Aalto University
School of Business

Contextual Framework of the Chain of Firm-Acquisitions: Case Study in Finnish ICT-Field

Organization and Management

Master's thesis

Tiina Saloniemi

2014

Department of Management and International Business
Aalto University
School of Business

Aalto University, P.O. BOX 11000, 00076 AALTO
www.aalto.fi

Abstract of master's thesis

Author Tiina Saloniemi

Title of thesis Contextual Framework of the Chain of Firm-Acquisitions: Case-Study in Finnish ICT-Field

Degree Master's degree

Degree programme Management

Thesis advisor(s) Janne Tienari, Heikki Tiihonen

Year of approval 2014 **Number of pages** 108 **Language** English

Abstract

Aims of the study

The thesis examines the contextual framework of the mergers and acquisitions (M&As) of the case company in the Finnish ITC field. The aim is to identify key factors affecting M&As especially from the viewpoints of strategy processes, strategic meters, pre-acquisition factors and the integration phase, as regards the most important of M&As of the case company (acquisitions of Firm A by Firm B, Firm B by Firm C and Firm C by Firm D). The aim also is to identify possible connections between the strategy processes in effect in the case company. Research in the field is offered a shift in emphasis from the study of individual acquisitions to that of chains of multiple acquisitions.

Theoretical framework, methods and data of the study

The literature review of the study concentrates on theory and concepts central to M&A; the motivational factors and aims behind the deals, and key factors in the post-acquisition integration phase. The theoretical part also introduces the analytical background of the study, the "M&A execution contextual framework". The method of the study is qualitative case study, for obtaining a holistic picture of the phenomena under study. The study makes use of both internal and external documentation of the case company and interviews of its experienced strategic leaders.

Results

In examining the chain of key acquisitions in the case company, it appears that especially strategic processes combining top-down and bottom-up elements, executed in a line organization where responsibilities are unambiguously localized, have proven favorable from the viewpoint of M&As (Firms B and D). Also the stability of strategic meters and their careful targeting has proven effective for the case companies on completing the ultimate goal of M&A execution, that is, integration. The greatest challenge in executing M&As was considered to be success in the integration phase. In this, research results emphasize the significance of execution, discipline and communication.

Keywords mergers and acquisitions (M&A), strategy process, pre-acquisition phase, post-acquisition integration, M&A execution contextual framework

Aalto University, P.O. BOX 11000, 00076 AALTO
www.aalto.fi
Abstract of master's thesis

Tekijä Tiina Saloniemi

Työn nimi Yrityskauppojen ketjun kontekstuaalinen viitekehys: Case-tutkimus Suomen ICT-alalla

Tutkinto Kauppatieteen maisteri

Koulutusohjelma Johtaminen

Työn ohjaaja(t) Janne Tienari, Heikki Tiihonen

Hyväksymisvuosi 2014 **Sivumäärä** 108 **Kieli** englanti

Tiivistelmä

Tutkimuksen tavoitteet

Tutkimuksessa tarkastellaan case-yrityksen yrityskauppojen kontekstuaalista viitekehystä ICT-alalla Suomessa. Tavoitteena on tunnistaa keskeiset yrityskauppoihin vaikuttaneet tekijät erityisesti strategiaprosessien, strategisten mittareiden, yrityskauppaa edeltävien tekijöiden sekä integraatiovaiheen näkökulmista case-yrityksen tärkeimpien yrityskauppojen tapauksissa (Yrityksen B ostaessa yrityksen A, yrityksen C ostaessa yrityksen B sekä yrityksen D ostaessa yrityksen C.). Tavoitteena on myös osoitaa mahdolliset yhteydet case-yrityksessä vaikuttaneiden strategiaprosessien välillä. Alan tutkimukselle tarjotaan painopisteen siirtoa yksittäisten yrityskauppojen tutkimuksesta yhä enemmän yrityskauppojen tutkimiseen osana useamman yrityskaupan ketjua.

Tutkimuksen teoreettinen tausta, metodit ja data

Tutkimuksen kirjallisuuskatsauksessa keskitytään yritysostojen ja fuusioiden kannalta keskeiseen teoriaan ja käsitteistöön; yrityskauppojen taustalla vaikuttaviin motivationaalisiin tekijöihin ja tavoitteisiin sekä yrityskauppojen jälkeisiin integraatiovaiheen keskeisiin tekijöihin. Teoreettisessa osiossa esitellään myös tutkimuksen analyyttinen tausta "Fuusion ja yritysoston toimeenpanon kontekstuaalinen viitekehys". Tutkimuksen metodina käytetään kvalitatiivista case-tutkimusta mahdollisimman kokonaisvaltaisen kuvan saamiseksi tutkittavista ilmiöistä. Tutkimuksessa hyödynnetään sekä case-yrityksen monipuolista arkistomateriaalia sisäisen ja julkisen dokumentaation osalta että yrityksen kokeneiden strategisten johtajien haastatteluja.

Tulokset

Tarkasteltaessa case-yrityksen keskeisten yrityskauppojen ketjua näyttää siltä, että erityisesti sekä top-down että bottom-up elementtejä yhdistelevät strategiaprosessit hyödynnettynä linjaorganisaatiossa, jossa vastuut on selvästi paikannettavissa ovat osoittautuneet suotuisiksi yrityskauppojen toteuttamisesta käsin tarkasteltuna (Yritykset B ja D). Niin ikään strategisten mittareiden stabiilius ja kohdentuminen tarkasti määriteltyihin kohteisiin on case-yrityksen tapauksessa osoittautunut yritysostojen toteuttamisen päämäärän eli integraation loppuunsaattamisen kannalta toimivaksi. Suurimpana haasteena yrityskauppojen toteuttamisessa nähtiin nimenomaan integraatiovaiheessa onnistuminen. Siinä tutkimustulokset puoltavat erityisesti toimeenpanon, kurin ja viestinnän merkitystä.

Avainsanat fuusiot ja yrityskaupat, strategiaprosessi, yrityskauppaa edeltävä vaihe, yrityskaupan jälkeinen intagraatio, Fuusion ja yritysoston toteuttamisen kontekstuaalinen viitekehys

ACKNOWLEDGEMENTS

Strategy process as a means to make things happen together by common actions of the members of a company has been my major interest of the past few years. When I started my Master´s studies in Management; Business Leadership I already knew that my thesis would cover the topic one way or another.

The fascinating theme of firm-acquisitions of case-company´s history in Finnish ICT-field was discovered as the actual topic of the thesis almost a year ago in concert with the supervisors Prof. Janne Tienari and Heikki Tiihonen. I would like to give most of my compliments to the great supervisors for the expert advice, background material, interest and encouragement during the rewarding journey of the thesis.

I am extremely thankful for the change to interview the top strategic management of the case-company´s Finland country organization. The strong strategy impressions and experiences I got a privilege to have were immeasurably valuable and inspiring.

I would also like to thank my husband, little-sister, father and mother for all the support they have given me. Loving thoughts also to my cat Questor, who has still persistently bothered me so that I would remember to ease up for a moment.

Last but not least thanks for the great and warm working atmosphere for all my great colleagues! Special thanks to Eija Rantanen for the encouragement in the early stage of my thesis and Nina Fyhr for making it possible to succeed in both work and studies.

All in all, the journey of the thesis has given new meaning and relevance for my working days´ reality by opening the window to the organization´s past to increase the understanding especially in the dimension of the cultural layers and practices achieved in the course of company´s various strategy process within its acquisition history. In addition, I feel that after the journey I understand a bit more about what a good business leadership and strategy process could be made of. It´s good to continue from here.

Tiina Susanna Saloniemi
25th April 2014 Helsinki

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

1 Introduction

1.1 Motivation and Background for the Research

Quick strategic change is essential for most companies in today's business climate of globalization, hyper competition and accelerated technological change. Within this kind of market and competition environment, managing the change through acquisitions appears as an attractive chance. (Bower, 2001)

The importance of the topic is evident from the effects of acquisitions on intellectual property in the working community, as well as the extensive business implications the acquisitions have. Also the frequency of acquisitions in today's business world and their complex nature support the value of the topic. Acquisitions often involve difficulties in implementation phase and unsatisfactory post-acquisition business performance that need to be carefully managed. Although only a few of the mergers and acquisitions (M&A) add value for the acquirer, some of the companies have beaten the odds and succeeded in acquiring (Lind & Stevens, 2004).

The acquisition process consists of two interconnected phases: the phase preceding the deal (the pre-acquisition phase) and the phase following the deal (the post-acquisition integration phase). The acquiring company has to compare the attractiveness of the deal against its strategic rationale. The integration process can be defined as a directed process to implement organizational change, affecting largely the acquired unit(s), into the desired strategic direction. The ultimate financial success of the acquisition is defined by the changes being effectively implemented during the post-acquisition integration phase. (Haspeslagh & Jemison, 1991; Schweiger et al., 1993)

The principal message of Haspeslagh & Jemison (1991) is that the main distinction between successful and unsuccessful acquisitions lies in understanding and managing the processes by which acquisition decisions are carried out. The key objective of this research is to deepen the understanding of the firm-acquisition contextual factors affecting the major M&As within the case company. The research issue examining the case company’s firm-acquisition contextual framework in order to enhance the understanding over the phenomenon includes the pre- and post-acquisition factors; organization and strategy -related contextual factors; the global and societal drivers and acquirer- and acquisition target-related contextual factors.

The case company’s several consecutive acquisitions in the ICT field are under examination from the perspective of the Finnish country organization. The research focus covers years ranging from 2004 to 2012: the major acquisitions of Firm A by Firm B in 2004, Firm B by Firm C in 2006 and, the most recently, Firm C being acquired by Firm D in 2012.

The research is carried out by using the case method to uncover the abundance of strategic pre-acquisition and post-acquisition factors influencing the acquisition contextual framework. For an acquisition to be successful, the company needs to manage the whole process from choosing a right target company to having a suitable culture in place to accept the acquisition as fast as possible (MacDonald & Thomas, 2003).

The particular setting is extremely rewarding for research purposes because the acquisitions under investigation have occurred during a relatively short time period, which makes it possible for a researcher to get relatively comprehensive data over the research phenomenon, exposing the distinct aspects of the firm-acquisition contextual framework. Thus, the strategic development phases of this certain company’s development from a relatively small Finnish ICT company into a world class global company in just fifteen years’ time gives a fruitful structuring and analyzing instrument for the fascinating and topical phenomenon of firm-acquisitions. As for example Barkema & Schiven (2008b) state, instead of focusing on a single acquisition, focus should be on the firm’s overall acquisition strategy and the stream of acquisitions.

The research objective is to formulate an overall picture of the contextual framework of the case company´s consecutive firm-acquisitions including the strategy processes, strategic measures representing the practical side of the strategy process within each acquisition, pre-acquisition factors, as well as post-acquisition integration characteristics and actions. This overall picture is formulated by combining the findings from multiple data sources, including archival internal documentation data sources (strategy descriptions, process descriptions, integration project plans, manuals, reports), archival strategic measures data (balance scorecard samples, performance measuring principles) and external documentation data (statistic data, annual reports, press releases, internet pages). Also semi-structured interviews are utilized (material recorded in interviews of strategists' views over case company M&As, and strategy processes).

In addition, learning from M&As beyond single acquisition is one of the perspectives to be examined in the research's semi-structured interviews. Potential integration problems may arise from many-sided, unclear cultures and views on cultural issues, which need to be carefully managed. (Björkman et al., 2005) The essential decision makers in the case company are the ones who can further advance their understanding through the learning from M&As beyond single acquisition. Thus, within the thesis context, one of the aims of the research is to investigate the understanding and learning of the key strategists of the case company over the research phenomenon and exploit their knowledge of the major M&As that have occurred in the case company during the last decade as one of the data sources and further promote the learning.

Research aims to improve understanding over the specific contextual framework of the case company's consecutive firm-acquisitions involving all the influential factors and reciprocal connections between acquisitions and improve the changes to succeed in realizing of M&A planned synergy advantages as well as to avoid potential integration problems according to the understanding gathered through the analyzing of the data from the multiple M&As of the case company. When structuring and analyzing the distinct acquisitions the regularities, similarities and deviances are to be marked out in order to understand the phenomenon and to be capable to manage the cultural differences endogenous in a company shaped through case company´s M&A historical background.

This thesis research will potentially help the organization in the future to overcome the obstacles faced in the human, operational and business senses during acquisition processes by increasing the understanding of the context-bound aspects of the acquisitions. It may also give more perspective for research purposes, widening the current research focus from individual acquisitions per se to the stream of several acquisitions settled in their contextual backgrounds.

1.2 Research Questions

Research questions concentrate on the following thematic topics utilized to create the comprehensive picture of the case company's firm-acquisition contextual framework. Questions are assessed and reflected against the archival data findings as well as case company's Finnish top strategic management interview findings:

What kind of strategy process did each of the case company firms have?

The presentation of the strategy process describes the practices, emphasis and other characteristics by which the strategy is carried out, formulated, implemented and reviewed in the particular firm, and also the power relation between the Finnish country organization and the headquarters.

How did the strategic measures express the practical level of strategy process of each of the case company firms?

Characteristics such as the number, emphasis and clarity of the strategic measures reflect the practical level of the strategy process.

What were the pre-acquisition acquirer-side motivational as well as influential background market factors behind each of the M&As?

- Firm B acquiring Firm A
- Firm C acquiring Firm B
- Firm D acquiring Firm C

Analyzing the background market -related as well as acquirer motivation -related aspects "Why did the particular acquisition target get selected as a target?" might reveal important firm-acquisition context factors.

What was each of the post-acquisition integration strategies like?

- Post-acquisition integration strategy of B/A
- Post-acquisition integration strategy of C/B
- Post-acquisition integration strategy of D/C

Post-acquisition strategy analysis is an important part of the M&A post-deal execution level of the firm-acquisition contextual factors and has to be covered in order to build a comprehensive understanding over the phenomenon.

1.3 Structure of the Thesis

The thesis contains six main chapters. The first chapter justifies the relevance of the research in today's business life. It also outlines the topic of the research and defines the scope and objectives of the study from the perspectives of the case company's interest as well as the interests of the wider research community. Also the motive and background for the study is built up in Chapter 1.

The second chapter includes the literature review over the significant background research done in the field. The literature reflection concentrates on historical M&A waves, motivational aspects and objectives of M&As. Then the process of M&A and the main phases as well as learning related to M&As are covered. In the end of Chapter 2, the research analytical framework is introduced.

The third chapter deals with methods and data. The chapter illustrates the methodological choices of the thesis research. It also illuminates the data collection and analysis methods and characteristics of the empirical data, and gives justification for the choices made. The empirical data gathered through internal (non-public) and external (publicly available) literature and significant information from the qualitative semi-structured interviews are also given in Chapter 3. In the conclusion of the chapter, the generalization, validity and reliability estimations of the thesis research are done.

The fourth chapter goes through the empirical findings generated by analyzing the data. The findings are classified according to the four central research question themes. The first of the themes is strategy processes of the firms and the influencing on strategy work from the Finnish country organization in each of the acquisition phases of the case company. The strategic measures are then covered as practical examples of the strategy processes. In the third theme, the pre-acquisition motives in each of the acquisitions are discussed in each of the phases according to external material and interviews. In the fourth theme, the post-acquisition integration phases of the cases are examined according to internal integration material and interview findings.

The fifth chapter contains the discussion about the findings. The central findings presented in Chapter 4 are assessed and contrasted against the literature reviewed in Chapter 2; after reflecting on those, the most interesting points of convergence are highlighted.

The sixth chapter provides the summing up of the whole thesis and the conclusions of the research, being responses to the research questions derived from data analysis and reflecting on the background theoretical literature. Chapter 6 also gives the final conclusion of the whole thesis research, and examines the aspects raising questions to be further discussed.

2 Theoretical Background

The empirical data of the thesis contains rich material preceding and following acquisitions in the course of the case company's historical timeframe and the interviews assessing the acquisition experiences and strategy work related to that. The focal theory and concepts behind M&As, acquisition motives and objectives as well as post-acquisition factors and consequences are assessed in this theoretical framework chapter. Also the analytical research framework, a context of M&A execution, is presented in the chapter.

2.1 Mergers and Acquisitions (M&A)

The thesis concentrates on mergers and acquisitions as crucial strategic occurrences in the case company's historical timeframe and as key explanatory elements in its growth path. The primary interest of the thesis is on acquisitions defined as inter-firm associations where one firm buys another. These need to be separated from mergers where two companies merge to form a joint new entity, that is, previously separate companies become one by combining their operations. An acquisition refers to a transaction in which an acquirer uses capital (e.g. stock, debt or cash) to buy another company. The acquiring party tends to be bigger or more important than the acquired one in terms of market share or going-concern value. When the acquiring and acquired parties in acquisition are roughly the same size or position, the term "merger" is usually used instead.

