that often gets overlooked when speaking about change is the increased workload the affected employees have. Employees are already busy with their everyday tasks, and adding more work from the transformational point, without removing something from the everyday tasks, will make it hard for the employees to focus on tasks given and might create resistance. To avoid any kind of conflicts the project teams should evaluate with simple metrics how much increased workload the change might bring and potentially reduce the everyday tasks so that the employees do not become overworked. A simple metric for this could be percentage, but also taking into consideration if the current workload is heavy and if there is capacity. If the overall workload is not reduced to support the change process the employees might become overstretched and there is risk that the quality of work will suffer, and this might lead to decrease in moral or conflicts between the project team and line staff. This can easily be done by reviewing and classifying the existing work as essential and non-essential and removing potential unessential work so that there is capacity to support the change work.

But what could then be the best approach into managing change in organizations? According to Kavanaugh and Tarafdar (2021), in their research it came to light that managing change through small and orchestrated steps would be the best approach to manage large and lasting changes in an organization. They continue that by continuously doing small changes over a period of time can have an increased effect on larger transformation project, and they call it Microchange Management. Microchange Management is a combination of human motivation and behavioral theory and does not focus on templates and

different communications. They continue by stating “The sum of many microchanges brings about the larger change, creating a cumulative effect that delivers nonlinear improvements with greater likelihood of overall success.” (2021). By this they mean that adding small changes over time, instead of doing bigger changes all at once increases the likelihood of having a successful transformation.

What is then the best way in applying these specific habits? Instead of seeing the transformation as a big wholesome project it can be broken down into smaller initiatives, with each initiative having their own objective and respective timeline (2021). Each initiative also has assigned their own team consisting of different types of skills and profiles, ensuring you have the best people working on each initiative. Another step to take is modifying change behaviors through small adjustments to routines and habits of the employees, but also through small steps. It’s about changing one small thing at a time instead of modifying everything at once. If they make small tweaks and adjustments over time, the changes will eventually become part of their new routines and habits, also as the change is not as drastic. And lastly it’s about reassessing, reviewing and evolving as you go. If you don’t stop and review how the changes are working, one will never know if small adjustments need to be made and accordingly evolve toward the right direction.

If we take a step back from the internal changes one wants to make within an organization, and we look at a high-level approach to change, there needs to be a set approach to the change. No matter the type of change, may it be a project presented to a client or internal work, project management needs to be in place. Project management is when there are processes, tools, skills and concrete knowledge in place to complete a planned project and consequently achieve the goal in mind (Galante & Hardy 2022). The steps that should be in place to execute project management are, according to Galante & Hardy (2022) are the Initiation phase, Planning phase, Execution phase, Monitoring phase and Closing phase. Each of the above phases takes the project team from assigning the team members to each task to project completion. No matter the nature of the projects and the different goals they have, the teams executing the project can still utilize the above phases to their own needs (Galante & Hardy 2022).

4.3 Corporate Strategy in M&A’s

Strategies are critical to any organization, they set the goals of the company and direction. As the market is becoming more competitive it is important to ensure the company strategy must be able to change and not be set in stone, they need to be redefined over time. Soofi

& Zhang (2014, 27) explain that the strategy provides a framework for organizations on how to cope and adjust operations to survive and grow in the constantly changing environments. The strategy of an organization defines the policies, vision, objectives, and culture of the company.

When defining the M&A strategy there are a few things to keep in mind (Soofi & Zhang 2014, 30):

- Make versus buy consideration: which is the most beneficial, production internally or outsourcing?
- Regulatory challenges: are there any regulatory challenges that might block the M&A?
- Competitive environment: What is the industry position of the target company, is it competitive or does our competitors already have the market power?
- Capital availability: will there be challenges to finance the potential M&A?
- Cultural obstacles: Will there be struggles from a cultural perspective? How can we ensure a cultural fit?

Sometimes it can be beneficial for an organization to have a team set up the M&A strategy, and that team is then responsible for the implementation and success of the strategy. But specific knowledge within that team is needed and they are responsible for implementing the following (Soofi & Zhang 2014, 32) :

- Developing the appropriate M&A strategy
- Leading the implementation of the strategy
- Closing the deal within a reasonable timeframe
- Helping in appointment of other supporting advisers and experts as needs arise
- Involving staffs of information technology and human resource departments in the early stage of M&A activities for smooth post-merger functional, departmental, and cultural integration.

Depending on the size of the acquiring company there might be a specific internal department which takes care of most of the M&A process. Soofi & Zhang (2014, 31) call that department CDO (Corporate Development Office) and they are usually part of the planning and execution of the strategy to reach the company goal. Some of the activities that include in the CDO tasks are recruitment of the new management team (more for mergers), screening for target companies, strategic alliance formation and securing the financial

part. When it comes to the due diligence part, as that can be quite extensive, some organizations might delegate at least part of the task to external organizations such as law or accounting firms.

5 Interview analysis

In this part of the thesis we will start by introducing the research method we have selected and why, and also the target interviewees.

As an employee for Company X I have seen first-hand the challenges that comes with acquired organizations and finding a common way of working with them. It can either be the fact that they previously didn't have many policies in place or specific processes to follow and now, coming into a mature organization which requires policies and processes (mostly due to the size of the organization) it can be hard to get accustomed to this. Or potentially internal systems that are part of process yet previously have relied on excel sheets to keep track of statuses can also be challenging to integrate into the new everyday life. Getting integrated to a new organization takes time, as has been discussed in previous chapters, but with the right support the transition can either go smoother or become complicated. And as I have personally seen the struggled it became evident that this was something that needed attention to understand how the integration process works, get input from employees from acquired organizations and also input from Company X's own employees who support the process. The aim of this thesis is not to find one solution, but to come with suggestions of areas where potential tweaking or changes might be needed and suggest some potential improvements.

The topic of the thesis became quite natural and felt like the right fit from the beginning as I have witnessed the struggles and I have directly worked with colleagues from acquired organizations. It became evident that the integration to our internal tools and processes hadn't been fully completed even if it was a few years from the acquisition, hence when the time came to decide on a thesis topic I knew that this was a matter I wanted to look into and see how to be able to support it. When we start doing the analysis of the interview the results will be categorized into different sections: Change management, Integration process, the Acquisition process and Any Other Highlights. This way it will be easier to identify synergies in the results, where we have similarities and where differences arise. As the interview questions vary slightly between respondents due to their respective roles, and also the fact that the interview structure is semi-structures meaning there are a set of questions but ad-hoc questions can arise depending on the answers, there will be variances in input received. Yet still the main questions and topics will be discussed with all interviewees.