There can be also reverse takeovers where a smaller company buys a larger one. (Faulkner, 2012) If the first offer is objected to by the incumbent management, the takeover is defined as hostile. A bid is successful if the bidder acquires the target with its original or revised bid. If the firm stays independent or is later acquired by another bidder, a bid is unsuccessful. (Franks & Mayer, 1996) In economic terms, most mergers are acquisitions because there tends to be a buying party that buys out a majority stake or all shares of a firm. However, genuine mergers indeed exist comprising value chains and management teams of two companies jointly providing competitive advantage. It is also known that in some cases acquisitions are called mergers to mark their innate or desired equity. (Faulkner, 2012)

2.1.1 The historical timeframe of mergers and acquisitions

The history of mergers and acquisitions (M&A) can be described as separate waves, as shown to have occurred in the course of time (See Figure 1). This division has been done based on intense M&A activity in the beginning of each wave. The activity of each wave later returns to the previous level of merger frequency. There is a slight delay before M&A failures are recognized, and then the M&A wave can be identified in full. Once the failures are realized at a critical rate, the M&A wave breaks down. The first of the mergers and acquisitions waves dates back to the turn of the 20th century in the United States and is viewed as a response to major changes in technology, economic expansion, legislation as well as industrial stock exchanges. (Kolev et al., 2012; Martynova & Renneboog, 2008; Kummer & Steger, 2008)

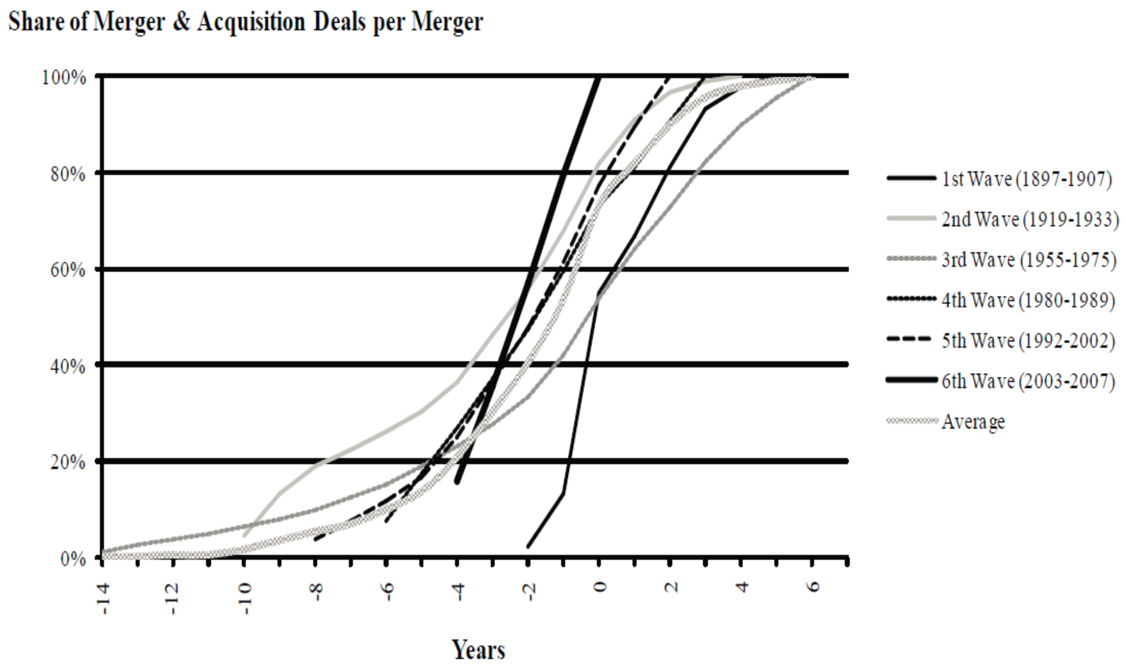

Figure 1. The Life-cycle of mergers and acquisition waves (Kummer & Steger, 2008)

The first two waves were characteristically USA-centric, and the third wave (1960s) concentrated on the US, United Kingdom and Continental Europe. From the fourth one (1980s) on, the international scale has been prevalent. The fifth M&A wave is interesting as regards the research time frame of the thesis. It occurred simultaneously with increased economic globalization and technology revolution starting with the 1990s. The wave was characteristically global, including intense acquisition activity in the United States, Europe and Asia. In agreement with global strategy, cross-border acquisitions increased exceedingly, which helped domestic companies compete against international competitors. Contrary to the 1980s merger and acquisition wave, acquirers presumably relied on stock in order to complete transactions. In 58 per cent of the cases, transactions were financed with stock as a whole. Ultimately, the main driver of the fifth wave seems to be deregulation and privatization that especially affected acquisition activity within industries like communications and information technology. (Martynova & Renneboog, 2008) Also Haspeslagh & Jemison (1991) noted that while in the past acquisitions tended to happen in waves, in the nineties the acquisition phenomenon appeared to become increasingly broad based, fragmented and global.

2.1.2 Motives for mergers and acquisitions

Even though research has presented a number of strategic acquisition backgrounds, they can be categorized broadly into four primary motivational categories: value creation, managerial self-interest, environmental factors and firm characteristics. (Haleblian et al., 2009)

The value creation category includes the subcategories of market power, efficiency, resource redeployment and market discipline. Market power refers to the attempt to reserve more value to the customers. The general idea behind this is that when there are fewer firms in an industry, the industry-level pricing power increases. In order to diminish the cost part of value creation, economists have also assessed that acquisitions could be motivated by the wish to increase efficiency. Scholars have also proposed that managers view horizontal acquisitions as a tool of simplifying the redeployment of assets and competency transfer in order to develop economies of scope. (Haleblian et al., 2009)

Equivalent with this was the finding of Capron et al.(1998) stating that horizontal acquisitions tend to lead to considerable resource realignment between acquirers and acquired companies, particularly with the resources that regularly face market failure. The research categorizes resources into a five-party typology of R&D, manufacturing, marketing, managerial and financial resources. In their research Capron et al. (1998) state that redeploying resources following horizontal acquisitions provides a means by which a business can expand and utilize strong firm-specific resources. Redeployment of the resources to acquirer also gives an opportunity for the strong resources of an unsuccessful business, as well as for those successful businesses that have reached their limits of their success, to survive in industry. The research of Capron et al. (1998) shifted the focus of theoretical analysis of M&A from neoclassical economic industrial organization theory, highlighting similarities between different businesses, into a resource-based and evolutionary view underlining the relevance of organizational differences in competitive markets. (Capron et al., 1998)

Market discipline is a dimension of value creation motives stating that acquisitions may enhance value when exerted to discipline ineffective managers. Thus, acquisitions can assist in protecting shareholders from bad management. With the exception of actions excluding potential bidders, it can be difficult to identify corporate control managerial actions that would actually damage shareholders. Jensen & Ruback (1983) define corporate control as the set of rights to determine the management of corporate resources, including the rights to hire, fire and set the compensation level of top management. (Jensen, 1986; Jensen & Ruback, 1983).

Although many frameworks suppose that acquisitions are made to maximize shareholder value, a significant amount of research shows the contrary to be true. According to that evidence, acquisitions destroy shareholder value when managers try to maximize their own self-interest. The sub-categories of this motive are compensation, managerial hubris and target defense tactics. (Haleblian et al., 2009)

A group of finance and management scholars have demonstrated essential correlation between upper grade compensation, ownership and acquisition manners. For instance, industries having higher compensation for CEOs generally demonstrate greater acquisition activity (Angrawal & Walkling, 1994). Furthermore, the acquiring CEO and director stock option payments are positively connected with such activity (Sanders, 2001; Deutch et al., 2007). Apart from compensation, other work has shown that also managerial confidence may increase acquisition behavior. Finance scholars were the first ones to notice this phenomenon called "CEO hubris": fulsome self-confidence and exaggerated pride prompt CEOs into believing that they can make money with acquisitions. (Roll, 1986) According to Kummer & Steger (2008) the main reasons for M&A failures stem from unrealistic expectations and (over)confidence, with promoters and external advice, distrust and group dynamics all playing crucial roles.

Environmental factors as background motivational motives for acquisitions refer to environmental uncertainty and regulation, imitation and resource dependency, and network ties. As noted earlier, strategic management literature has researched the issue whether the fit between environment and the company strategy is favorable for acquisition behavior. Part of this research has shown that uncertainty in environment defines whether a company chooses to acquire or directs into other cooperative techniques. Haleblian et al. (2009) state that although uncertainty in environment increases the probability of collaboration compared to the probability of acquisition (Folta, 1998), commercial uncertainty decreases the probability of acquisition vis-a-vis licensing agreement (Schilling & Steensma, 2002). Compared to acquisition of a partner equity, collaborations provide a diminished ability to fight opportunistic behavior. (Folta, 1998) Environmental factors involve imitation and resource dependence – the category stems from sociological studies from firm acquisitions. The first aspect refers to the widening inter-organizational imitation that Sterns and Allan (1996) noticed while investigating fringe actors that first initiated innovations that enabled them to merge and become successful. This is further discussed when examining research done by Yang & Hyland (2006). The second aspect mentioned – resource dependence – was pioneered in Pfeffer's (1972) study in which he pointed out that companies manage organizational interdependencies by adopting needed resources through mergers: to integrate symbiotic ones, to absorb competitive ones and to merge for diversification or merge to evade existing interdependencies by diminishing them. (Pfeffer, 1972) Management scholars have also underlined the importance of network ties as a force behind acquisition behavior as the third source of environmental motivational factors. Managers want to gain peer resemblance as a vital consequence of acquisitions. (Haleblian et al., 2009)

Firm characteristics as motivational factors can be divided into acquisition experience and the firms' historical operational performance in acquisition occasions, as well as firm strategy and position –related factors. Acquisitions are an excellent context to study organizational learning, as acquisitions are separate events having strategic significance. (Haleblian et al., 2009) Research on acquisition experience has pointed out that recent track record has a positive correlation to later acquisition probability, especially when this experience is successful (Haleblian et al., 2006). Certain types of acquisition experience may also direct the acquisition actions taken, according to another study. For example horizontal, vertical or product extension types of acquisitions can contribute to the likelihood of the same kind of acquisition actions being conducted later (Amburgey & Miner, 1992) and decrease the probability of other types of acquisitions (Yang & Hyland, 2006). Amburgey & Miner (1992) define three categories of strategic momentum referring to the tendency to maintain or widen the emphasis and direction of prior strategic behavior. Momentum is repetitive when organizations repeat previous strategic actions whereas it is positional when organizations carry out actions maintaining or extending existing strategic positions. Contextual momentum in turn occurs when an organization's general traits like organizational structure shape the strategic action. In terms of repetitive momentum, the expression of mergers tends to increase the rate of mergers of the same kind, while according to the contextual momentum model, organizational decentralization in turn raises the probability of diversifying mergers (Amburgey & Miner, 1992).

Results of Folta (1998) support the existence of repetitive and contextual momentum in merger activity. According to Yang & Hyland (2006), companies can imitate on three levels, which can occur independently as well as simultaneously – individual firm level, market level and industry level. Their study within these multiple sources states that companies are strongly influenced by other companies. In the individual firm-level, as a company takes actions, it builds up routines and competencies to be utilized as engines of future actions. In the industry-level, companies tend to mimic the actions of their closest competitors, and in the market-level to follow the masses in exploring novel strategies, especially when common environment expresses a higher degree of instability of actions. In addition, the study refers to the tendency to make explicit the companies they are the most probably going to imitate. (Yang & Hyland, 2006)

Efficiency theory of mergers dominates the field of corporate strategy as well as the research on merger motives. Efficiency theories view mergers as being motivated by the quest for mainly three types of synergies: financial ones resulting in lower costs of capital, operational ones combining functions of different units, and managerial synergies from the bidder’s managers having preferable planning and monitoring abilities which should also benefit the target’s performance. Financial synergy theories are in conflict with efficient market. Also valuation theories relying on the concept that the managers who have planned and executed mergers become more aware of the target’s value than stock market are evidently in conflict with efficient market. By investing in unrelated business, a company can gain financial synergies and lower the systematic risk of the company’s investment portfolio. Another way is to increase the company’s size, which may give access to inexpensive capital. The third means is to establish an internal capital market that may operate on preferable information and grant capital more efficiently. (Trautwein, 1990)

2.1.3 M&A Objectives

Recent theoretical frameworks state that there are more than the four possible acquisition strategies traditionally described in the earlier ones. Although many of the strategies proposed by Bower (2001) are relatively akin to those examined earlier – like product/market expansion – Bower recognizes also complementary types of strategies.

According to Bower (2001), acquisitions occur for five central objectives:

- **To manage overcapacity in mature industries by reconciliation**
- **To roll-up competitors in industries geographically dispersed**
- **To broaden into new products or markets**
- **To act as a replacement to R&D**
- **To capitalize on eroding industry boundaries by creating an industry**

The different activities mean varying challenges. The overcapacity M&A strategic objectives refer to the fact that a vast number of the mergers and acquisitions takes place in industries that have significant overcapacity. These tend to be older and capital-intensive sectors. Industries in this category include automotive, steel and petrochemical. From the viewpoint of the acquirer, the motive of the acquisition is evident: “eat or be eaten”. Thus, the acquirer shuts down the less competitive facilities, prunes back the less effective managers and rationalizes administrative processes – all these make strategic sense. A major concern according to Bower within the overcapacity and M&A activities framework is to decide quickly what to eliminate, because the merged company cannot be run before rationalization has been done. If the acquired company is as large as the acquiring company and the processes and values between those differ greatly, nothing can be expected to be easy. In addition, if it is a merger of equals, there will presumably be a struggle for control between the management groups of both companies.

The geographic roll-up M&A generally takes place earlier in an industry’s life cycle than overcapacity acquisitions. Companies having successful strategies widen geographically by rolling up other companies in adjacent territories. Often the operating unit stays local if the relationship with the local customers is felt to be important. As both the overcapacity acquisitions and geographic roll-ups consolidate business, those can be hard to distinguish. Roll-ups are planned for achieving economics of scale and scope, and associated with the creating of industry giants. Unlike overcapacity M&A, geographic roll-ups are win-win scenarios and thus they are often easier to follow through.

The product and market extension M&As are aimed at extending a company's product line or reaching international coverage. Sometimes these are quite similar to geographic roll-ups, whereas at times containing deals between large companies. The probability of success depends partly on the acquisition companies' relative sizes. A chief concern within product and market extension M&As is the anticipation of cultural and governmental differences that may be encountered with integration. The bigger the size of the company compared to the other party, the bigger the chances of success; the more experienced party also has the advantage over the other.

The M&A as a R&D category is a substitute for in-house R&D. Some high-tech and biotech companies utilize acquisitions instead of their own R&D in order to quickly create a market position to respond to shortening product life-cycles. The final category is called the industry convergence M&A. From the M&A target's point of view, the acquisition in these cases is often desirable because of the excessive costs of building a sustainable company in technical markets. Apart from these actually conceptualized mergers and acquisitions strategies, Bower (2001) highlights also the existence of plain financial investments as an additional form of M&A strategy.

2.1.4 Process of M&A

The acquisition process consists of two interconnected phases: the phase preceding the deal (the pre-acquisition phase) and the phase following the deal (the post-acquisition phase). The objective of the pre-acquisition evaluation phase is to estimate whether it is profitable for the acquirer to engage in an acquisition in the first place or not. The acquiring company compares the attractiveness of the deal against its strategic rationale. The integration process can be defined as a directed process to implement organizational change, affecting largely the acquired unit(s), into the desired strategic direction. (Haspeslagh & Jemison, 1991)

The principal message of Haspeslagh & Jemison (1991) is that the main distinction between successful and unsuccessful acquisitions lies in understanding and managing the processes by which acquisition decisions are carried out. Deepening the understanding of these processes and their connection is the primary objective of this chapter.

The process of M&A can be divided into phases according to task complexity (see Figure 2). The first of the phases are pre-M&A stages, like searching and selecting a potential target and then performing the integration planning and price evaluation. After that, in the order of increasing task complexity, follows the M&A transaction phase containing negotiations and due diligence (comprising reviews of the seller's documentation, contractual relationships, operating history and organizational history; McSweeney & Happonen, 2012) and finally – as the most demanding phase – the post-M&A phase: the actual integration. The majority of the theoretical concepts sorts the integration process and its targets into short-, mid- and long-term timeframes. Short-term goals are relatively easy and fast to realize, covering presumably just 20% of all synergies; the remainder are the strategic ones, to be realized in the course of time. (Kummer & Steger, 2008)

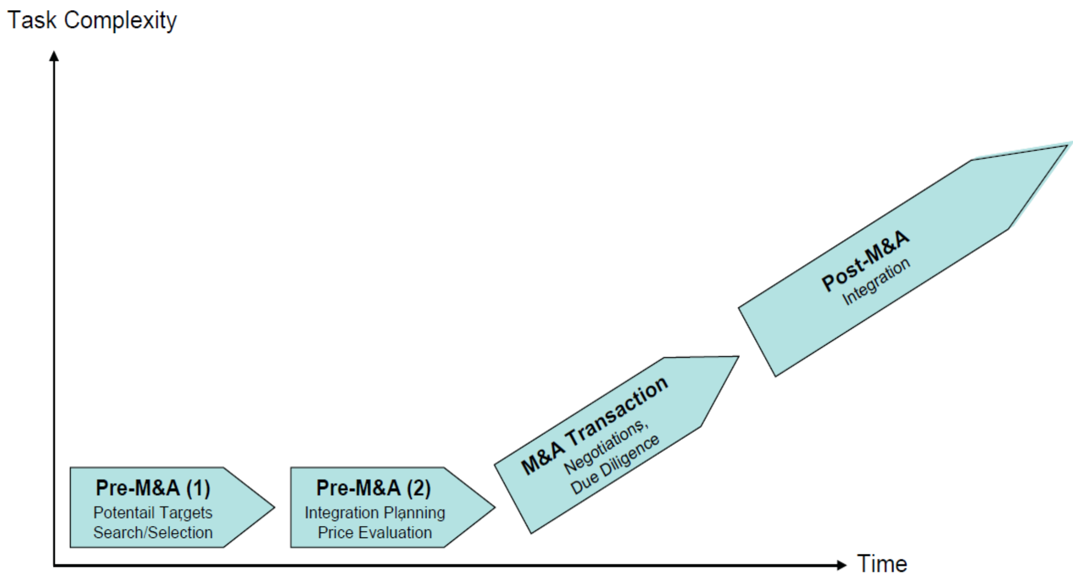

Figure 2. The process and task complexity of M&A (Kummer & Steger, 2008)

Although the importance of post-acquisition integration was noticed in earlier literature (Howell, 1970) the characteristic procedural nature wasn't noticed before the studies of Jemison and Sitkin (1986) and Haspeslagh & Jemison (1991). For instance Howell (1970) identified the consecutive phases in acquisition process to be 1) Strategy formation, 2) Investigation and selection, 3) Negotiating the contract and 4) Integrating the operations and 5) Planning & control systems. According to Howell, successful integration of operations depends on the organization of the acquisition relative to the parent, the utilization of opportunities for integration, and the creating of systems for planning and control. (Howell, 1970)

Acquisitions could be observed both from strategic and financial “choice” perspectives and from a “process” perspective (Jemison & Sitkin, 1986). The viewpoint refers to the argumentation that the successful outcome of an acquisition depends on the entire acquisition process involving both the pre- and post-phases. Acquisitions don’t depend solely on the “choice” made (choosing the right acquisition target) but also on the “process” (the manner in which the whole process is managed). Before this view, acquisitions were seen as individual deals, the main focus of which was on price. In addition, the decision-making process leading to acquisition was seen as sequential and linear, containing the setting of strategic objectives, searching and screening, strategic evaluation, financial evaluation, negotiation, agreement and integration. The process perspective underlines that the acquisition process as a whole, in addition to strategic fit and organizational fit, is a factor affecting acquisition outcomes.

In the research of Jemison & Sitkin (1986) the discontinuous nature of acquisition occurrences in organization history is also pointed out. It is emphasized that only a few companies carry out acquisitions on a routine basis, and as a result of this, the activities of the firms are more structured towards other businesses. (Jemison & Sitkin, 1986) In contrast, the process view supported by Haspeslagh & Jemison (1991) illustrates acquisitions as belonging to the company’s long-term renewal strategy, not as independent, once-off deals. Additionally, they argue that value is created only if the acquired company is integrated the right way. According to them, integration can better be understood by breaking it into a process of interactions that generate an atmosphere promoting the transferring of capabilities to reach the acquisition’s purpose. The core of the integration process is the interactions between the two companies setting up the atmosphere for capability transfer; more about this in chapter 2.1.4.2.1 "Managing the Implementation". Important argumentation here is that instead of seeing pre-acquisition decision-making and post-acquisition management as separate activities, those should be treated as interdependent, although both present different challenges. (Haspeslagh & Jemison, 1991)

2.1.4.1 Pre-acquisition strategic frameworks

As acquisition is a synthesis of the assets of acquiring and acquired companies, value is created when these assets are used more effectively by the merged company than by the acquiring and acquired company singly. The construction classifying the acquisitions, by measuring the strategic fit between acquired company and acquirer as well as the relative significance of different fits, also serves to test the hypothesis about the value the mergers generate. Because companies have a plethora of contractually bound assets, it is evident that although merger as a whole creates value, specific combinations of assets may reduce the value. The strategic fit system offers a more detailed means for addressing the value impact of certain asset combinations. (Shelton, 1988)

Shelton's acquisition classification system is illustrated in Figure 3. In the figure, the ways in which an acquired business changes the product market opportunities for the acquirer company are shown. It is based on the related-complementary and related-supplementary concepts that originated with Salter & Weinhold (1979). A correctly related-complementary fit is vertical integration, whereas a pure related-supplementary fit is horizontal integration. In this respect, a related-supplementary acquired business mainly offers the acquirer access to new customers and markets and little in the way of new assets or products. Related-complementary target businesses offer the acquirer new products, assets or skills for product markets, but not access to new markets.

Within the context of the framework, technology, production and distribution in the particular case need to be evaluated by determining the relationships between the businesses. For one business to be related to another, at least three of the following four criteria should be met: 1) same type of customers served, 2) same type of product sold, 3) similar technology utilized in production and 4) similar purpose served in use. Customers are likewise classified into four groups as follows: 1) consumer, 2) professional, 3) industrial and 4) government customers. Because businesses are selling products at different stages of the production process, products can be grouped into three categories: 1) retail or finished goods, 2) wholesale and intermediate goods and 3) raw materials. (Shelton, 1988)

Business fits in which the assets of either the acquirer or the acquired firm are used more intensively – identical, related-complementary or related-supplementary – create value according to Shelton. Nevertheless, the most value is created through acquisitions allowing access to new markets (related-supplementary) or occurring in the same business (identical), according to the research. (Shelton, 1988)

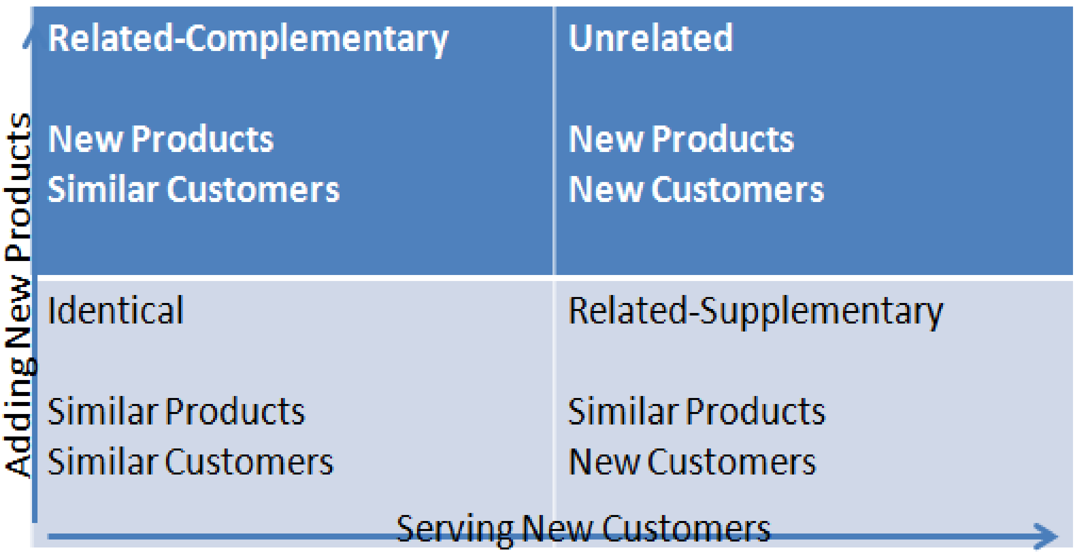

Figure 3. Strategic fit between a target and a bidder business (Adapted from Shelton, 1988)

Framework studies beginning with Shelton concentrated on the strategic compatibility of how the acquisition target would complement the acquiring company in terms of products and markets. (Shelton, 1988) Other kinds of matrixes concentrated on positioning the business in its external context, having an optimal competitive position focusing more on the fit between the capabilities of the parent company and the acquisition target. An example of this kind of matrix is the Parenting Fit matrix (Figure 4).

For assessing purposes in the Parenting Fix Matrix, businesses are classified into five types: heartland, edge of heartland, ballast, alien territory and value trap. The classification can be done by asking two questions: 1) *Will there be internal synergies between parent's value creation insights and opportunities in business?* and 2) *Will those point out the most important external opportunities?* Answers will range from high fit where the value creation viewpoints fit with the most important possibilities, to low fit where the value creation viewpoints are not concentrated on any of the crucial opportunities. In the case that value creation viewpoints point out all the important opportunities, there is no chance for a rival parent to generate superior value creation viewpoints. (Goold et al., 1995)

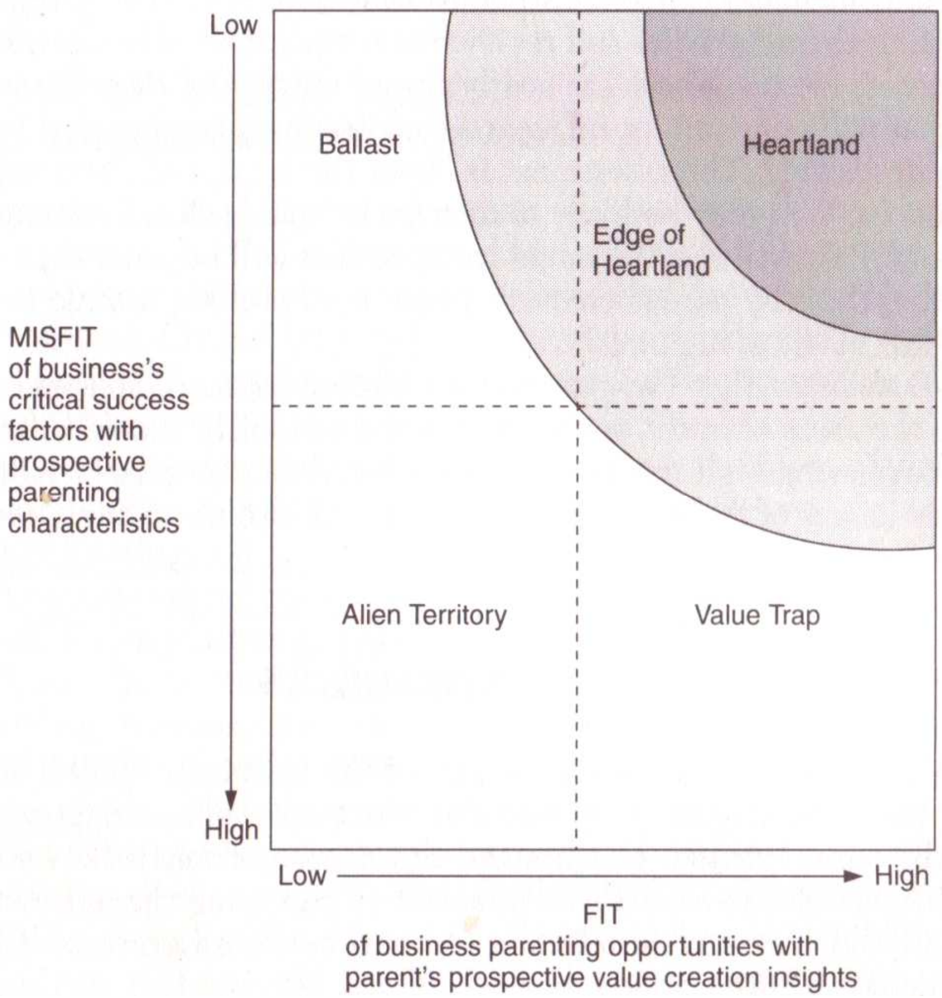

Figure 4. Parenting Fit Matrix (Goold et al., 1995)

2.1.4.2 Post-acquisition integration phase

The serious work starts when the deal has been signed off and the whole new phase in the participating organization's corporate life begins. The post-deal phase has been referred to in numerous ways in literature: the post-acquisition integration phase, the post-merger integration phase, post-acquisition merger phase etc. Regardless of the terminology utilized, it is from this moment onward that the desired objectives, synergies and cost effectives should be pursued with a vengeance. (Teerikangas & Joseph, 2012; Haspeslagh & Jemison, 1991) As Haspeslagh & Jemison (1991) put it "*All value creation takes place after the acquisition*".

2.1.4.2.1 Managing the Implementation

An important question in post-deal integration concerns the optimal degree of integration. In the case of mergers, this means the degree to which the two organizations should be merged. Another key question is how eager the acquirer is to learn from the target company's best practices. According to Teerikangas et al. (2012), in the ideal case, integration is two-way and transfer of post-deal knowledge and capabilities is mutual.

The most widely known framework presenting acquisition integration approaches is the one presented by Haspeslagh and Jemison in 1991 (Figure 5). According to Haspeslagh & Jemison, the acquisition integration state is the source of value creation and the stage that makes acquisition work. It is evident that value cannot be created until the two companies come together and start working towards the acquisition's objective.

While managers recognize the significance of the integration process, negotiators often gloss over detailed discussion of integration because of its uncertainty and complex nature or other pressures during negotiation process. In addition, the meaning of integration varies between different types of acquisitions – who are involved in a process and what types of capabilities are transferred in a certain acquisition type. Haspeslagh & Jemison (1991) pointed out a uniform set of factors that remained the same regardless of acquisition type or differences in integration requirements. In integration, two organizations learn to work together in an interactive process and cooperate in transferring from the capability transfer itself; creating an atmosphere that can promote it is a challenge too. (Haspeslagh & Jemison, 1991)

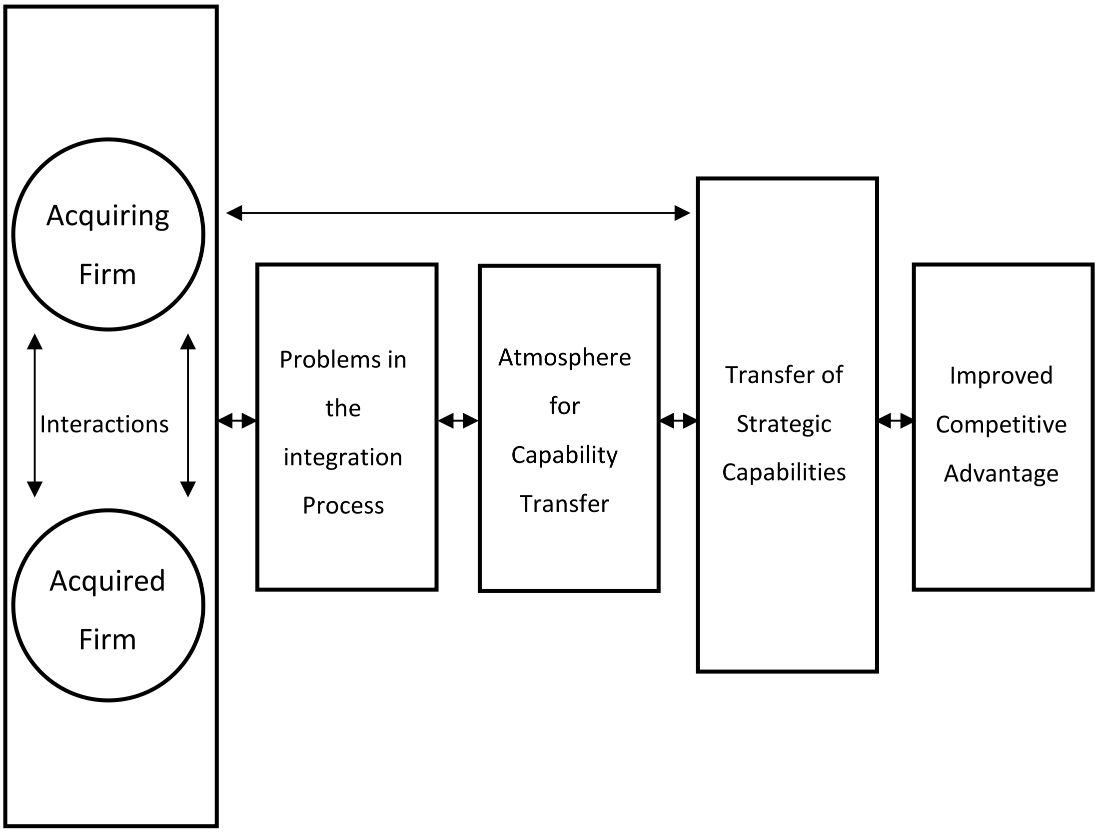

Figure 5. The Acquisition Integration Process (Adapted from Haspeslagh & Jemison, 1991)

Schweiger et al. (1993) introduced a theoretical model to be utilized in managing different M&A implementation requirements. The framework focuses on M&As having value-creative focus and transacted for strategic reasons. In order for the M&A to preserve effectiveness, strategy must remain as the driving force of the acquisition implementation. The fundamental value of the deal will be determined by the extent to which strategy is realized.