5.1 Interview and interviewees

For collecting data for this thesis we will utilize a qualitative research approach. The reasoning behind this selection is the fact that the information we are gathering cannot be based on numbers or rating an experience from 1-5, but we are looking to getting an understanding of how the people have experienced the integration process, the challenges they have faced and wanting to give them the platform to share their experiences. When deciding between qualitative and quantitative research Ghauri and Gronhaug (Eriksson & Kovalainen 2008, 5) explain the following “Qualitative research is particularly relevant when prior insights about a phenomenon under scrutiny are modest, implying that qualitative research tends to be exploratory and flexible because of ‘unstructured’ problems (due to modest insights).” So for the sake of this thesis collecting the data in a quantitative way is not possible as quantitative research is based on high level rating and lack the interpersonal insight. As Strauss and Corbin defined qualitative research “any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification” (Golafshani 2003, 600). Qualitative research seeks to find understanding to a specific situation or matter, and not only look at metrics.

While selecting the people to interview it was important to get a diverse group of people from different seniority levels across the organization. Also, the aim is to get insight from not only employees from acquired organizations but from employees from Company X who are involved in the integration process. So, the interviewees will be from Managing Directors to Analysts as their experiences can vary so much depending on their position at the organization. Majority of the interviews will be conducted in Swedish but there are a few in English as well, so translation of questions and answers needs to take place. Also, one interview will be conducted over email due to struggles in finding a suitable timeslot, but we have agreed that I can get back to the interviewee if more clarifications or new questions arise. In general, this was agreed with all interviewees that I could reach out again if there were some questions or clarifications needed after the main interview.

The process of identifying interview candidates took some time as there needed to be a balance between different positions, career levels and personal experiences of the process. I reached out to people I had worked with in the past, which I knew were part of acquired organizations, and also asked them to suggest names to be interviewed. At the end there were 10 interviews in total and the interviewees consisted of:

- three from acquisition leadership
- four specialists from acquisitions with different seniority levels

- Two from internal HR
- One from the Acquisitions team

Below is a table of the interviewees. All participants were more than willing to share their experiences and there was a sense of openness and trust throughout the interviews.

Table 3. Interviewees overview

| Name | Role | Career level | Methodology |
|----------------------|-----------------------|---------------------|--------------------|
| Respondent 1 | HR, acquisition | Consultant | Teams meeting |
| Respondent 2 | HR, internal | Associate Manager | Email |
| Respondent 3 | Business, acquisition | Manager | Teams meeting |
| Respondent 4 | Business, acquisition | Associate Manager | Teams meeting |
| Respondent 5 | HR, internal | Senior Manager | Teams meeting |
| Respondent 6 | Business, acquisition | Senior Manager | Teams meeting |
| Respondent 7 | Business, acquisition | Leadership | Teams meeting |
| Respondent 8 | Business, acquisition | Leadership | Teams meeting |
| Respondent 9 | HR, internal | Manager | Teams meeting |
| Respondent 10 | Business, acquisition | Manager | Teams meeting |

In the following sub-chapters we will deep dive into the interview results and find synergies between respondents. The sub chapters have been created based on the differently themes that have been discussed throughout the theory and during interviews. In roles and duration we will briefly cover how long people worked for target company before being acquired and their roles throughout the process. In the Acquisition process chapter, we will go through experiences and input on the process itself, expectations, transparency and support received from leadership/local HR.

5.2 Roles and Tenure

To summarize the duration of how long the employees had been in their respective roles prior to the acquisitions, from both local HR, acquired leadership and acquired specialist, there is clear trend. Local HR and almost all acquired leadership had been working for respective organizations for several years, minus one exception from acquired leadership. Looking at the role duration from the specialist perspective most of the respondents had been working for less than a year at target company before the acquisitions was announced and happened. This can have a significant effect on the employees as they had applied to work for an agency type of organization yet less than a year after starting, they get acquired by a global organization. Having not been too long in the agency organization

From a role perspective all acquired employees roles remained the same after the acquisition, but, received additional tasks in supporting the integration process one way or another. There was also some uncertainty on how the roles would evolve even further down the line as there was not much clarity on how the set-up would be, what the expectations were from the acquisition and where they were headed within Company X.

One thing to keep in mind is the fact of how the acquisition process flows. After signing the acquisition and the announcement is made, there is grace period of 6 months until the official “cut over” happens, meaning when all employees transfer into the data base of Company X. During that period, it was shared that the employees from acquired companies could continue working on their ongoing projects, and there was no immediate change in their roles, minus what was previously mentioned that a few of the employees got additional responsibility to support the integration. Also, it was shared that the transition period took significantly longer than expected, something that was appreciated by most of the employees but not all.

5.3 Acquisition process experience

After the acquisition announcement is done there can easily come a sense of chaos with different questions arising, a feeling of concern about one's own future and confusion to what will happen next, and this is where leadership support becomes significant. According to all specialists they felt they received the necessary support needed from their leadership. There were several different Question & Answer sessions after the announcement, open door sessions and they felt they could easily raise their hand if they had concerns. This was of course very much appreciated by the employees of target companies as they

felt they had an audience to share their thoughts, either in bigger group sessions or individual one-to-ones. They did mention that there weren't always answers to all the questions, which left them with a small sense of lack of support as it gave the impression that not even their own leadership knew what was going to happen, yet the employees knew they could always reach out to someone. From a leadership perspective and their received support, it can be seen as a different situation as they were aware of the acquisition and had the information. What they tried to ensure was that all employees felt they could reach out to them for questions and have individual one-to-ones to discuss thoughts and concerns. Based on the discussions with the specialists this is something that leadership managed to do very well. Also, leadership felt they received the support needed from Company X leadership as well to ensure they got onboarded to the new organization well, but this was also a matter of own proactiveness.

What was discussed, and came up in different occasions, was the matter of transparency, and the potential lack of it. The goals of the acquisition were shared, and to some extent, it was transparent, yet the specialists felt that there was still a lack of transparency in the process. One specialist shared that the expectations from Company X and the reason behind the acquisition was clear; to fill the gaps they had within the organization with new talents, but nothing more. There was a clear division in when the specialists found out about the acquisition as half of them found out a few weeks before announcement and others received a call from their supervisor asking/instructing them to be at the office the following day. One of the specialist respondents shared that they received requests to alter and or delete target company's social media accounts but was never told the reason behind the request.

From a leadership perspective the transparency was a matter of choice, in a way. Out of three leadership respondents one said they chose to not be as transparent as they could have been, due to the fear of losing the people if they knew. And because of that they decided to only share the good changes that would come with the acquisition and not highlighting the more negative changes. The remaining two respondents from leadership said that the reasons for the acquisition were shared but doubt it was the absolute truth and not all was disclosed.