M&As require changes to be made in both of the companies for strategic advantages to be realized. Finally, the quality of the changes achieved and the extent to which they are effectively implemented will decide the financial success of M&As. The change process demands decisions covering the depth, location and nature of the changes and the speed of the change process as well as implications for facilitating the change process. Characteristic changes made in the course of M&A are eliminating or shutting down units, combining units and constituting new interrelationships among units. (Schweiger et al., 1993)

Schweiger et al. (1993) point out two crucial elements in managing the implementation process. Firstly, the workforce needs to be stabilized in the early phases of M&A to avoid unwanted turnover of key professionals and losses in productivity. Secondly, change process of integration needs to be managed. A badly managed change process may lead to inadequate implementation and thus deficiency of strategic targets of M&As. This will result in unfavorable financial performance. Before closing the acquisition deal, in the due diligence phase, the uncertainty and insecurity are notable problems that can lead even to employee trauma, absenteeism, turnover and lower productivity and morale (Napier et al, 1989; Schweiger & DeNisi, 1991; Schweiger & Walsh, 1990). Although there are various reasons why managers cannot communicate promptly and honestly in all of the related situations, the study of Schweiger et al. (1993) emphasized the fact that every effort to do so should be made.

The core activity in the change process of post-acquisition integration is to combine two previously independent organizations into one. The final form of the blended organization will vary depending on the strategy that is currently driving the merger or acquisition. Strategy also affects the complexity of the change process. The issues to be addressed in the change process include: How will the decisions concerning the change be made? How will the differences between organizations and units be managed? How are employee dislocations managed? And eventually, how will the combined organization be rebuilt and solidified? (Schweiger et al., 1993)

Change decision-making is of particular importance in the integration. Although many might say that representatives from both companies should have equal power in change decisions, this is rarely the case, especially when one company is fully assimilated to another. There are advantages and disadvantages to different levels of distribution of decision-making power. In the scenario of equal distribution of power, both of the companies are likely to be represented more equally in crucial situations like HR policies, employee retention, work procedures etc. Also learning and understanding is enhanced between organizations. But in some cases, for example when there is only a short time to follow through implementation in a chaotic situation, autocratic decisions could be very desirable. Equal distribution may also be challenging to achieve because of demanding effective cooperation as well as conflict resolution and sharing of the power among top managers, which is not always among things top managers are willing or have patience to do. (Schweiger et al., 1993)

The ultimate challenge in M&A is to manage the rebuilding of an organization. This presumes advancement and solidification of top management and teams within the units. Rebuilding the organization demands that strategies, organizational and unit goals, cultural norms and reward systems as well as individual role and expectations are clarified, developed and communicated. Naturally, the blending of two large firms where multiplicity of the units is affected will require more rebuilding work than the acquisition of a small company where only a few units and people are involved. (Schweiger et al., 1993)

2.1.4.2.2 Time-span of integration phase

There has been plenty of evidence that acquisitions should be set in the buying firm’s broader corporate historical context in order to understand the acquisitions integration-wise and performance-wise. For instance in a study of 25 Dutch multinationals’ acquisitions patterns, Barkema and Schiven (2008b) reasserted the previous evaluation given by Biggadike (1979), stating that complete post-acquisition performance might not be achieved until 12 years have passed since the acquisition deal. In today’s dynamic fast-moving markets there tend to happen many significant acquisitions in that time-range within an organization’s history. A sequence of acquisitions increases the internal need for restructuring, affecting the management of a particular acquisition. Recent research findings highlight the need of long-term post-acquisition perspective, and the length of the integration process can be seen as five to twelve years post-deal. Instead of focusing on a single acquisition, the integration work should be focused on the firm’s overall acquisition strategy and stream of acquisitions. Today, a vast majority of multinational companies consist of a multiple companies acquired over the firm’s corporate history. This in turn results in a volume of cultures, structures and ways of working. (Teerikangas, 2006; Barkema and Schiven, 2008b).

2.1.4.2.3 Success Factors of Integration

Drucker (1981) has proposed a traditional set of “rules for successful acquisition”:

Rule I: Acquire a company having “common core of unity” – either a common technology or markets or in some situations production processes. Financial links alone are not sufficient.

Rule II: Consider company’s potential contributions of skills to the company acquired. There should be contribution and it has to be more than money.

Rule III: Respect the products, markets and customers of the acquired company. There should be “temperamental fit”.

Rule IV: Within approximately a year, there must be a top management provided to the acquired company.

Rule V: In the course of the first year after merger, a large number of managers from both acquisition party companies should accept notable promotions from one of the previous companies to the other. (Drucker, 1981)

As Paine & Power (1984) point out, Drucker’s rules rely on two basic beliefs: that M&A can be financially successful or meet the organizational goals or needs and, on the other hand, that the actions of managers have a significant influence on the success of the acquisition. Managers can excel this particularly by getting information and by planning their activities. Managers presumably need experience and/or skills to make successful acquisitions. The implementation phase following acquisition is crucial, as are human relations issues. All in all, there are no rules without exception in dealing with successful acquisitions. Drucker’s conservative rules may be applicable in some circumstances. It is nevertheless evident that there are lots of risks connected to acquisitions that these rules of Drucker do not take into account at all. (Paine & Power, 1984)

More recent framework for integration management is built by Birkinshaw et al. (2000) whose research is done by studying three integration processes of foreign acquisitions made by Swedish multinationals. They suggest that task integration processes and human integration processes management in concert with the traditional work of Drucker are key to acquisition success. Their research results state that in the first phase of the post-acquisition integration process taking five to seven years in all, the relevant processes are the task integration process and the human integration process. The goal in the task integration process is to manage units and divide responsibilities in several countries and to deliberately limit the integration between different units, and in the human integration process the integration aims at employee satisfaction and organizational convergence. As a consequence of these, the second phase of the post-acquisition integration process is the constantly ongoing phase of shared identity and common respect that enables closer task integration and, as a consequence, renewed effort to achieve synergies, gain knowledge transfer and connect. (Birkinshaw et al., 2000)

2.1.4.2.4 M&A Power Pyramid

One of the models describing crucial elements in post-acquisition integration is the one provided by McGrath (2011). In the M&A power pyramid, he pictures the main factors to be clarity-, speed- and capacity-related in order to get the M&A deal into completion and finally achieve the integration. The pyramid is illustrated in Figure 6.

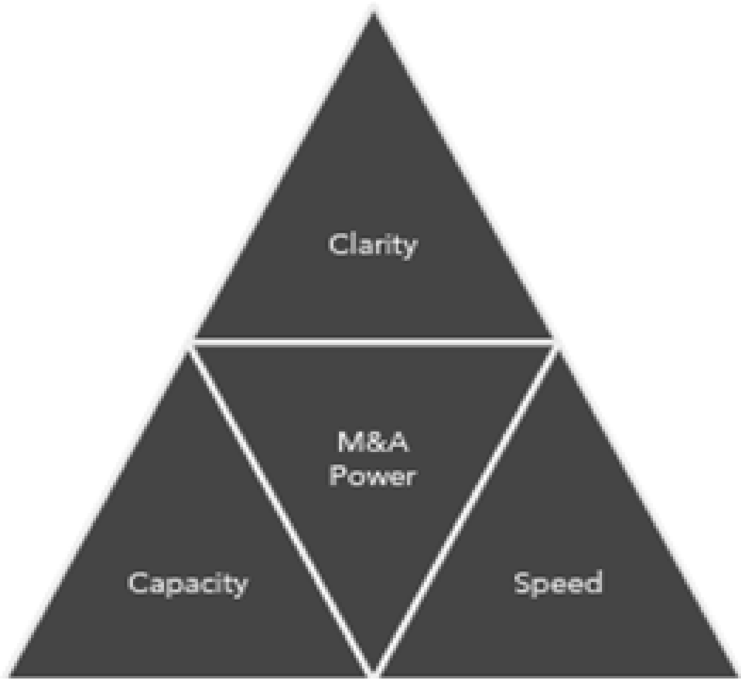

Figure 6. M&A Power Pyramid (McGrath, 2011)

In order for an organization to reach its objectives, it needs to be capable of stating the objectives clearly and in a consistent manner. All the decisions made should be weighed against that clearly stated strategic goal. “Clarity” gives the direction and reason for the M&A action of a company – before a company can even select an acquisition target, it needs to have a clearly articulated goal, a vision of its industry and its place in it. Secondly, there is a “capacity” referring to the capability to deliver the M&A project and the equivalent benefits. The third component of the model is “speed”. The significance of speed is underlined in the model. Speed creates momentum, which in turn carries the integration program through challenges. Resistance and lethargy encountered in the integration process can be defeated with the sense of urgency. Speed also has a motivating effect as it signals that the organization is moving forward and progressing. All of the M&A are also inherently risky. Thus, moving forward fast means that those risks are met and handled more quickly. The firm also has a chance to collect the benefits of the deal sooner. This in turn means that the company can position itself sooner for the next strategic movement and also has a wider range of opportunities. Of course, the integration project also runs for a shorter period which means lower costs. The opposite is true of a prolonged integration: the longer the integration lasts, the bigger the risks and the bigger the change that the deal will never be completed. (McGrath, 2011)

2.1.5 Learning from M&As

As acquisitions are heavily complex and multidimensional in nature, learning from them beyond single acquisition plays a crucial role in M&A management. Learning happens at the level of individuals involved in acquisitions as well as at the level of the entire company (Haspeslagh & Jemison, 1991). Usually, research has concentrated on acquisitions as such, observing problems such as performance and implementation. (Vermeulen & Barkema, 2001) However, as many of the firms accumulate experience from multiple acquisitions, the viewpoint of learning through acquisitions appears to become more and more relevant.

One dimension of learning from acquisition experience is organizational change literature. According to change theories, companies adapt to a changing environment by continually renewing themselves in global competition (Bettis & Hitt, 1995; Hitt, Keats & DeMarie, 1998). This renewal can be achieved by different strategies but one of those suggested is to create new knowledge base through acquisitions. This in turn tends to enhance the firm’s later initiatives and thus promotes its survival in the long run. (Vermeulen & Barkema, 2001)

Based on theories of organizational learning and learning curve, scholars have presumed that firms having extensive prior acquisition experience are better prepared to pick suitable acquisition target companies as well as manage post-acquisition integration processes than those having little or no experience. As companies accumulate acquisition experience, they advance acquisition management expertise and are more likely to enter into successful acquisitions. (Meschi & Métais, 2013) Nevertheless, empirical findings have shown that the relationship between acquisition experience and acquisition performance is not automatic, positive or monotonic (Barkema & Schijven, 2008a; Haleblian & Finkelstein, 1999; Meschi & Métais, 2006; Zollo & Singh, 2004). Acquisition experience as such may not be adequate to essentially secure superior acquisition performance (Haleblian &

Finkelstein, 1999) Learning from acquisitions also demands attention to the nature, accomplishment and timing of the experience (March, 1991; Hayward, 2002). An important interpretation stemming from learning curve theory is that acquisition performance is mostly affected by the latest experience (Ingram & Baum, 1997). Contrary to that, the knowledge-based view on acquisitions states that time is needed to consolidate the experience gathered from a recent acquisition, for it to be transformed into competence (Zollo & Singh, 2004). Maschi & Métais (2013) offer implications to managers based on their research stating that a forgetting process may depreciate the experience over past acquisitions and that managers have to make sure that acquisition experience accumulates through a suitable experience feedback process. Moreover, managers have to take into account that enough time is dedicated to experience consolidation and the efforts needed to collect and encode significant information. Memory of an organization can decay over time and it also needs to be managed. Organizational memory bin is a target for emptying process but this process can be slowed by management practices like reducing the turnover of critical people (people involved in the management of acquisitions) and reinforcing old experiences with the new ones. Three main reasons for the organizational memory decay over time are ineffective encoding, degeneration and disuse. (Marchi & Métais, 2013)

Vermeulen & Barkema (2001) also examined how previous acquisitions affected a firm’s later acquisitions. They argued in concert with Kogut & Zander (1992) that acquisitions may widen a firm’s knowledge base, put an end to stagnation, and promote new knowledge from combining current forms of knowledge. Thus, acquisitions may increase the odds of success in the company’s later acquisitions. In addition, learning through acquisitions needs not absolutely be a deliberate strategy – acquisitions can contribute to learning even when they are not mainly intended to. (Vermeulen & Barkema, 2001) Another study by Zollo & Singh (2004) underlines the knowledge-based perspective that deliberate learning-processes, contrary to semi-automatic, learning-by-doing ones, have a crucial role in forecasting acquisition performance and formulating the manner in which acquisition capabilities develop.

An interesting study has also been done over the influence of acquisition experience and performance feedback on acquisition behavior in banking industry, by Haleblian et al (2006). According to their study based on long term data from the years 1988-2001, both acquisition experience and focal acquisition performance had a positive effect on the probability of later acquisitions. If the acquisition performance was strong, the effect was even more positive. Having gathered acquisition experience, the acquirers were more likely to carry out more acquisitions. Managers tended also to respond to performance feedback by repeating rewarded actions and refraining from punished ones. Haleblian et al. (2006) pointed out that the joint effect of these two was the most powerful when both acquisition experience and performance were high (i.e. positive).

Greenberg et al. (2005) suggest that success or failure in learning and transferring of knowledge may be a central factor in determining the success in M&A. This can also contribute to the high failure rates of mergers. Most discourse about M&A and learning refers to knowledge transfer during the post-acquisition phase when a newly formed organization is aiming to achieve presumed synergies by constructing new products, processes and services, and to lessons learned from earlier acquisitions and the management's capability to take advantage of those in later M&As. (Greenberg et al., 2005)

According to the study of Laamanen & Keil (2008), acquirers develop capabilities in multiple levels concerning individual acquisitions as well as, in the course of time, program-level acquisition capabilities for managing their acquisition programs as they learn what is the optimal amount of companies to acquire, how to time the acquisitions and how to target those. Acquiring firms develop collective competences not only by accumulating the acquisition experience but also by making an effort on articulating and codifying the lessons learned from earlier acquisitions. The learning could happen more in the inventive process of formulating acquisition specific tools than in the results as such. (Zollo & Singh, 2004)

As Björkman et al. (2005) state, central actors in firms having merger experience learned from their previous integration background knowledge, and the lessons learned are as likely as not to direct their later merger actions, so the learning perspective on sociocultural integration learning is reasonable. Plenty of sociocultural integration in M&A research has begun from the assumption that potential integration problems are produced by cultural differences. In terms of reference in mergers there are complex organizations involved, thus multiple, many-sided and unclear cultures and views on cultural differences need to be managed. There are many challenges linked to the cultural differences. Cultural identity-building is conceptualized as a metaphoric process concentrating on two innate processes in the cross-border merger context: creation of Us and Them and images of the shared future to be managed with the merger party representative actions. (Vaara et al., 2003) Learning in the M&A context may help managers to better realize the processes in their own organization promoting sociocultural integration in the future. Also the learning perspective in the M&A context suits well the thesis context as learning from one merger may provide valuable views to be transferred into subsequent ones accompanied with positive performance effects and also increase understanding of when the utilization of previous experiences could be harmful in subsequent mergers. Fundamentally, bad success in sociocultural integration may lead to failures to achieve the planned synergy advantages and growth potential generated by merger. (Björkman et al., 2005)

For this reason, the essential decision makers of the companies should develop their integration capabilities through learning – it is learning that counts, not the experience as such. (Lind & Stevens, 2004; Björkman et al., 2005) Firms carrying out a lot of acquisitions do not inevitably succeed better if they haven't learned from their experience and improved their capability to distinguish and practice the strategic consequences of transactions. (Lind & Stevens, 2004)

2.1.6 Research framework

The research framework is illustrated in the Figure 7.