Transparency from HR perspective was also limited. One respondent mentioned that the integration process was not transparent as not all can be shared with everyone, but more transparency could have been in place. Another HR respondent highlighted the lack of transparency between the different supporting teams and there was a lack of collaboration. They gave an example of receiving a request from a global team asking for data that

had to be provided in the next 30 minutes, without having much knowledge of context of the request. Also, from HR perspective the amount of support given to the acquired organizations was not enough, though quoting a respondent “no amount of support would have been enough”. While discussing the support system it came to light that years ago there could be full teams supporting the acquisitions integration process but now there is only one point of contact from local HR. According to the change management theory regarding Effort, in chapter 4.2 Change Management, then Company X should ensure the person supporting the integration has enough bandwidth to take on that role, instead of just adding more responsibility on top of the daily tasks. And based on discussion with leadership this happened to be the case that the support person from HR had too much work and couldn’t support properly, which lead to increased work from acquired leadership.

There was clear alignment on when HR stepped in and became part of the process. In figure 11 it is visible to see the different steps and supporting functions throughout the process and according to HR, leadership and specialists, HR was involved in the early stages on the acquisition process. There are different teams supporting but local HR was involved fairly early on to establish a relationship with target company. And while this is considered a good thing, the experience itself was not necessarily the best one. From a leadership perspective they experienced the support received as additional work, and with too many stakeholders involved. They highlighted that the HR support people were either overworked and created more work for them, or that there were too many different stakeholders involved and it was unclear who they needed to reach out too for the different matters. There were also rotations within the local HR support which meant that the leadership stakeholders had to rebuild the already established relationships with new people, and that is something that requires time. One thing pointed out was the fact that there seemed to be a lack of data transfer between the different supporting teams, which was considered very unfortunate. During the due diligence process there is significant amount of data collected yet the impression was that that data was stored but never used after acquisition, which could have been helpful from an integration **perspective**. The importance of the data collected during the due diligence process should not be ignored or discredited of importance, as was briefly mentioned in the chapter regarding the Acquisition process. As Jansen (Gleich, Hasselbach & Kierans 2010, 44) highlighted, during phase three in an M&A case, the integration process runs smoother if the data collected during the due diligence process is taken into consideration. This was also mentioned by Respondent 5 that during their part of the Due Diligence process their task is to collect as much data as possible, from an organizational culture point of view, by discussion with employees who are aware of the potential acquisition.

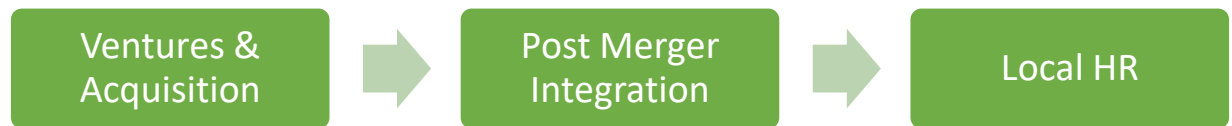


Figure 14. Different support teams throughout Acquisition according to Respondent 5

The specialists highlighted as leadership that HR stepped in early on in the process to support. They did not share the same experience as leadership regarding HR creating more work for them as leadership collaborated more with HR at the early stages. But on the other hand, they highlighted that HR was needed when the new contracts arrived and all employees had to sign. What became evident was the fact that employees had received new titles in the contract yet there were no explanations to what the titles entailed, and this created significant confusion. Also, due to the hierarchical differences between Company X and target companies, the career levels assigned to the new employees caused significant confusion and required HR support. Company X is a mature and established organization and there is set hierarchy, whereas the different target companies have had a more of a “flat” structure and career levels haven’t had the same meaning within the old organization. And with each career level one automatically gets compartmentalized with own Key Performance Indicator targets, you are reviewed on performance differently than other peers and potential authority you had in the past is not available for you anymore, whereas still in the old organization there was more a sense of family and equality. Experiencing these uncertainties, in such an early stage of an acquisition, can have a significant impact on employee engagement and affect the integration process for each individual as they would need clarity and have a sense of ease going into something new.

What became evident in the matter of communication or any follow-ups throughout the acquisition/integration process was that there was no clear follow-up with the employees on how they were experiencing the integration process itself. From the acquired specialists’ perspective they said that there was no formal follow up but that is something they would have wanted and needed. One specialist mentioned that an excel file was sent out where information was supposed to be filled in but not much more. There was follow-ups on leadership level where Company X leadership checked in with Target Company leadership, but the employees did not feel a sense of active follow ups to see how they were experiencing the process. Also, from an HR perspective the answered were divided as one respondent highlights that there was active communication between the employees, yet another respondent mentions that no follow-ups were conducted besides a traditional survey.

When asked what went well in the integration process, the specialists were keen to highlight the fact that the employees from Company X were very welcoming to the new peers. There were meet and greet sessions arranged pretty early on so they would start feeling integrated and getting to know new fellow colleagues, and just get a sense of new belonging in the new organization. They also said that one thing that made the transition easier was the fact that they could continue on their existing projects, with their existing teams, and did not have to change that after the announcement was done. So, in a sense things remained as was before, and that is something they were very grateful for. They also appreciated the fact that throughout the process Company X really created interest and curiosity within the new organization and shared all the new different opportunities and possibilities that were lying ahead to really get the new employees enthusiastic and excited for the upcoming changes. And this is something that came up several times throughout the conversations, the amount of new opportunities and possibilities that the acquisition brought alone, and that of course creates excitement and a positive approach to it. What they also wanted to highlight was the fact that they felt they received much support from the local HR team throughout the process, which is something that differs slightly from leadership's experience with the local HR support. According to the specialists the Company X stakeholders were very engaged.

From leadership perspective there was a variety of points that came up. Firstly, the collaboration with the Ventures & Acquisitions team was really good and this was very much appreciated. They thought it was a shame when the V&A team handed the tasks over to the Post Merger Integration team as they would have wanted to continue with the initial team as they had established a really good relationship with them. Another thing that was pointed out was that the collaboration between business from Company X and target company started immediately and this is a fact they valued, quoting "the bandaid was ripped off quite fast and that was really good" by one of the respondents. By not prolonging future collaboration too long they could immediately start finding a way of working together and start providing good solutions for the clients. Lastly, being able to upkeep the company culture as it was, for as long as possible, was mentioned and appreciated. Leadership worked hard in keeping the internal culture for as long as possible and Company X did not "force" upon them the "new" culture. They said that this is something that made the transition smoother and they could integrate step-by-step and how they saw fit. It was mentioned that the slow integration made it easier for the employees, and they could retain certain internal events that they had had before the acquisition. This is something the employees needed to keep, to some extent, throughout the integration. If everything would

have changed all at once it would have made the transition much harder, and also risk losing employees who were not convinced regarding the acquisition itself.