Figure 7. Research framework: A context of M&A execution (Adapted from Faulkner et al., 2012)

As literature review states the historical time and particular global and societal drivers affecting at the time influence on their part the success and nature of the M&A. Also the fitting of the M&As in the organizations' wider strategic context should be assessed and especially the processual nature of the pre- and post-deal executive phases in those should be examined. The wider strategy process and organizational context are the contextual factors that need to be figured out by utilizing the archival data sources as well as interviewee findings to formulate the comprehensive picture of the research phenomenon.

Also the actors involved in acquisitions naturally have a crucial role, as in this study the research will concentrate on analyzing the motives of the acquirer and the choosing of the acquisition target as well as acquisition strategy role -related characteristics in each of the case company phases.

All the contextual factors illustrated in the Figure 7 are also in interaction with each other. Organization structure, strategy process, strategic measures etc. all are linked and the interest of the research is to analyze and structure these factors in the case company's contextual framework to formulate a comprehensive picture.

3 Methods and Data

This chapter illustrates the methodological choices made in thesis research. It also clarifies the data collection and analyzing methods, nature of the empirical data as well as gives justification for these choices made. Lastly, the generalization, validation and reliability estimations of the thesis research are done in the chapter.

3.1 Case study method

The characteristic opportunity of the case study is the chance to gain a holistic view of the research phenomenon. The detailed method enables examining of various perspectives, comparing those against each other, observing the phenomenon in its wider context as well as aiming for understanding the research problem. (Gummesson, 2000) Generally, but not invariably, case study method research is associated with theory building rather than theory testing – generating hypotheses rather than testing those – but the opposite is also possible, as is combining the two approaches (Gummesson, 2000; Woodside and Wilson, 2004). Thus, a case study offers a worthy method for examining the thesis topic: the series of acquisitions and the vast amount of pre-acquisition as well as post-acquisition strategic factors affecting those in the ICT-field covering the case company firm-acquisition contextual framework continuum covering the acquisitions of Firm B acquiring firm A, Firm C acquiring firm B and Firm D acquiring Firm C. The first of the acquisitions occurred in 2004 when Firm B acquired Firm A and the last one in 2012 when the North American Firm D acquired the British ICT company Firm C.

Case study research having open-ended questions asked from interviewees relies on inductive methods of research, and thus not so much primarily testing hypotheses but building and generating them instead. (Cassell & Symon, 2004) Although interviews, observations and archival sources are especially common data sources in case study method, researchers are not restricted in those. (Eisenhardt, 1989) When linked to other case study empirical data analysis (here in thesis research examining the case company internal and external material) the theory testing is also provided in the form of applying the research analytical framework. The findings are finally produced in iterative fashion after returning to the relevant background theory. The two sources of empirical data gathered – archival data (internal as well as external company material) and semi-structured interviews and– are utilized in order to reach deeper understanding over the phenomenon; organization and its context; but also to enhance the validity of the research. The entire process of theory building in case study approach tends to be sensationally iterative one as the process involves constant iteration backward and forward between distinct research steps of for example redefining the research question and gathering more information over the case. Process is also alive with the tension of novel ways to understand the data and convergence to a theoretical framework. (Eisenhardt, 1989)

Case study may contain qualitative data only, quantitative data only or both of the data types (Yin, 1984). In this research the qualitative data is utilized.

3.2 Qualitative research

This thesis research is done utilizing the qualitative approach, which is usually supported by the interpretivist paradigm describing world as a socially constructed, complex and continuously changing entity. Qualitative examination is evolutionary i.e. emergent in nature. It has a problem statement, a design and interview questions and interpretations evolving and changing during the research process. (Glesne & Peshkin, 1992)

As qualitative research considers multiple, socially constructed realities, being complex and undetected to discrete variables, the research question has to do with coming to understand and interpret the construction of the distinct participants of the social settings. In order to make interpretations, the researcher has to get one's hands on multiple perspectives of the participants of the social settings under examination. (Glesne & Peshkin, 1992) Lives and careers contain motivational aspects, emotions, empathy, symbols and their meanings and, in general, meanings individuals assign to experience and other subjective aspects naturally shaping up their behavior as individuals and as groups. Qualitative research can be utilized when words and the individual's own perceptions, "primacy of subject matter", are needed to gather the better understanding over the phenomenon, rather than social facts having objective reality and gathering of statistical data (Glesne & Peshkin, 1992; Berg, 2009)

3.3 Data collection methods

The methods utilized in the research were comprehensive archival data gathering of all the case company Firms comprising internal (non-public) material as well as external (publicly available) company material. In addition to the archival material, also the semi-structured interviews of the key strategists of the case company were carried out to collect a versatile view over the phenomenon of contextual framework of M&As carried out in the course of case company's history within the last decade. The methods and data utilized are introduced in the Table 1.

Table 1. Methods and Data

Method	**Data**
Archival Data	
Internal documentation	Strategy descriptions, process descriptions, integration project plans, quality manuals, reports, strategic measures (balanced Scorecard samples, performance measuring principles)
External documentation	Statistical data, annual reports, press releases, internet pages
Interviews	
	Recorded material over interviews of strategists´ views over case company M&As Written material over the interviews of strategists’ views over case company M&As

3.3.1 Archival data: Internal and external company literature

Cautious checking of the constructs with multiple sources of evidence will help prevent being biased by early impressions. (Cassell & Symon, 2004) A vast amount of archival internal and external data was utilized to enrich the thesis research. External material was examined by studying company annual reports from 1997 to 2013 and the company web site information. Internal company material researched in turn comprised non-public data gathered from Firm B, Firm C and Firm D integration plan material; the material per se was confidential in nature. Internal documentation included also process descriptions, descriptions of standard operating processes and strategy-related documentation as well as strategic measures as a practical manifestation of strategy processes. Also representative samples of managerial balance scorecards used at different times during the acquisition history were analyzed, and these were also categorized as classified internal information. These internal and external company materials were assessed through the theoretical background information dealt with in the theoretical part, as well as through the viewpoints given by interviewees.

Analyzing of the data, both from internal and external company literature as well as data from interviews, is enhanced by reference to the existing literature that is used to evaluate whether the research findings are consistent with existing research. (Cassell & Symon, 2004)

3.3.2 Semi-structured interviews

There were three interviews carried out in the course of the research. The relevance and role of each interviewee in the research is defined in the first section, and detailed information about the interview occasions is given in Table 2.

Table 1 illustrates the three semi-structured interviews held. As the research problem involves the firm-acquisition historical background of the case company from the managerial learning perspective, covering the pre-acquisition motivational aspects as well as post-acquisition integration phase and the strategy processes interconnected to these, the strategic management decision-making power and capabilities as well as the duration of the career in the case company are naturally the main aspects when choosing the interviewees.

Table 2: The semi-structured interviews

Position	Interview Date	Time of the Interview
Executive Director	03.12.2013	58:53
Executive Director	19.12.2013	01:04
Chief executive officer (CEO)	23.01.2014	52:15

The first interviewee has joined the case company by selling his own business to Firm A in 1998. Today he is one of the Board members in the Finland Country Corporation Board and is responsible for Quality and Processes. In addition, he is in charge of the latest Firm D-Firm C integration in Finland in a project sense. Hence, his position, background and current role were extremely compatible with this kind of study.

The second of the interviewees is a member of the Finland Country Corporation Board. He joined the case company through a merger of his own firm to the predecessor of the Firm A, and he has served the case company for 17 years. Thus, he has a long history in the case company in managerial positions, also providing widespread viewpoints considering acquisitions within the particular historical framework under investigation. He has assessed and experienced acquisitions from multiple directions and viewpoints.

The third of the interviewees is the Chief Executive Officer (CEO) of the Firm D Corporation in Finland. He has been in the position of CEO in the case company since 2008 and thus run the business of Firm C as well as Firm D Finland Country Corporation. He also has experience from managerial positions from Firm B. He came to work in the Firm B concern in 1986 and has been working in the company ever since. As a CEO has a great vantage point over the strategic management and the acquisition historical maneuvers linked to it, his relevance to the study is obvious.

3.3.2.1 Interviews and interview questions

The interviews were carried out in semi-structured interviewing, which has descriptive characteristics of flexible structure, unlike a structured interview in which a structured sequence of standardized questions needs to be presented identically to all interviewees. Within a semi-structured interview, there are usually topics, themes or areas that are supposed to be encompassed during the interviews, but there is freedom in choosing how and in what sequence the questions are asked. (Lewis-Beck et al., 2004) The interview questions are presented in Appendix 1.

There was some variance between the sequence and number of questions asked, depending on the answers already obtained during the course of the specific interview. There was purposefully some potential overlap in the design of the questions to, ensure that the important themes are covered. The ultimate goal was to shed light on the learning process of the decision makers in integration processes. The questions were planned so that learning could be revealed also in the earlier questions, but finally the theme four and its questions should explicitly underline the key lessons learned from the point of the interviewees.

All of the interviews were executed in Finnish as it is the mother tongue of all of the interview participants. It is usually much easier to describe the subjective phenomena in one's mother tongue and thus get as rich and vivid data as possible. The interviews were recorded and then transcribed word-for-word. When it was considered necessary, the interviewees were cited and the citations were translated into English. The citations can be found in the appendix part at the end of the thesis. The research questions were also sent to the interviewees beforehand to make it possible for them to orientate to the theme, as the themes were quite extensive and potentially required some recalling of information.

3.4 Analyzing method

In analysis, the data can be organized around specific topics, key themes or central questions (Cassell & Symon, 2004). The data of the thesis research are categorized into four most important categories under which the main findings are classified in the Findings chapter. The key themes are strategy processes, pre-acquisition strategic actions and post-acquisition integration strategy action. The next step is to see how well the data fits these categories (Cassell & Symon, 2004). For example the qualities of the Balanced Scorecards and strategic measures identified in the managerial Balanced Scorecard samples, annual reports and interviews are analyzed and compared to get the strategic characteristics of each of the phases in the acquisition history at the practical level, to picture the holistic firm-acquisition history of the case company having gone through distinct strategy processes.

As Cassell and Symon (2004) present in their book, when the analysis is ready, verifying the findings with the case study participants can be a worthy part of the analysis and increase validity. This procedure was also conducted with the research.

Gathering as complete as possible understanding over the research question of understanding the context of consecutive firm-acquisitions in the particular case company asks for connecting the aiming to reveal possibly hiding relationships between multiple data sources was utilized. In the study the archival data and interview findings were analyzed against the theoretical framework (Figure 7) reflecting the thematic topics of strategy processes, pre-acquisition strategic actions and post-acquisition integration strategy action of the different acquisition processes in case company's history (from the acquisition of Firm B acquiring Firm A into Firm D acquiring Firm C).

3.5 Generalizability, validity and reliability of the research

The key feature of a case study is the emphasis on exploring the interactions between context and the phenomenon under investigation. The traditional qualitative research focus in case studies isn't consistent with the requirements of statistical sampling procedures, which are in most cases seen as fundamental if the results are to be generalized. (Schofield, 2000) Peculiar to case study methodology is the gaining of potentially deep and holistic information over the research phenomenon, but one should be extremely cautious with the generalization of research findings. Thus, generalizability is often irrelevant for the researchers' goals and usually even outside the scope of the research phenomenon. The thesis objective was to obtain some possible future guidelines for managers in the case company to enhance their understanding over past experiences about successes and failures considering strategic firm-acquisition management practices prior and after acquisitions, to be cultivated and utilized in future in this particular case company and its context. The other objective, to gain understanding over the firm-acquisition history and the effective factors in a particular historical context per se, isn't in touch with generalization at all. It has its intrinsic value.

Validity is closely related to generalization. According to Lincoln and Cuba (1985), because there can't exist validity without reliability, demonstrating validity is sufficient to establish reliability. Validity means how precisely the researcher has actually used the method to study the phenomenon meant to be researched in the particular case – has the research (often subconsciously) focused on something else and how truthful are the results? These questions are further assessed in the Discussion chapter. The preferential criterion of science, however, is reliability. Some of the essential criteria of research reliability according to Lincoln & Guba (1985) are credibility, neutrality or conformability, consistency or dependability and transferability. In this research, researches being involved in a study setting and also working in a case company can naturally affect the presuppositions, findings and conclusions. The researcher is a person with experiences of his or her own, and must continuously pay attention to keeping a neutral attitude towards research material and findings. Transferability is limited only to the case company managerial actions within the limits of which the key learning from previous acquisitions could possibly be reassessed. These issues have consciously been taken into account.

As stated earlier, the interviews were recorded and transcribed. Also some notes were made during the interviews, enabling full coverage and verifiability of the information going through during the interview sessions. The final version of the research work was shown to interviewees before publishing to let them check the validity of those. The questions were carefully chosen according to the theory, and their relevance justifiable to gain as holistic as possible a picture over the firm-historical background over the predominant circumstances within each of the contextual periods.

The external material analysis was done systematically by examining each of the annual reports from the year 1997 to the year 2013 and studying the strategic measures involved in implementation of the strategy processes in practice at a certain historical phase of the case company. The strategic measures of the case firms were also examined by studying the managers' Balanced Scorecard used at certain times (internal material). Integration material was also assimilated to similar extent with each of the cases, Firm B, Firm C and Firm D. The internal use only material was the kind of material produced at the time of a certain integration process, thus the historical evidence value was as rich as it could be in this sense, and subsequent occurrences did not have influence on these materials to enhance the reliability of the study. All in all, multiple sources of empirical material were utilized in the case study internal (classified) material, external company material and interviews, to state how well the different data sources match each other and theoretical background information, i.e. the results other researchers have gained, and conclusions were finally drawn from the research.

4 Findings

In this chapter, the central empirical findings are gathered, compared in relation to each other and classified from the data considering archival data as well as the interviews. Findings are presented divided into the historical continuum of the case company.

The first of the themes considered is the different strategy processes utilized, and their influence on strategy work from the Finland country organization in each of the cases starting with Firm A. Also the organization structure's role in the strategy process in each of the case organization phases is assessed in the first of the themes. In the second theme, the strategic measures are evaluated as practical examples of the strategy process manifestations.

In the third theme, the pre-acquisition motives in each of the acquisitions in the contemporary ICT market are expressed, in each of the particular situations according to external data material and interviews.

In the fourth theme, the post-acquisition integration phase characteristics in each of the case company's acquisition historical phases are examined and compared according to internal integration material and interview findings.

The major lessons learned, which the interviewees emphasized especially from the point of integration process challenges, and demonstrated major success factors are included in the findings of the main four thematic questions addressed above.

4.1 Firm A

Although the actual scope of the research starts from Firm B acquiring Firm A in 2004, it is important to understand also the nature of the acquired firm (Firm A) to get the holistic picture of the strategy processes utilized within the times of all of the M&As.

In the days of the Firm A, the case company's Finnish top strategic management interviewed pointed out the interesting phase at the turn of the 21^{st} century as the ICT market went through "the bubble years", with ICT companies having their market share growing heavily. The strategy process was strongly vision-directed back then as growth intentions were vast. Implementation in turn did not have that much weight in Firm A's times. The strategy process was characterized as containing major analysis of markets and rivals but no concrete impacts according to interview. This led to the fact that the small ICT companies were bought by Firm A, resulting in today's situation in which firm D Finland has a couple of hundred small customers in Finland.

Firm A was a company that offered overall services in the IT sector including software, hardware, network and support services involved in the design and use of information technology. The Firm had its headquarters in Helsinki, Finland, and was supported by a services network covering the entire country. Firm A also had business in Estonia. As established, the Firm consisted of the parent company and its subsidiaries (Firm A, 1997).