From HR perspective they highlighted that the support from Local HR was something they considered went well and they appreciated. There has always been someone who had been willing to help and support when needed, so the respondents felt they were never really alone. Knowing they would be able to turn for support, if needed, was something they valued during the time they were supporting an acquired company. Another matter that went well was the fact that the business leaders were very receptive into finding different solutions in the integration phase.

When asked what they would have done differently throughout the process there was clear alignment among the specialists. Almost all agreed that there was a lack of transparency during the process. Even though their leadership ensured they were available for any questions, concerns or doubts, they still felt there was lack of transparency. And to some extent that their leadership wasn't aware themselves of what was to come, which created unease within the employees. The lack of transparency not only referred to the process itself, but also on the changes that were to come due to the acquisition. And with the changes they were not only referring to the cultural changes but also changes from a professional perspective. With the acquisition came new role titles and career levels, which were new to the acquired employees, and there was little clarity and transparency into what they entailed. This in hand significantly affected the engagement they felt, so this was a matter that was brought up that should have been handled differently. It was mentioned that there was a lack of expectations from the integration, they weren't necessarily aware of what the "end game" should look like, they experienced it as if there was no concrete execution plan in place. One specialist said that this should have been discussed on leadership level on what is to expect from the integration, as they felt their leadership did not really know what the expectations were.

Leadership in hand said that the integration to the new tools should have been done differently, meaning they felt there was a lack of holistic onboarding on all internal tools before they were expected to utilize them. They said they should have had all trainings prior to expectation on utilization, yet with some tools they were expected to learn as they go. Also, from an internal perspective one leadership respondent said they should have "cleaned up" the employees who were against the acquisition from the beginning. There were employees on mid-level that were very negative regarding the acquisition and created a very negative atmosphere at work since the announcement, which in hand caused

employees to resign, but once the “clean up” was done the amount of resignations decreased. This notion was based on self-reflection on what they should have done differently but, as it is never easy to let go of employees who have been working for you for a long time, it took time to reach that point.

There was some synergy's in the responses from HR on what they would have done differently during the integration process. It was also brought up from HR perspective that there should have been more clear and structured expectations on the result the integration. One respondent said that if there are significant differences between target company and Company X, they would have suggested for target company to remain more independent as the integration process and journey would be too challenging. There should have been better alignment between both companies.

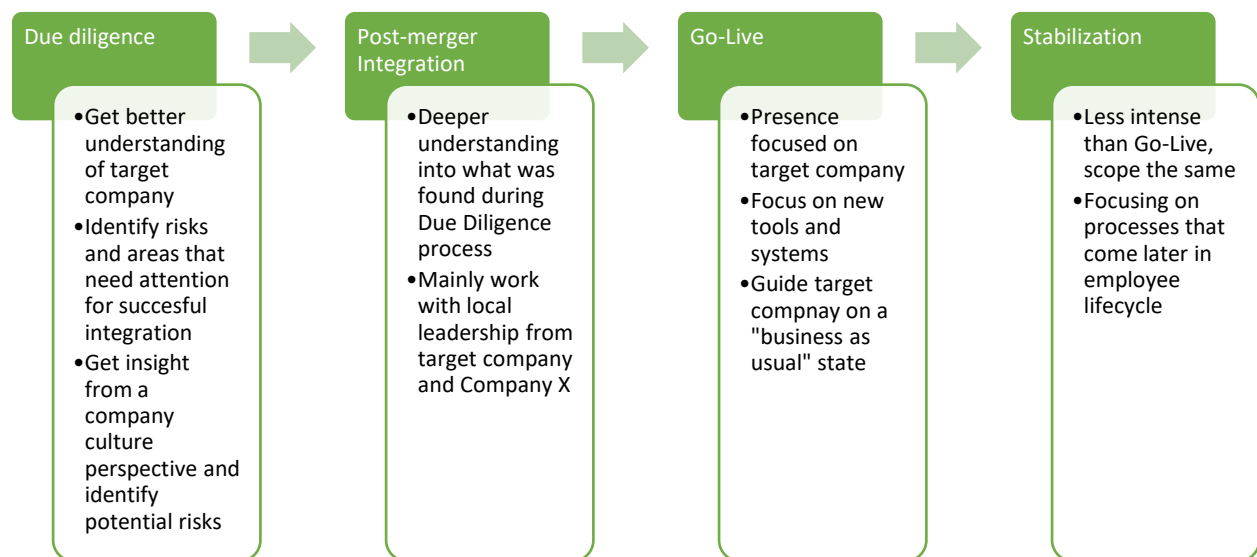


Figure 15 Different stages of the Acquisition process according to HR respondent 2

5.4 Engagement

Engagement is something than can be drastically affected after an acquisition, either in a positive way and feel very engaged or, on the flipside, feel disengaged as the change was

not something they would have hoped for. In our discussions it came to light that all specialists had experienced something individual and there was a variety of answers. A few felt very engaged after the acquisition and was incredibly happy it happened, another one felt very engaged at the beginning post-acquisition, but the feeling had gone down since, which was due to the new becoming routine and it would have happened as well if they would have changed jobs. Another respondent said they did not feel engaged at all at the beginning but over time that feeling changed and a few years post-acquisition the engagement has increased. Lastly one answered that they did not feel engaged at all due to the fact that there is much less flexibility in the way they work now, and less creativity is needed, which had led to lack of engagement. The answers themselves reflect on the fact that an acquisition is perceived in so many different ways, hence the importance of leadership to maintain some sense of stability throughout the process.

When it comes to leadership and their sense of engagement post-acquisition there were synergies in the answers. Majority of the respondents said that they felt more engaged now after the acquisition than before, with a disclaimer that one mentioned it took slightly more than a year to reach that stage. When ones works on leadership level you have visibility to the restrictions your current situation has and might want to take the target company further without it being possible, so after the acquisition more doors opened, new ways of working became available and they could take their roles to a new level. One respondent did highlight the fact that they were now missing a sense of belonging, due to the size of Company X, and the feeling of family was not there anymore. Doing projects without their closest peers and spending more time with client employees than with their own colleagues really affected the level of engagement they felt.

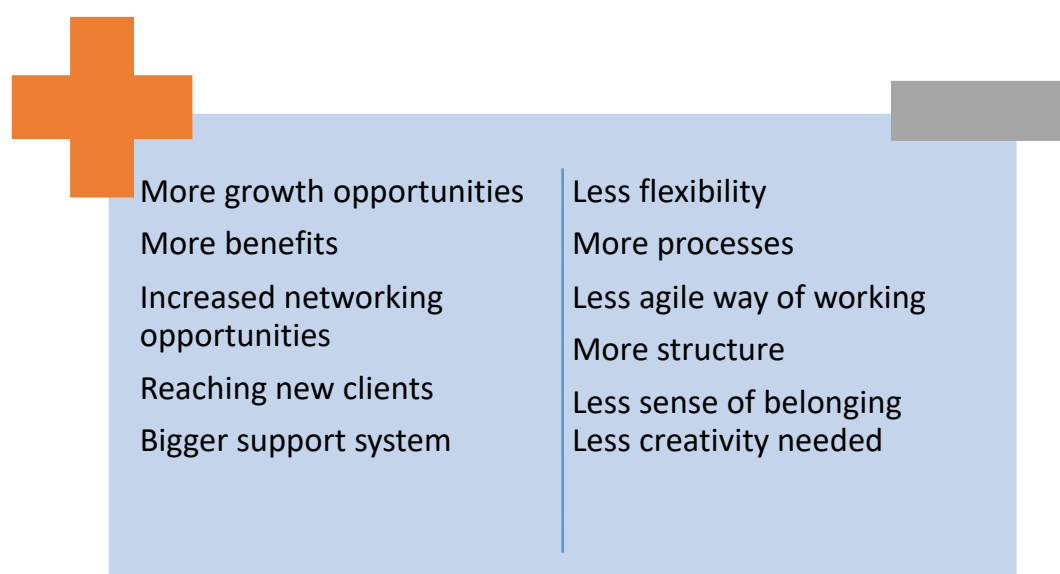


Figure 16. Benefits and “Losses” from acquisition

There was clear alignment in the answers from the specialists regarding any positive impacts on ways of working since the acquisition. They all highlighted the fact that there is a healthier work-life balance since the acquisition, a significant increase in interesting roles and opportunities and the learning and networking opportunities have increased significantly. There are more personnel benefits available for the employees. Something half of the specialist respondents highlighted was that their “own” culture from before the acquisition had not changed too much and they appreciated that significantly, and this is something leadership had worked hard to keep in place for as long as possible and ensure the transition period is smooth. And the same was for leadership responses on positive impacts on ways of working. One of the respondents was not thrilled with the acquisition at first, but over time the feeling changed and now considers the acquisition to have been a good event. They all highlighted the increased benefits they received since the acquisitions, but also the fact that there is now a sense of “safety net” at work, and if they need to be away from work due to whatever reason there is someone to support them. It has given them room to breathe and not having the “weight of the world” on their shoulders anymore.

5.5 Integration

When discussing integration with Company X and if the respondents felt they had been fully integrated, from a social and cultural perspective, there were similarities in the answers. From the leadership perspective all were in line that they felt integrated from a cultural and social perspective, yet that it took time to reach that level. One of the respondents highlighted that the integration had taken two years to be finalized, which is a significant amount of time, and another respondent mentioned that it took years from them to feel integrated. The long integration period could be explained as that there is so much happening throughout the acquisition process and integration part, and their priority is to ensure the employees from target company have the support needed, that their focus was more on the employees than on themselves. They all highlight the importance of upkeep-ing the company culture they had prior to the acquisition and worked hard to do so. Before the acquisition the target companies felt like a family and leadership wanted to ensure that feeling remained, as much as possible, the same.

As for the specialists the responses were more divided. The majority said that they do feel integrated, but the culture has significantly changed since the acquisition, but one respondent said they did not feel integrated. The thing that stands out is the fact on how different the culture is between organizations and the structure of the organization. The target companies have felt like a family prior to acquisition and now coming in to such a big and complex organization changes the dynamic. A few words that came up while describing Company X:

- Complicated complex matrix
- “Fort Knox” – pass cards needed to enter every office space
- Big Brother watching

Touching upon the topics of positive impacts on ways of working since the acquisition and if there have been any positive changes in the habits all specialists agreed that after the acquisition there have been more opportunities available from a project perspective. They feel they are now part of something bigger than what they were before and can access clients and projects they didn’t have the opportunity before. And this goes hand in hand with what was brought up from a leadership perspective to why they decided to get acquired; they had reached their limits on how far they could go from a target company perspective but couldn’t reach the “big players” in the industry. And now, having been acquired by Company X their possibilities are endless and the specialists see it as well. What the specialists did highlight was the fact that the ways of working has changed from a creativity perspective.

As mentioned earlier Company X has policies and processes for everything and this has been something new for the specialists. Before the acquisition they had more bandwidth to be creative in finding solutions to the problems and worked in a more agile way, yet now that “liberty” has been removed from them due to the new structure and way of working in Company X. They also bring up the fact that previously they worked more in teams, meaning their own peers and colleagues they knew they collaborated good together but now, as they are part of something bigger, they work on projects with people they do not know as people get assigned to projects based on their availability and not based on how they work as a team itself. And, the amount of new internal tools they need to utilize compared to the past, where working hours didn’t have to be sent in on a frequent basis and logging where they are putting every hour of the day. This is what they refer to having Big Brother watching over them.

The response from the leadership respondents reflects the same thoughts as the specialists when it came to matter of working habits and or if they have changed since the acquisition. One of the respondents was very happy with how their working habits had changed as they did not have to focus on the small details anymore. They now worked on a Nordic level and had a more holistic role and not necessarily so visible as in the past and this gives them more flexibility in how they execute their everyday tasks. But for the remaining respondents the responses were the same as above; they had the opportunity of working in a more creative and agile way than what they do know due to the policies and processes that are in place. Also brought up the notion that there is not a lack of sense of belonging as they now work with the candidates who are currently without a project and cant create, what they see as the best team for the projects. Yes, this does bring opportunity to network but at the same time one constantly works with new people and it can be challenging to establish close relationships with your peers as you know once the project comes to an end you do not know when you will work with the same people again.