4.1.1 Firm A Organization Structure

The Firm A organization was conducted as a matrix having functional dimensions. There were on one hand business divisions, and on the other hand areas of business with managers in charge. The number of business divisions as well as areas of business varied in the course of the company history. For instance, in 1999 the organization was remodeled into five business divisions and entities of fields of competence (Infra Solutions, Software Product Solutions, Customized Software Solutions, Foreign Subsidiaries and GIS Solutions and New Business Solutions). (Firm A, 1999) In the year 2002, two years before the Firm B acquisition, the three businesses divisions of Firm A created four areas of business. The Software product solutions and Customized software solutions divisions both formed their own separate areas of business. The Infra solution division split into two areas of business: Operating and network services as well as Hardware services. (Firm A, 2002)

Interviewees reported that the characteristic strategy process principles utilized in the times of firm A were navigating in matrix organization, which led to excesses of internal meetings at the expense of customer relation management, and the role of the organization structure was also met with critique:

> ***"We navigated or challenged each other in matrix organization. It was again proof that matrix organizations don't work."***

On the other hand, the organization structure's relation to the strategy process in the case of Firm A turned out not to be necessarily the determining factor when assessing the success of the strategy process. As another interviewee put it:

> ***"We modified the organization to support the strategy, but still the implementation of the strategy was hobbled, and we couldn't get the profitability and in a way the key ratios to the required level."***

The fluctuating organization structure was also indicated in the external company material of Firm A where the changing numbers and areas of business divisions were reported.

4.1.2 Firm A Strategy Process

Firm A had two principal strategic targets: from growth through acquisitions into internationalization. In 1998, Firm A made various acquisitions like one company operating within information technology business management consultancy business. Some others were marketing knowledge management solution companies bought in the same year, as well as share capital of a company that was developing and marketing GIS-place information technology. In 1998-1999, Firm A's business extended into Estonia, Great Britain and China. (Firm A, 1998; 1999)

> ***"And enormous growth ambitions, and somehow the idea was, in my opinion, that when the strong enough vision is created, it will direct everything else."***

In 1998 and 1999, Firm A took advantage of two-part strategies in its internationalization efforts. Firm A strove to reassert itself in Finland's backyards while at the same time entering global markets with carefully chosen niche products. In Estonia, Firm A offered software products for the Baltic Counties market. In Great Britain, marketing sales solutions were utilized in employee transport for their customers around the world. In China, Firm A set up a company that was owned 65 percent by Firm A. The first products were specialized mapping software. (Firm A 1998, 1999)

In the year 2000, Firm A bought the Dutch company and established subsidiaries in Germany and China. It also expanded its operations into America as one company bought Firm A's software – Firm A had subsidiaries in Great-Britain, Germany, Estonia, China, Netherlands and the United States of America. The main developmental stages in Firm A's business and growth history are named in Figure 8. (Firm A, 2000)

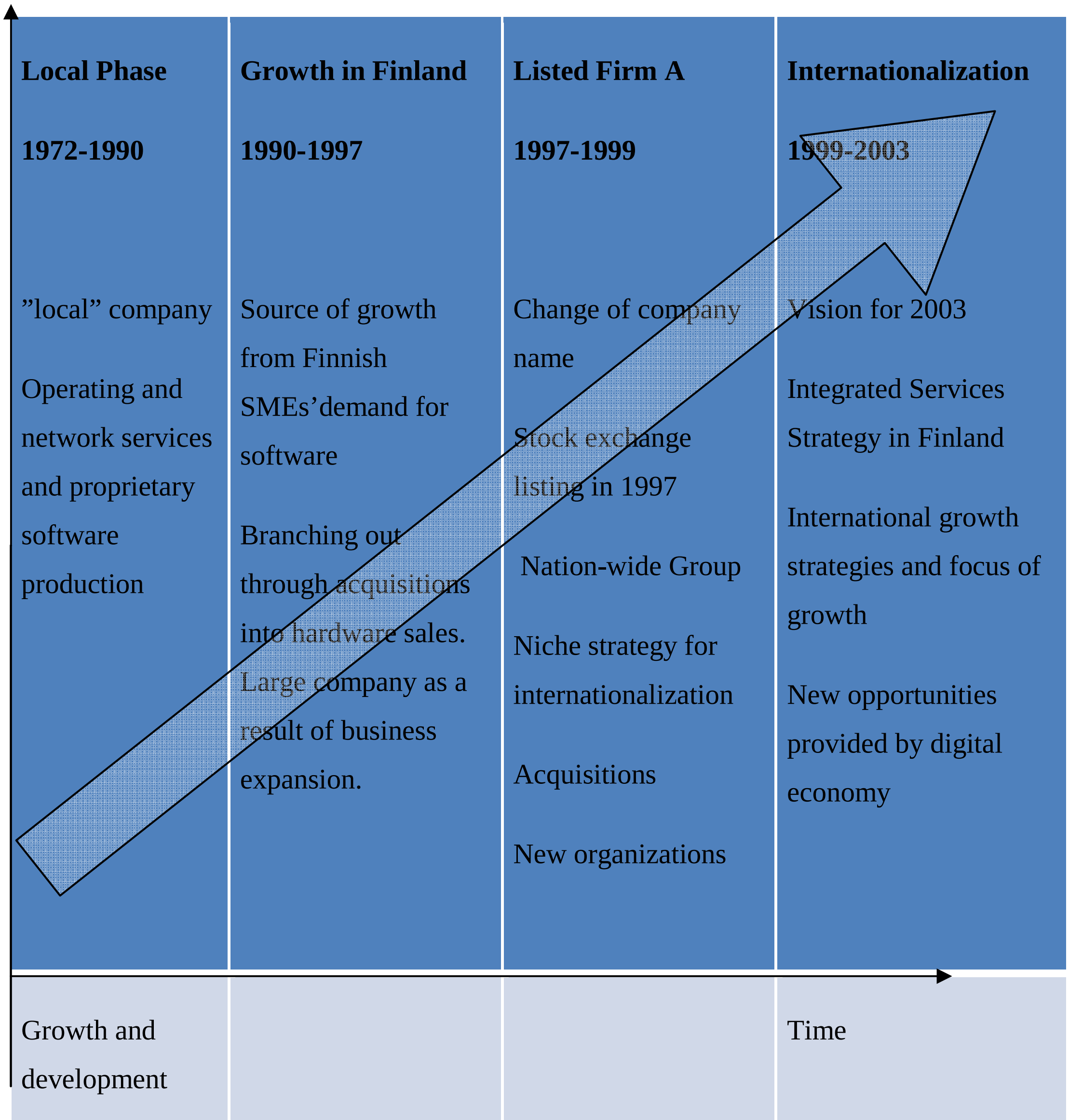

Figure 8. The growth and development stages of Firm A (adapted from Firm A, 2000)

However, the internationalization strategy was quite disorganized as all the above mentioned subsidiaries practiced their own businesses having unrelated niche areas – executing a niche strategy. A British company concentrated on airlines and a subsidiary in Netherland specialized in shift planning optimizing. As per the interviewee, the Chinese subsidiary “concentrated on whatever”. In one sense, Firm A had a product strategy, and in another sense, a system-integration strategy. As the interviewee also stated, the basic business was system integration, infra services and services delivery, but Firm A also had a product business. Certain problems were reported to be driven from this to the strategy process:

> ***”It was quite messed up in a sense, what was product business and what was of the other type, while the earning logics of those were anyway quite different ”***

Strategy processes of Firm A were consultant-driven and at the same time when Firm A acquired a consulting company with the thought that the company could open markets with the consulting business (mentioned in external material and as well in interview) the teachings of one consultant being vision-oriented were turned into the ones offered by another, and the strategy process shifted from vision-oriented process more towards a framework called “kite-model”. The core of the strategy thinking was, as was revealed in interviews, that the tips of the kite were sharpening the process of vision, process of knowledge and competencies, and the process related to customers, and the leading thought was that one has to choose the principal tip. In the previous times of Firm A strategy process, the principal guiding point was vision, but back then it already shifted to the customer point as the determining factor in strategy process of Firm A. This didn’t mean that vision and mission wasn’t needed anymore. This just meant that things were reflected principally through customer ships and fields of operations without forgetting what those would mean for competencies, processes and operations.

4.1.2.1 Firm A Strategy Process Practical Level: Measures

Instruction in Firm A was based on the Balanced Scorecard. The Balanced Scorecard instruction was systematized and scheduled for activities spanning the whole year. In 2000, performance-related payment was extended to cover management, middle management and sales force and pilot teams. Functionality of management and internal customer satisfaction was measured twice a year. At the end of the year, there was value management measurement encompassing the whole concern. (Firm A, 2000)

Management of the concern was based on the concern level budget and Balanced Scorecard confirmed by the board and Balanced Scorecards of divisions and concern management derived from those by concern executive team. Performance-related payment in the concern was based on the objectives set in the budget and Balanced Scorecard. Through this monitoring, the achievement of the objectives was promoted and followed. (Firm A, 2002)

As interviewees expressed, the Balanced Scorecard constructed in Firm A could be experienced as elegant and fine in a theoretical sense but perhaps not in practice, because of its complicated nature and lack of concretizing. There were no systems producing the kind of data required for the measures, and the amount of measures was excessive. The time required for counting measures and navigating was felt as detracting from actual working as was described in interview when telling about Firm A’s strategic measures. Also the skimming through management level Balanced Scorecard’s of Firm A’s time supports the view of an excessive number of different measures and lack of emphasis on a certain type of measures. The central choice between strategic measures hadn’t been made. The Balanced Scorecard of Firm A had multiple items to be constantly measured and followed. The empirical analysis made by browsing through the Balanced Scorecard used in Firm A Finland reveals the following nature and distribution of the measures utilized: The domains represented were economic result, customer result and development result oriented, and a few measures were devoted to functional results. The overall number of the measures was relatively high and there seems to be no stress on any particular kind of measures according to internal (non-public) literature and other Firm A material.

According to interviews, the strategy process in Firm A in Finland was top-down oriented but there was a change involved in strategy building, despite the relatively authoritarian leadership style of CEO in charge at that time having a strong vision and trust on management consultants.

Firm A was planning to acquire a ICT company, and negotiations had already progressed quite far. In a year, the situation was turned around as the company was going to carry out a kind of hostile acquisition attempt. This acquisition would have meant that the particular company being a much smaller company than Firm A – would have acquired Firm A. The negotiation process of this kind was interrupted when Firm B came and made a new, better offer for Firm A in a week's time, and at the turn of the year 2003/2004 the acquisition of the Firm A by Firm B was reality.

> ***"It was perhaps the sort – with these things it often seems to be – that these are thought to be rational moves, but these personal chemistries and coincidence are at play instead"***

When Firm B acquired Firm A, it was the second largest ICT company in Finland and had grown through many acquisitions. (Firm A and Firm B external material) It was in that sense quite a tempting acquisition target. Firm A had relatively good cash flow, but profitability was poor at the time of the acquisition. According to the interviewee results the main economic strategic measurement of Firm A was the absolute amount of money gained at the bottom line – the result.

4.2 Firm B

In the turn of the year 2003-2004, Firm B acquired Firm A that was back then the second largest IT-company in Finland, and the number of employees in Finland increased into 2500. The improvement of the company's EBITA in Finland was also notable. After the Firm B acquisition of Firm A, EBITA in Finland increased from ~4% to ~12%, being 3,6% in Firm A 2003 and 11,6% in 2004 within the Firm B + Firm A context. At the same time with the acquisition, 150 persons were laid off and the hardware business was divested. (Firm D internet pages; Firm B, 2003; Firm CY company's internal material, 2006)

Firm B had approximately 10 per cent market share of the IT market in the Nordic Countries (without hardware), thus being one of the largest actors in the Nordic and Baltic States, with Finland and Sweden as its largest markets (Firm B, 2005)

As for the strategy process of Firm B, the growth of Firm B had happened through acquisitions from the end of 1980 according to interview findings. The actual strategy process of Firm B was back then more one of budgeting even though Firm B was an exchange-listed company. It was more a budgeting and customer ship process for bigger customers than a strategy process. In addition to that, Firm B had international representation for software sales planning but no systematic human resources or customer strategy work back then. In the course of 1990, profitability and more systematic customer satisfaction, human resources satisfaction thinking as well as the significance of those increased, according to interview statements in the thesis interview.

4.2.1 Firm B Organization Structure

Firm B aimed to organize itself as flat and as non-bureaucratic as possible for decision-making close to the customers and employees. Country-based organizations in each of the four Nordic countries (Finland, Sweden, Norway and Denmark) had industry-oriented structures. Only design and product development operation, performed as an individual unit alongside the countries. The operations of the parent company were restricted to finance and treasury, IR and information, co-ordination of IT-processes, leadership processes and a small number of support resources. The organization in Finland had industry specific and cross industry business units (BUs) having common customer and result oriented approach. The organization had central support and control functions as well as strong support for common processes, methods and tools. (Firm B 2004, 2005)

All the interviewees underlined the role of the Finnish country organization in Firm B's strategy process. Firm B functioned as a holding company comprised of independent country organizations and only thin concern functions in Sweden. Individual country organization could do what it wanted – apart from product strategies – as long as desired objectives were met. As underlined in the interview, the concern did not even have an objective of all-encompassing, concern-wide common tools and methods. If a country organization did well, the Group did not interfere.

4.2.2 Post-acquisition integration strategy of Firm B/Firm A

According to Firm B's internal integration plan defining the key integration organization chart and a plan comprising of timetable, the target is to proceed from organizational differences into manifesting values to be expressed through strategic fit and realization of synergy benefits in the integration. The first of the phases is structural integration, planned to take approximately one month, and the second phase is strategic integration concentrating on actual realization of the synergies. Getting together to know each other's business, organization, strategy and measures, working procedures as well as leadership practices is highlighted in the initial assignments of the business group integration teams. Also emphasis on customer satisfaction and quality levels as well as project management practices is mentioned in internal material such as organizational culture and values. In the material, the best practice suggestions and areas of synergy are suggested as key objectives to be presented covering the overall integration process. The objective is to join the business, strategy and processes and activate each other to make best practice suggestions. Also, the ones involved were free to present other ideas or suggestions with relation to the integration process according to internal integration plan material. (Firm B integration plan material, January 2004)

Interviewee described how CEO of Finnish country organization of Firm B established an integration work group for each of the areas and gave it one month's time to perform their work. Each of the groups had Firm A employee as a chairman and Firm B employee as a secretary and the rest of the team comprised of members from both of the acquisition parties. One of the interviewees participated in a marketing team whose task was to plan common marketing organization and focus points. Also another interviewee mentioned the intensive planning sessions initiated by CEO of Finnish country organization in which the representatives of both Firm B and Firm A were present and the newly formed organization and its function was planned. The second step in the Firm B/Firm A -integration was supposed to take three years, if the measure utilized is how long people talk about "them and us"; CEO of Finnish country organization of Firm B had also stated that he wanted it to be less than three years. For that, people needed to be given "goose pimples" according to CEO of Finnish country organization of Firm B principles. The interviewee also told that giving more information isn´t enough – people should get involved in the integration with emotion. A large event was organized in a tent pitched in the company’s parking lot, with an impressive talk on the theme of integration and joining people together. As a result of that, in less than a year there was no separation between Firm B and Firm A people in employee talk, according to the interviewee. Readiness for change was needed:

> ***“ … "goose pimples", which is nonetheless the important thing in those things (=integrations). He did it, he brought about the readiness for change...”***

Firm B acquisition could be seen as successful from the point of Firm A as well as from the Firm B owners’, in the sense that Firm A managed to get integrated fairly easily into Firm B and the direction was reversed from very poor profitability towards profitable business, and money began flowing back quite soon in the post-acquisition phase according to interview

Firm B’s internal integration plan points out the significance of gathering the advantages of the synergies. The starting point was the getting together to know each other’s business, organization, strategy and measures, working procedures as well as leadership practices highlighted in the initial assignments of the business group integration teams. Emphasis was among other things on customer satisfaction. The objective was to join the business, strategy and processes and to activate each other to make best practices suggestions. The ones involved in integration were activated to give their best for the common good, and the main goal was the realization of the synergies.

4.2.3 Firm B Balanced Scorecard – Operational Controls of Strategic management

After being tested in parts of the Group, Balanced Scorecard was being introduced throughout Firm B in 2005. Separately from financial measurements, there were customer satisfaction and employee satisfaction measures included. In addition, the

Balanced Scorecard was linked to the salary model in order to encourage long-term achievements and long-term value building. (Firm B, 2004)

Unit managers were the ones having the responsibility for the results achieved. An important feature of the measures is that the whole staff had the same three measures that were also the base for the bonus system and identical to Balanced Scorecard.

The three measures in Firm B Balanced Scorecard:

- **Result (Equals profit)**
    - Several organizational levels included
    - Weighted on one's organizational position and current strategy
- **Customer perspective (Equals satisfaction)**
    - Customers answered annually to 15 questions concerning the entire Finnish country organization
    - Target level average **3,69** (scale 1-5)
    - One's result was the average of all the customers one's team(s) were having relationships with
- **Employee perspective (Equals satisfaction)**
    - Annually, employees answered to 60 questions
    - Target level was **4,3** (scale 1-5)
    - One's result was the average of all employees in one's team(s)

The principal economical strategic measure was profitability rather than absolute result and that didn't actually support growth because one can get the profit with smaller revenue by keeping costs in control according to interviewee results.

Every Firm B country made its own operations model to create a solution for the challenge of making steady and high profit for owners. The fundamental restrictions were that a company had to handle its customers well enough to keep them buying from them, and had to handle their employees well enough to keep them motivated and effective and attract them to stay with the company. The solution generated was a collection of interlinked cultures, models and rules of compensation that was shared with all employees in Firm B Finland. The solution aimed to combine the effectiveness of minor units and synergy of the whole organization. (Firm B company internal material, 2006) The framework was named after its creator, the long-standing CEO of the company. The model was also called the "Triangle of Success" (Figure 9).

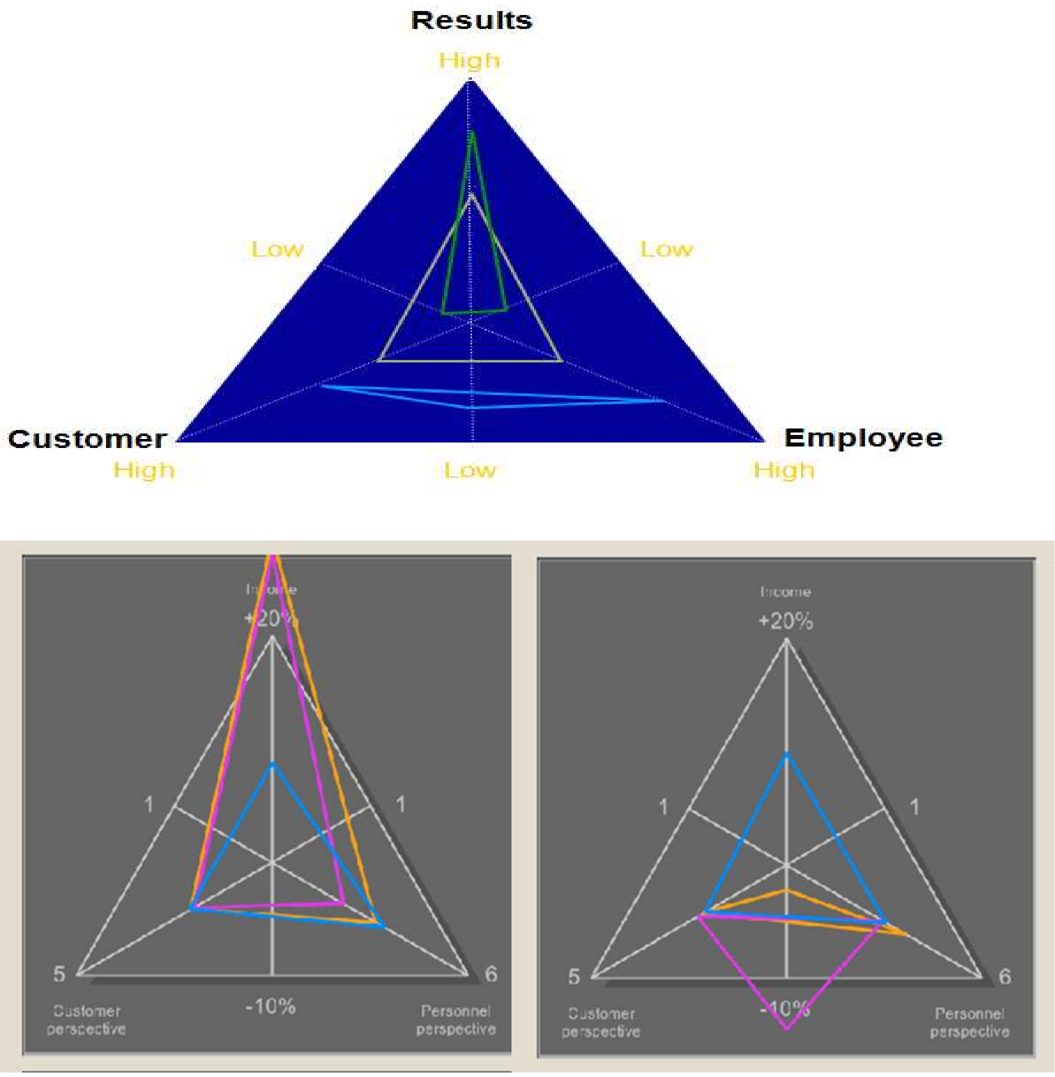

Figure 9. Triangle of Success. Triangle of Success performed by two BUs example cases in Firm B Finland. (Firm B company internal material, 2006)

The bonus system in Firm B was bound to the strategic measures and thus the implications of success or failure seemed to be recognized. The variable part could be 40% at maximum with management and 10% at maximum with personnel. The actual measures were result (+) and Customer (-) and Employee Satisfaction (-). Thus, one's bonus depended on reaching the result targets of one's own unit and the unit one's unit belonged to. Several organization levels were thus included in the bonus calculation. Weights depended on one's position and strategy of that time with annual fine tuning. One's bonus was reduced if one's unit didn't reach the target customer satisfaction. Furthermore, one's bonus was reduced if one's team didn't run to the target employee satisfaction value.

The Firm B strategy process had a strong emphasis on human resources. As interviewees put it, good employees were valued and hung on. One of the interviewees in turn highlighted the fact that as far as he knows, during Firm B times, no one left the house because of the bad results, but poor personnel satisfaction was not tolerated at all. If a manager got under the target values in personnel satisfaction assessment for two years in succession, it meant firing. In Firm B, it was considered that an employee leaves a poor manager, not the company. Measures were also connected to utilization according to interview findings so that a lot of work was sold in a "time and material" -based manner. Personnel needed to be active and gather assignments for themselves. The whole strategy was based on selling person-days and taking care of employees, and customer strategy was targeted towards customer companies' ADP chiefs and their resource needs.

From the Finnish country organization's viewpoint, the Firm B strategy process contained both top-down and bottom-up elements. Country-level strategic targets like how much emphasis was on profitability and how much on revenue were given in a top-down manner. In other respects, Finland had free hands in strategizing. And the strategy process exercised in the Finland country organization turned out to be successful. Firm B Finland managed well with its strategy process, having profitability figures of two digits all the time. (interviews, Firm B external material)

The CEO of Firm B Finland had a very strong vision and strategy for the functioning of the Finnish Firm B organization. He had a completely unique way of thinking and his mindset was that every unit, every cost pool and every team was responsible for their results – human resource satisfaction, customer satisfaction and financial results – the Triangle of Success.

> ***”I think that the strong thing back then was Firm B Finland’s CEO, or thinking about Firm B concern strategy, it remained unfamiliar for me at that time”***

Finnish country organization CEO of firm B had a strategy starting from customer and customer ship and field of business, and compared to Firm A and models of consultants dominant back then the strategy implementation had a much stronger role and, significantly, the Balanced Scorecard was heavily simplified according to interviews. Kaplan’s four-column model was shortened into three as the column measuring operation was removed. Only the results were measured, not operations. These interviewee comments are easily verified by observing the samples of actual Triangles of Success utilized in Firm B Business Units as well as the simple plot of the model from Firm B company internal material (Figure 9).

> ***“It highlights the communication and intelligibility in human business. This machinery is people. Like this. ”***

Firm B’s strategy process was an annual process, having both top-down and bottom-up elements according to interviews. This was evident in country-level strategic analyses, which were given to the units by yearly basis to be utilized in their own strategizing processes. In addition, all of the rewarding systems were built to support these three basic measures. Also in the internal material the bonus system’s relatedness to the Triangle of Success is illustrated as comprising revenue or profitability while the customer and human resources satisfaction acted as cutters of the bonus measurement. As management by results was taken to very low levels, rewarding happened at the team-level in Firm B according to interview. It was pointed out in the interview that it possibly also presented weak spots although the country organization’s success formed a big share of the bonus measurement. The next quote from interview illustrates the essence of the possible weaknesses of the bonus measurement carried out in Firm B:

> ***"There was none of that kind of steering that would have searched for synergy, for example from internationality. And also internally such tight management by results in the low level that it didn't perhaps contribute in the best possible way to the collaboration and working together. It may be that it would even lead into too much competition between units."***

4.2.4 Firm C

Firm CY had articulated an evident strategy for growth by a combination of organic development and carefully targeted acquisitions. Firm C and Y were already fused in 2002 and in 2006 Firm CY acquired Firm B. The name of the company changed from "Firm CY FirmB" into "Firm C" in 27.2.2008 (Firm CY, 2006; Firm D intranet)

The composition of the Group after 2006 acquisitions:

Firm C (UK) + Firm X (France) + Firm Y (Netherlands) + Firm B (Nordics)

Firm X and Firm B were carefully targeted acquisitions. The determining factor was their strong cultural fit with Firm CY. Quality of the people, work and customers was of a same type. Companies operated in high-quality businesses having strong margins. Via these two notable acquisitions, Firm CY strengthened its geographical position and expanded its capabilities. For instance Firm X and Firm B provided Firm CY a leading utilities billing solutions capability added to their business process outsourcing (BPO) resources and brought an established management consulting capability to the Group. These transactions also enabled former Firm X and Firm B operations to further enlarge their own businesses. The companies were significant players in their respective local markets but they had reached a development stage where continued growth depended on having access to wide-ranging international operation to extend their capability to support major profitable organizations. The acquisition gave Firm B access to Firm CY`s global capabilities, propositions and international network. (Firm CY, 2006)

In the process of integration, Firm X and Firm B FirmCY strove to apply an approach similar to that exploited in the merger of Firm C and Y. The basic idea was to combine the best of Firm CY and the companies acquired by sharing good ideas and know-how throughout the Group. Firm CY's goal was to create one company with common set of values and shared systems and processes. (Firm CY, 2006)

> ***"They collected, in a manner of speaking, best practices for strategy and integration. I also was so naive in what I wrote, I had seen the light of Firm B and I believed in those models, because I knew that those functioned as opposed to Firm A."***

In January 2006 after the acquisition of Firm X, Firm CY became the fourth largest IT services provider in France and a top ten provider in Germany. In addition, in August 2006 Firm CY announced their plan to acquire Firm B, the third largest IT-company in Nordics. The acquisition was completed already in October. (Firm CY, 2006)

The turn of the 21st century and introduction of the euro were both crucial background factors in ICT markets. Back then, there was a lot of work to be done and profitability was good, there wasn't even enough workforce to fill all the jobs available according to interview findings. But after that the market began to change in the Nordic countries. Globalization began to show in Sweden already in the beginning of the 21st century, as time and material based work diminished. Especially in Sweden the net earnings of Firm B plummeted. The Finland country organization made a fairly good profit in comparison, 12-13% EBITA, but it was not enough to correct the Firm B concern's economy. Sweden was twice as big as Finland operations, making roughly 5% EBITA, and others didn't manage that well either – end result being 5-6%, which didn't satisfy markets in the long run and a readiness to give up Firm B ownership existed.

From the viewpoint of the existing Firm B organization, the interviewee illustrated the acquisition and the acquirer company as follows:

> ***"Globalization impacted increasingly on our domestic customers, and I guess for Firm B it was really good that Firm C acquired Firm B in 2006 because, well, starting with 2007-2008, we could approach the kind of customers that operate, like international companies and others, that operate also outside the Nordics."***

The interviewee pointed out that the message of becoming "European" and "more global" wasn't at all bad to be sent to the customers along with the Firm C acquisition.

The basic concept was to combine the best of Firm CY and the companies it acquired by sharing best practices and know-how throughout the Group. Firm CY's goal was to create one company with common set of values and shared systems and processes. (external material)

Firm CY accomplished fairly aggressive acquisitions as company CEO, having been CEO had a strong growth strategy. Firm CY bought also a company called X from France, which was a rather big acquisition. Competition toughened and Firm CY decided to apply its growth strategy by acquiring also Firm B. According to the CEO interview, coming to 2004-2005, it was evident that managing such a big company that still was a local operator in the Nordic region was a difficult strategy for survival in the long run. The main reasons for that were new rivals and offshore capability from India. At that point, Firm B had to carefully consider possible options – whether they would get a chance to buy some house outside the Nordic countries. When chances for that didn't appear strategically advantageous, Firm B was selected as an acquisition target. There were several possible acquirers, and the interviewee characterized Firm C's suitability from the viewpoint of the former Firm B organization as follows:

> ***"Firm C was for example good for the acquired company in the sense that Firm C didn't have anything overlapping in the Nordic countries, so we didn't get any enormous eruptions of turbulence and posturing from the Firm B personnel. Firm C was in a way the best acquirer candidate and a good match as the background was at least partially compatible."***

According to Firm C external material (2006), the determining factor behind acquisition targeting was the strong cultural fit with Firm CY and the target company. Quality of the people, work, and customers were of the same type. The companies operated in high-quality businesses having strong margins. Via these two notable acquisitions, Firm CY strengthened its geographical position and expanded its capabilities, according to the external material.

4.2.5 Firm C's Strategy Process articulation – Firm C Story

Firm C Story was the way Firm C's strategy was articulated for all of the Group's employees on annual basis. One typical Firm C Story is from 2010. In the first picture, central group-level successes from the previous year are presented. In the second picture, there are main challenges or the things that need to be worked upon. The rest of the pictures concentrate on actual solutions to the challenges detected and creating of mutual spirit. Customer orientation stood out as a central development area in 2010 and got major attention.

The strategy process was communicated in a form of a story containing the things organization is strong in at the moment, the ones it still needs to work on, next the solutions provided, and finally at the end of the story the building of the mutual commitment and spirit.(Firm C internal material, 2010)

Firm C Story as a strategy communication method was a bit complicated compared to models like Triangle of Success. The interviewee evaluated that Firm C Story didn't get the message across. Thinking about the situation where one would have taken company representatives from different countries and asked what the pattern was, presumably the answers would have been quite different, according to interviewee viewpoint. Logic and clarity are of great value in strategy communication as well as ease of communication and presumably these goals were not optimally reached.

> ***”The most demanding things in integration are implementation, communication and discipline. Intelligibility of the communication: in expert organization, people are quite smart and want to understand, why something is done, and because of that the message needs to be clear.”***

4.2.6 Integration process of Firm C/Firm B

In the internal integration material of Firm C/Firm B launched in the middle of November 2006, an integration “project” is mentioned. There is also a principle about “best of both companies” stating the goal to upgrade Group capabilities and processes from Firm B experience. Aim for one company is explicit; one set of values and one set of processes and systems. The course of action is phased into three stages: the first is a day-long starting action, the second takes 100 days, and the third one the whole remainder of the year 2007. Key principles in the integration project are, amongst others, to minimize harm to business, concentrate on customers and maximize cross selling possibilities and gross revenues as well as minimize restructuring effects through redeployment and attrition and explicit and timely communication. Relating to this, one thing Firm C underlined in its integration project plan was that misunderstandings happen easily with different languages. Thus, one should not assume anything and has to check his/her understanding. Also, a key notion in the integration plan was that the Group had doubled its size in less than 12 months and it had to find the right balance between producing common practices and local freedom to do the optimal thing for the business. Some of the challenges mentioned in the integration plan were technology-related. In addition to those, the material mentioned challenges of acting as one company, contacts management, decentralization vs. centralization, and objectives setting. (Integration project material, Firm B Firm CY company, November 2006)

As for Firm C's integration phase, the interview results stated that integration in the Finnish country organization was self-directed rather than guided from the acquirer company. The next quote is quite telling:

> ***"I don't know if the integration even existed. The integration was, well, more like we ourselves actually turned it into integration."***

The interviewee also told that although Firm C acquired Firm B in summer 2006, the name wasn't changed to Firm C Finland until February 2008. Thus, the company operated as "Firm B Firm CY" for one and a half years. Also Firm X operated using its own company name. This was also evident in the external and internal company material.

As the company functioned in holding company fashion in the beginning, any integration was also limited. It can be said that the company just started to report numbers to a new location as Firm B continued its operation as a sub-concern which Finland belonged to. It was more like product- and customer- originating than starting from the idea of beginning to function as one company, according to interview results.

In Firm C's integration plan, the goal to upgrade Group capabilities and processes from Firm B experience was announced explicitly. Aim for one company was also presented: "One set of values and one set of processes and systems". Firm C also stated in the material that it would implement into practice "best of both companies" thus referring to the similar kind of thinking that was announced in Firm B's integration plan. Those best practices and attempt to collect those also mentioned in the internal material didn't appear in organizational practice despite the formal integration plan.