When asked what the most challenging part of the integration process was there was clear similarities in the answers among the specialist, and some responses were expected. Half of the specialists highlighted the fact that there was a lack of knowledge from Company X side on what the target company employees do and the different skills and knowledge they bring. This of course created significant frustration within the acquired company's employees as it felt like there was a lack of interest in the new organization that had been acquired. This also affected the employees' expectations on what was yet to come, and retaining the employees after the announcement became a challenge as they did not necessarily was to be part of something bigger like Company X as they enjoyed working for a smaller organization, without the strictness of processes and hierarchy. Before the acquisition employees as target company had a say in the type of work they wanted to do and could be more selective on the projects they took on, whereas now after acquisition that sense of "power over my own career" has been taken away from them. Previously they employees at target company felt valued, appreciated and knew they were important, as Respondent 3 said "they were spoiled as they could decide on almost everything themselves" yet now they are one employee of an organization of over 500 000 employees and the sense of impact decreases.

During the integration process some also experiences it to be as a "bucketlist" of things that needed to be ticked off" without being provided a holistic overview of the organization, what is important to focus on at the beginning vs what can be left to focus on a bit later. While coming from a flat structured type of organization, where the rewards system was

more relaxed and reviewed when needed, in Company X they realized there is specific processes for this and set times during the years when they review progress, yet this was not explained to the specialists during the integration process, and they didn't get an understanding on "how to be successful" in Company X. Which are the metrics I will be evaluated on? What KPI's do I have? What more is expected from the employees to succeed and receive a potential promotion?

From a leadership perspective the answers were similar to the specialists, to some extent: the complexity of Company X was challenging to apprehend and to get an understanding on how the structure worked. Going from an organization that did not have many processes and policies in place, to a company that has strict steps in place for everything and knowing how to reach out too for what matter really was a struggle to understand. Most of the leadership also highlighted that one struggle was the lack of HR support their received throughout the integration and it was hard for them to know who to turn too. And due to the lack of HR support, as they experienced it, they said they hit every "roadblock" possible along the way as there was so little guidance and that they very likely did not follow the right steps at the beginning due to that.

From HR the most challenging part of the integration was the lack of structure they experienced during the integration, and the fact that it was slightly unclear why the acquisitions too place, was it just to follow company process or was it in fact to create more value with the acquisition? Also, the lack of support received from global colleagues was challenging as they are the ones that set the process and if we in the Nordics wanted to do something differently there was not much support for that.

5.6 Any Other Highlights

At the end of each interview the interviewees were given the opportunity to highlight anything else they found would be interesting of good to highlight but had not been discussed during the main interview.

From a leadership there was not anything concrete they wanted to bring up as they felt the most important matters had been discussed during the interview. Respondent 7 did want to highlight though the importance of alignment between the supporting teams as they felt no handovers had been done during the exchange. They brought up the fact of the significant amount of data collected throughout the different stages prior to signing the

acquisition and suggested that data should be utilized when collaboration with the new organization and a proper knowledge transfer should be in place once one team steps back and another steps in. That will decrease the amount of work leadership needs to do in supporting the new support team in getting up to speed on understanding the acquired organization and also, from a cultural perspective, the new supporting team has a understanding on what kind of organization they will be supporting.

The specialists wanted to underline the importance of staying close to the people after the announcement has been made and they would have appreciated closer follow-ups from their leadership, even though the leadership was made available for all employees they would have appreciated proactiveness on that department, and also follow-ups throughout the integration phase to see how the employees were managing. As mentioned previously no concrete follow-up was made throughout the process or afterward to see how the integration had gone, and that should have been in place. Also, the amount of different stakeholder felt overwhelming and it was not always clear who they needed to reach out too. Even if the support that they received from Company X was good they felt there were too many people involved in the process. And as leadership also mentioned, there should have been more alignment between the different teams supporting.

One thing that Respondent 3 wanted to bring forward was the difficulties they experience to meet with the clients. As there was lack of understanding from Company X side what the new acquired does, the talents and skills they bring and the type of work they can do for the clients, Respondent 3 experienced it hard to be able to do sales as they never got access to talk to the clients. After the acquisition happened target company got sales targets they needed to meet, but as they were not able to meet with the clients, and Company X did not know what target company can do, it became a struggle to meet those sales target and there was a sense of exasperation. They experienced it as if the people from Company X did not want to “share” their clients with other people and did not want to include new people in the discussions, even if it could lead to potential new and more sales.

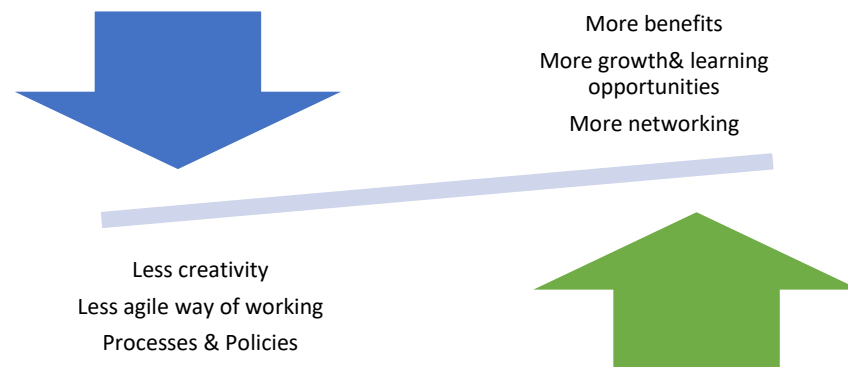


Figure 17. Analysis summary.

6 Conclusion

On an overall level, between specialists and leadership, there is clear alignment on the fact that they consider the acquisition itself to have been something good and the end-result has had a good and positive impact, on an overall level. There are usually downsides with changes and that is something that comes up in the results when discussing flexibility and working in a creative and agile way.

Table 4. Gains and losses after Acquisition



There was a clear division in how leadership and specialists experienced the local HR support as the specialists appreciated their support whereas leadership considered the support to be insufficient, and to some extent even created more work for them than giving them support. Also, the amount of different support teams (global, European, local) became confusing from the perspective of who to reach out too for what matter.

The integration process was also experienced differently between two of the different focus groups. From a leadership perspective the integration is simpler, in the sense that they remain in the same position they are (to some extent) prior to the acquisition, whereas the most significant change happens on a more mid-level/junior level. There the change is more drastic as there are new titles that come into play and career levels, something that they have not had before in target company. Also, from the hierarchy perspective, the change is more significant from specialist level than leadership. In target company the roles were more aligned in-between and there wasn't necessarily a hierarchy in place, but once the acquisition happened the employees were categorized based on career levels, new metrics that they were evaluated on, and these did not necessarily reflect the reality.

It became evident during the interviews that, throughout the different integrations processes, there were differences in the organizational structures between target company and Company X which caused struggles during the integration process itself. The cultural clashes were not as evident as the structural clashed, yet it took time for the interviewees to get used to the new ways of working and how to accommodate oneself to the new internal culture.

To continue the conclusions will go into more detail in the upcoming sub-chapters. The reason for this is to make it easier for the reader to separate conclusions for each target group. The focus group for the interview consists of three different target groups, hence keeping the target group conclusions separate makes it clearer for the reader.

6.1.1 Leadership

The acquisition journey and experience itself for leadership is very different compared to the mid- & junior level employees in the company. The leadership has a bigger role during the stages before the acquisition decision is made and signed, and the changes itself are not as significant for them as once the acquisition is done, they continue in leadership positions in the new organization as well.

There was significant appreciation on the fact that they were able to keep the “old” internal culture after the acquisition was done for a significant amount of time. They worked hard to ensure the internal culture remained for as long as possible, and as Company X did not “fight against it” and insisted on the change, it made it easier for them to continue as it was. It would have been different if Company X would have pushed the “new” culture upon the acquired organization after announcement as there could have been potential conflict on the matter. For leadership it was important to ensure the wellbeing of the employees remained a focus and that the transition went smooth. There was also clear synergy in the appreciation of support received from Company X leadership, and that the collaboration between both organizations started quite fast after the announcement was made and contracts signed.

There was clear sync in the matter of HR support and the amount of different people involved in the support process, and this created confusion and more work for them at the end in the sense that they had to figure out along the way how to work in a new way. Also, the complexity of Company X did create challenges as there are many stakeholders, processes and policies in place for everything, and this did take some time to getting used

too. But at the same time this was something expected as they were all aware that Company X is a structured, global and mature company. What also came with leadership was the support received by HR, or to put it in another way, the lack of support. All agreed that the HR support received was not optimal and created even more work for them. The impression they perceived was that HR was already overworked and did not have capacity to support the acquired organization. In chapter 4.2, while discussing the change implementation, Sirkin, Keenan & Jackson (2005) highlighted the importance of effort while implementing change and the importance to ensure the person providing the support has actual capacity, and if not, then capacity needs to be freed up for them to be able to support in a good way.

One matter that was brought up with leadership and the specialists was the challenge in understanding how Company X was structured vs target company. As discussed in Chapter 3.3 Organizational structure, Freedman (2016) highlighted different organizational structures and mentioned Flat structure, Functional structure, and Hierarchical structure. Target companies have clearly been Flat structured whereas Company X is a combination of Functional and Hierarchical structure, due to the complexity and different managerial levels. Combining these two different structures can definitely be a challenge, especially for target company as they are the ones being integrated into a much more complex organization.

6.1.2 Specialists

From a specialist perspective the acquisition came with a lot of good, yet of course there has been a downside to it as well, and there was clear agreement on both. The positive outcome of the acquisition is the amount of new benefits from the new organization, there is a healthier work-life balance, the learning and growth opportunities have increased significantly, reaching new clients and being able to participate in bigger projects due to the added new capabilities from Company X. They also appreciated the engagement from Company X employees to get to know them and focus on networking. On the downside there is significantly less creativity needed at work anymore and less flexibility due to the policies and processes in place. While this can be considered a good thing for some, for the employees coming from an “agency” type of organization, where they had to find creative ways of finding solutions, this can be disengaging. Also, the fact that the career levels and titles were shared once they were supposed to sign the new contracts, yet there was no clear explanations to what both of them meant in practice, created misunderstandings

and confusions. Clear agreement that they do not necessarily reflect the persons' knowledge, seniority and capability.

Also, the sense of lack of transparency on what is to come was hard for them. They did not know what to expect from the acquisition, the changes that were yet to come and to some extent felt like they were in a black box without knowing what the end-game was supposed to look like. Nor were they aware that an acquisition would happen until it was announced. According to Kotter's 8-step model to change management and the Six-Phase Change Strategy Model, discussed in chapter 4.1 Different methodologies in Change Management, creating a Sense of Urgency for the change is critical to ensure all people involved the reason behind the change and that there will be change in the future. Transparency is critical and all respondents agreed to this matter. In the Six-Phase Change Strategy Model, steps 4 & 5 (Monitor impact and results & Respond to feedback), highlight the importance of monitoring progress and the results found while then responding to the feedback, and what came to light was that there were no follow-ups during nor after the integration process was done to see how it had gone, if they felt something was missing or if a specific matter should have received more attention throughout the process.

While they value the fact that leadership always had their door open for discussion there was definitely missing follow-ups throughout the integration process and all respondents agreed that these kind of follow-ups should have been in place.

The changes were significantly bigger for the specialists than leadership during the whole process.

6.1.3 HR

The time between the support given between the two HR respondents were a few years, and while there have been some improvements based on the input, there are still things that are lacking from an HR perspective. There is still a lack of manpower support from HR given to the acquired organization, and that is also evident in input from acquired employees. There should be more people assigned to support the acquisition, and also ensure that the people supporting have the capacity to support the integration. There is clear sync in the input received by leadership and input from HR, on the matter of support given and received, and the complications that have come along with that. When someone from

HR is going to support an acquisition integration it is important to ensure they have capacity to support, which means potentially decrease their current workload so that they will not be overworked when adding the specific support to their other tasks.

But on a positive note, when it comes to receiving support internally, there is clear agreement within HR though that the internal support received from fellow HR colleagues. There is clear willingness to support the people supporting the acquired company, and this is highly appreciated. There were always people willing to support if there was a need for help, so a sense of fellowship and support system is in place and highly valued. Yet getting support from Global colleagues was a challenge and it was slightly unclear why acquisitions were made: were they made to follow process or to create value from the acquisition?

What was aligned between the HR respondents was that integration takes time and should not be rushed. By rushing an integration there might be topics or matters that fall between the chairs and might be missed. There should be clear alignment and balance in the integration and ensuring that all impacted employees are given the support needed.

6.1.4 Suggestions

Based on the discussions with the interviewees, the responses during the interview and theory gathered for this thesis, following there will be a few improvement suggestions for the integration process going forward:

- 1) Set as requirement: Do frequent follow up's with acquired company employees to see how they are experiencing the integration process and where they might need more support. In form of larger survey to all employees with possibility for free text.
- 2) Better transparency and agreement on career levels for employees coming from acquisition, not just assign a career level and role in the contract but ensure there is alignment with their current role/work/experience.
- 3) Put more focus on onboarding mid and junior levels.
- 4) Base the support provided by HR on the amount of work ahead and the potential challenges. Information found from Due Diligence process.

- 5) Put more importance on cultural differences between both organizations and adjust the implementation plan accordingly? Is it now “one integration plan” for all acquisitions or are they made based on each company? Have more liberty and flexibility in Market Units/Nordics to adjust process without global consent?
- 6) Based on the data collected during the due diligence process regarding company culture, set the prospect timeline on the integration process. If target company has completely different culture, give more time for the process than an organization with a more similar culture.
- 7) Have an idealistic timeline for the integration, but ensure it is flexible as some integrations might take more time than others. Create potential timeline based on data collected during Due Diligence process.

The suggestions above are not to be considered as conclusive, and might not necessarily improve the overall integration process, but can improve the employee experience throughout the process itself. The numeration of the suggestions above does not reflect any concrete steps on how to apply them.

6.2 Own learning and Thesis evaluation

There was clear structure on how I wanted the thesis process to be and look like. The topic itself was very clear for me from the beginning as I work with acquired organizations constantly. The topic of mergers and acquisitions has always been very interesting to me so it felt like a natural choice for me to write about the specific topic, and considering the organization I work for, it became the perfect fit. Before I started studying the theory, I was already aware of the challenges, on an overall level, but throughout the theoretical part I became fascinated with the new input and statistics on unsuccessful mergers and acquisitions and the potential reasons behind it. For me as the author, the reasons are evident, but the more I studied the theory the more I started wondering why organizations make the same faults repeatedly. I could not help but ask myself; why doesn't organization stop, look at history, and then adjust the process? And more specifically in the case of this thesis: does the organization expect that one process works for every single acquisition? Writing the theoretical framework never felt like a burden as I was so curious about the topic and there is still so much to study about this topic. No process will be perfect, and adjustments need to be made depending on the size of the organization, the structure, the industry etc., the list can become endless on matters that need to be taken into considera-

tion. Considering that technology evolves constantly the organizations within the technology should evolve as well. But at some level I can't help that we encourage for our clients to adjust and adapt to whatever comes their way, but we struggle to do it within our own organization?

But what made this thesis even more interesting was the interviews, getting first-hand insight from employees from acquired organizations and hearing what they had to say. It gave me perspective to my own experience and also more understanding to their struggles when they come into this massive organization, I was not the only one struggling while working with them, but they were also having struggles in understanding this complex organization.

6.3 Validity and Reliability

With Validity and Reliability we are referring too if the conclusion on this thesis can be utilized within any other context or organization. Reliability refers to the extent to which an experiment, test, or any measuring procedure yields the same results on repeated trials (Carmines & Zeller 1979, 11). Meaning can the conclusions from this thesis be applied to other organizations going through an acquisition? In any kind of acquisition there will likely always be some kind of tensions during the integration process as the cultures of the organizations will not be the same, but I believe one needs to evaluate the type of industry where the acquisition is happening before determining if the conclusions apply to them.

In this case we evaluated acquisitions within the technology consulting industry for an international organization, with more than 500 000 employees. So, applying the same conclusions and suggestions to another acquisition, within a different sector of work, might not necessarily apply as the nature of work varies. But the suggestions can be relevant for acquisitions within the same industry and internal culture differences. In the case of this thesis Company X is a well-established and mature organization focusing on smaller boutique-agency type of organizations, to bring value to their existing clients.

In Golafshani (2003, 598) Joppe defines Reliability as “the extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability and if the results of a study can be reproduced under a similar methodology”. As mentioned in previous section, this aligns fairly well with the conclusion on reliability; it can be implemented within the same industry and sector, yet stepping outside

of the specific area the results can not necessarily be considered as reliable as the nature of work, organizational structure and habits can vary.

Joppe (2003, 599) continues by defining Validity as what “determines whether the research truly measures that which it was intended to measure or how truthful the research results are. In other words, does the research instrument allow you to hit “the bull’s eye” of your research object?” But there has been discussion on that if Reliability and Validity means the same in quantitative vs qualitative research. In his book Golafshani brings forward that precision (Winter 2003, 600), credibility and transferability (Hoepf, 2003, 600) provide the accurate view on the findings in a qualitative research approach.

In this case I do consider this thesis and findings to be valid as due to the questions presented, and the willingness of the interviewees to share their experiences, the results provided were truthful and sincere.

6.4 Continued research topics

For this thesis the author focused on understanding the current process for acquisitions and then suggesting improvements to take into consideration. A scope for continued research could be what benefits an organization, such as Company X, would it bring if the acquisition process would be handled on a local scope focus vs the benefits of having global headquarter deciding on the process.

Another research topic could be comparing the acquisition and integration process between larger scale organizations, such as Company X, and smaller scale organizations that potentially work on a smaller dimension. While comparing the integration processes the research could focus on which of them has a smoother integration process, and Why the process might be more successful in the respective company.

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Appendices 1

Interview questions for Acquired employees:

- 1) How long time have you been working for company acquired company? When was it acquired?
- 2) Can you please share your first role at the company? What kind of challenges do/did you see in the role?
- 3) Can you please describe the acquisition process from the beginning?
- 4) During the acquisition process, do you feel you received support from your leadership?
- 5) What do you feel was missing from the process?
- 6) Were the expectations/goals of the acquisition clear? Was it transparent?
- 7) Do you feel that you have integrated to company X from a cultural and social perspective?
- 8) Do you think your old working habits have been integrated into the new organization?
- 9) How has your working habits changed since the acquisition?
- 10) Do you see a positive impact in your way of working/work culture since the acquisition?
- 11) Do you feel more engaged to the organization after the acquisitions?
- 12) What do you think went well in the process? What would you have done differently with the integration process?
- 13) What would you say was the most challenging part of the integration?
- 14) In what stage of the process was HR involved in supporting the integration?
- 15) After the acquisition was done, what kind of communications were sent out? Was there a follow-up after a certain amount of time to see how the integration process was going?
- 16) Is there anything you would want to highlight regarding the topic?

Interview questions for Company X employees:

- 1) How long time have you been working for company X?
- 2) What was your role during the integration process? When was this?
- 3) When were you informed of the acquisition? In what stage of the process were You involved in supporting the integration?
- 4) Can you please describe the acquisition process from the beginning?
- 5) During the acquisition process, do you feel the support given to acquired company was sufficient?
- 6) What do you feel was missing from the process?
- 7) What would you have done differently with the integration process?
- 8) Do you think the integration process was transparent?
- 9) What do you think went well in the process?
- 10) Was it clear what was expected from you while supporting the integration?
- 11) What would you say was the most challenging part of the integration?
- 12) After the acquisition was done, what kind of communications were sent out? Was there a follow-up after a certain amount of time to see how the integration process was going?
- 13) Is there anything you would want to highlight regarding the topic?

Appendices 2

Due to nature of topic, the interviews were conducted confidentially and anonymously.