The interviewees stated that systems were never canonized in the time of Firm C. The organization, brand or incentive system did not manage to get canonized either in the Firm C era. All the reporting was built upon old practices. The country organization had its own systems and own reporting. And then from all the dimensions of the matrix organization came their own reporting demands and manifold systems. Explicitly mentioned in the interview was that integration simply didn’t happen.

> ***“Integration didn’t happen, because this was tolerated – Firm C wasn’t strong enough to push through the common methods”***

In the case of Firm C, many of the processes were defined but also plenty of those were still in progress and others were completely undefined, which did not fully support a global approach in strategy process as interviewee told.

4.2.7 Firm C’s Strategic Measures

The Group Balanced Scorecard translated Firm C’s strategic business targets into a defined set of measures called Key Performance Indicators (KPI). These measures offered visibility for realization of the organization’s vision. The KPIs were grouped into the four perspectives of Balanced Scorecard performed against the next quadrant:

- **Performance Objectives: Relating to the organizational outputs in strategic and management plans. Generally hard measures against defined targets.**
- **Financial Performance: Bringing the components of the financial performance together: these are also hard financial measures given against defined targets.**
- **Resources: Relating to the processes of the organization in exploiting and acquiring resources. These are often a combination of hard and soft measures.**
- **Learning and Development: Relating to the process of ongoing improvement; the KPIs being again a combination of hard and soft measures.**

The Balanced Scorecard described was used in either an on-off contract environment or ongoing service delivery. The main difference may have been the frequency of the scorecard usability; only applied for key milestones, or routinely used to assess the overall health of the project. Firm C's attitude towards Balanced Scorecard was that the powerful methodology needed careful thought and commitment to deliver maximum benefit. Also highlighted were the more difficult questions such as "How are the softer constituents (innovation, satisfaction, learning and development) to be measured effectively?" and "How should Balanced Scorecard be factored into the commercial relationship?". These questions were not fully answered but the faults were noticed. (Firm C internal material, 2006, Run Firm C internal material Group Balanced Scorecard v3.5)

The management of Group Balanced Scorecard was conducted so that during the business strategy phase, the KPIs determined for the Group Balanced Scorecard were reviewed to confirm they were still focused on the business objectives and strategy. In the business planning phase, the KPIs determined for the Group Balanced Scorecard were set as target values for the forthcoming financial year. Finally, the Group Balanced Scorecard results were reviewed against the KPI objective values set in order to recognize potential business process opportunities. (Run Firm C internal material Group Balanced Scorecard v3.5)

When examining Firm C's KPIs, eight of the ten measures were related to financial result and two were related to employees; one to employee attrition and the other to employee satisfaction (Firm CY 2006). Thus, there were no measures connected to customer satisfaction. In 2008 Firm C took three new KPI as the Group started to follow nearshore and offshore headcount and cost savings reinvested in future growth and finally also customer satisfaction. Year 2010 brought improved sustainability of operation as one of the 13 KPIs. In 2011, engaging clients was picked up as the first strategic goal, and "client satisfaction" was mentioned as the first KPI in annual report. "Client focused people" was highlighted as a second important one, and KPIs related to that – people satisfaction, attrition and nearshore and offshore headcount – were emphasized in significance. (Firm C 2007-2010)

Empirical examination of Firm C's management incentive related Balanced Scorecard from 2012 reveals a high connect to financial measures and no stress on customer or HR-measures. (Firm C internal material) Also according to interviews the principal measure was hard to recognize in the times of Firm C.

4.3 Firm D

Before the acquisition of Firm C, Firm D was a very profitable company having 30 000 employees. As the IT industry is maturing fast and the tempo of globalization and consolidation increases as well, Firm D has chosen a strategy of " build and buy" growth, focusing on expanding through both organic growth (i.e. build) and acquisitions (i.e. buy). Historically Firm D has doubled its size every three to five years. Through the acquisition of Firm C in 2012, Firm D increased its size from 31 000 employees to 69 000 having operations in 40 countries. However before acquiring Firm C, it had 90% of its workforce (if offshore is not taken into account) in North America, and especially in Europe the company had a fairly weak position. Firm D had something in the UK, Germany, Spain and something very small in Portugal, but nothing in the Nordic countries, and as interviewee pointed out roughly 75% of all the world's ICT spending decisions are made in North America and Europe. Firm D has a big market share in Canada and good chances to grow in the USA, but partly the boundaries of growth are already approaching in USA, in the sense that if Firm D had only North American operations without global reach, it would not be considered as potential actor compared to its competitors. Keeping these background factors in mind, the acquisition in Europe and particularly in Nordic countries was quite a natural move for Firm D to make. (interview, Firm D, 2012; Firm D internet homepage; Firm D internal material)

4.3.1 Firm D Strategy Process – Main principles

The strategy process of Firm D is based on a deep understanding over the field of business containing the detailed planning of the integrations. In Firm D strategy work, understanding over the field of business, measures and organization structure all support each other, according to interviewees.

Another key element in Firm D's strategy process is that it wants to be locally strong, which means that local customers are listened to, and operating is local. The company operates near its clients and aims to provide a high level of responsiveness, local language and profound understanding of businesses. (Firm D external material) The company is oriented so that it aims to react both on local and global market needs like cost development and quality issues etc. Each country has a lot of freedom in relation to the customership, so that business making strategy is given back to country organization, but on the other hand processes are strongly global, as well as measures and steering descending from quality system. (interviews)

As the interviewee also stated, Firm D's basic philosophy and measures brought understandability into the business and in that sense felt like a return to the Firm B era. The story goes that one of the founders of Firm D drew the basic elements of Quality System onto a flip chart in 1991, and it still very much resembles that first version. (interviews) The Quality System contains processes, operations models and guidelines related to clients, employees and stakeholders – the key stakeholders of the company towards whom the strategic measures of the company are also focused. (Firm D internal material) The fundamental role of the business model was emphasized as follows:

> ***"If there is a known business model on the record, integration is possible. If you don't know what this business model is where new acquisitions are going to be integrated, it is extremely difficult, because then you're integrating something that is not existing yet, right?"***

The interviewee stated that the elements in Firm D's strategy process match Jim Collins' "Hedgehog" strategy thinking in which certain core thinking dating back at least to the year 1991 remains the same (Quality System fundamentals). Of course it is updated but still it is preserved persistently. The characteristic efficiency and power of the Firm D strategy process is illustrated as follows by interviewee:

> ***"I don't think that the vision is any brighter than it is in any other company, or the mission. I think those are quite difficult to***

> ***understand, to be honest. But how it will be implemented – it is rather the core question in this."***

When assessing Firm D's organization structure, it turns out to resemble a function-typed organization as applied in Firm B. Firm D has unambiguous client responsibility to be monitored. In Firm D, unambiguous, personal responsibility is strongly required in every matter, and matrixes are absolutely forbidden. All organization charts that could be interpreted as matrixes are also forbidden. In firm D there are units responsible for the customerships and units delivering services to other fields of businesses. Those two types of unit have completely different internal calculation models for cross revenue, profit, net revenue and net contribution. Interviewee also highlighted his experiences on having seen many attempts at trying to solve the problem of digging in and responsibility for customerships, and he praised the functioning of the one utilized in firm D in the sense of responsibility, customerships, and financial calculations related to those.

Strategic directions and plans are done based on a three-year planning horizon and a three-year rolling-plan. The main principle is to consult Firm D's three stakeholders – clients, members and shareholders. This input is then utilized in the actual strategy process guiding the strategic planning. This involves searching for the optimal equilibrium among client interviews in each of the target industry verticals and geographies concerning trends and priorities, developing innovation ideas, and all the members consulted on Firm D's priorities and targets, as well as shareholders. In addition, making sure that the participation is spread to all management levels is also important. The plan is structured around those three stakeholders' insights to aspire to the optimum equilibrium. (Firm D internal material, interviews)

The Firm D Quality System guides the management of Firm D to assure optimally satisfying the needs of the three stakeholders. All of the business operations in Firm D are acted out according to the same quality system, aiming for consistency and cohesion across the company. However, it does not give detailed instructions of how things should be done in the country level, it just determines the common guidelines. (Firm D internal material)

4.3.2 Integration process of Firm C-Firm D

The target of the Firm C integration program according to internal material released in September 2012 was to integrate the Firm C organization and transition into Firm D Quality System. Objectives were to implement the new Firm D organization by August 20th of 2012 and integrate the Firm D members as well as determine and manage Firm D Quality System implementation all across the strategic business units. The program was divided into key milestones over a 60-day timeline, to be achieved and carefully reported according to the program plan. The plan also contains unambiguous roles and responsibilities to establish who is accountable for implementing the Firm D Business Model and who is responsible for transferring the knowledge of the Firm D Business Model, as well as who is accountable for overall integration planning and support. Also the duration of the roles and responsibilities is determined in the plan. The program plan contains the tools and process introductions to carry out the needed tasks. In the finances sense, Firm D's philosophy is to proceed quickly through the integration phase to enable arriving fast at the desired state and focus of operations. (Firm D, integration material, September 2012)

> ***"To make sure that the drive is on and then communicate, monitor and resolve. If there is something that is not on track, then figure out why it is not. Then resolve it. Instead like in some cultures, when the thing is not on track it is reported to be on track. Full Transparency!"***

Each one of the Strategic Business Units is accountable for its own integration costs according to the program plan. The HR harmonization procedure takes into account all working conditions and compensation components. Harmonization in a given country cannot be made before all of the global and local plans are reviewed and assessed and also approved by a steering committee. (Firm D integration material, September 2012)

According to interviews, the post-acquisition integration phase of firm D has been quite the opposite to the process of firm C. When Firm D started the integration process, the first thing was that decision making authorities were checked to avoid possible further damages to business. The second step was to go through all the risks in the big contracts to be mitigated. The Firm D organization informed, in 60-day periods at a time, what to do to get the integration to its goals. In the Finnish Country organization strategic management, one got a slide set defining how to handle the things, and those slides were not allowed to be altered.

> ***”As if driving a car in a fog, you can see only a small distance ahead at once, you see 60 days ahead. You don’t know what happens after that, but they will tell you after a while.”***

The interviewee characterized that in a Firm D, the pace in which the system integration was pushed through is almost incomprehensible. Firm D has extremely exact plans and operation models on how to integrate an acquisition target.

Firm D’s integration plan is extremely organized in its form. The main target of the plan was to integrate Firm C organization and members into Firm D and implement the Quality System as such all across the strategic business units. The whole integration program was strictly divided into phases, and roles and responsibilities were given in an exact manner. Deviations or objections were not tolerated and the implementation pace was high. Thus, the integration plan departs from the Firm B/ Firm C –type integration plan in which also the acquired part has a say and best practices are collected – at least on the level of the plan.

However, as the interviewee pointed out, now that Firm D has acquired a company bigger than itself, integration doesn’t happen completely without floundering, but when counting on strong implementation practices it is happening in leaps and bounds.

As another interviewee pointed out, the strategy of Firm D as such is probably not that clear at least when it comes to vision and mission statements, yet implementation must be key to its success and the reason why Firm D has managed to grow in such a skyrocketing manner. They have considered extremely carefully how the implementation will be carried out, and as the interviewee also pointed out, in the implementation process there is no space for negotiation.

> ***" Sometimes it feels, like for us at the moment, that some things are senseless, like we are going towards worse, but maybe the principle here is that these things are not negotiable. These are just carried out, full stop. It is however the more important part in all that...Those are just carried out and that's it."***

As the interviewee told, during the Firm C era there wasn't the kind of hard discipline and implementation power forcing country organizations to move into single processes, systems or even under one company name. Integration remained incomplete because there are always discordant notes, and those were not managed with assertive manner. The determining thing from the point of integration to be realized is how these counter-arguments are handled in the integration: assertively or loosely.

> ***There exist many truths in the world – there are many ways of doing business quite successfully – but if you don't have the capability to push through that one truth, then the integration won't happen."***

4.3.3 Key Strategic measures of Firm D

Shareholder satisfaction is measured once a year and it is evaluated in a scale from one to ten. Responses are compared to the industry and total market. The score is calculated based on 20 questions concentrating on strengths and weaknesses, opportunities and threats, valuation, management and investor relation. The Shareholder Satisfaction Assessment Process (SSAP) is aimed at studying retail and institutional investors (buy-side) as well as financial analysts (sell-side) to measure their amount of knowledge and satisfaction according to the strategy, execution, and manager and investor relations program in Firm D. The SSAP program is carried out once a year between April and May. The interview is performed by a respected third party and Firm D selects 100 participants to be interviewed – 30 out of those will be chosen for SSAP. Anonymity is optional in the process. (Firm D internal material)

Customers are measured in Client Satisfaction Assessment Program (CSAP) were Firm D’s target value is > 9/10 (scale 1-10). CSAP contains a client loyalty score (how likely clients are to do business again with Firm D). The target number of 9.1/10 is the target in Finland in annual client assessments. Within the commitment to world-class service-levels, the target is that 98% fulfills or exceeds customer expectations. Target value of projects delivered in time and in budget in turn is 95%. Also the number of client satisfaction questionnaires completed is one of the key metrics. The Client Satisfaction Assessment Program (CSAP) is part of Firm D’s Quality System. It contains face-to-face discussions and should take a form of open and meaningful dialogue with Firm D’s clients and it is used across the company. It is founded on ten plain questions that have been used for years. The satisfaction score is calculated based on those ten questions in the questionnaire. This survey is done twice a year to give feedback to continuous improvement process. CSAP is designed to strengthen the quality of Firm D’s client relationships keeping eye on the long-term progression. The overall score of Firm D in CSAP is 9.1 if including all the Firm D counties. (Firm D internal material; Firm D, 2010).

The third dimension are the employees (Member Satisfaction Assessment Program, MSAP). Employees answer annually to MSAP questionnaire and the target level aims for continuous improvement and also being above 7.5/10 (scale 1-10). MSAP participation target is over 90%. Voluntary turnover rate target is below 10%. SPP (share purchase plan) participation target is 100%. When Firm D was founded, the founders also gave a possibility for any employee to become an owner. This was in line with founders’ fundamental dream: “to create an environment where to enjoy working together and, as owners, contribute to building a company to be proud of“. The Share Purchase Plan (SPP) gives an opportunity to all regular members of Firm D, full-time and part-time, to buy Firm D shares on the open market with no brokerage fees. Firm D matches one’s contribution up to the maximum set and apart from that amount corresponding to a set percentage of one’s salary without an equivalent contribution from Firm D. However, one gets the same benefits. (Firm D internal material)

> ***”Ownership as one of the important things – striving to get the whole personnel somehow involved and becoming owners of the company and hence to experience the financial message, and so it makes more sense.”***

Within Firm D terminology, employees are referred to as members. Member Satisfaction Assessment Program (MSAP) is part of Member Partnership Management Framework (MPMF). The crucial idea behind MPMF is to encourage members and managers to develop open communication in all the levels of organization and share information about the direction of the company. This aims to underline the importance of all the members’ roles in Firm D’s success and foster the ownership mentality. MSAP is the process by which members express their satisfaction regarding essential management responsibilities. The actual questionnaire comprises of questions structured around the five strategic goals of Firm D’s. All of the three key stakeholder groups are focused on, and the introduction to each section in the questionnaire presents the background information needed for answering the questions. (Firm D internal material)

As put in the interview, Firm D’s Quality system features reported goals, which are extremely demanding as very few will satisfy all those goals. The best ones have been chosen as goals for all. Many don’t reach those, but that’s not the trick – it is how one can make things even better. Thus, the fundamental idea behind the goals is continuous improvement. How to get there and sharing of best practices are at the core of this kind of extremely rewarding target measure setting, according to interview results. The goals and target measures are shown in the chapter Key strategic Measures of Firm D. It is evident that the value of 9/10 for customer satisfaction is high, but given the background mentioned in the interview, it is reasonable, and knowing it is reachable can also motivate.

Among the economic measures Firm D emphasizes the profitability, but there is additionally stress on the cross revenue, referring not only to the revenue from one’s own business unit but the one produced in other countries in one's own business unit. Revenue is observed from how much one's customers generate; another principle of Firm D is that it doesn't matter for the organization if the revenue is generated in Finland or offshore as long as it focuses on one's customer. In the Firm D system, one is not rewarded solely based on profitability, if one doesn't grow. And conversely, if one grows but profitability is poor, it will especially be punished. (interviews, internal material)

> ***"Success factors derive from successful concept and its determined compliance. And of course from the point of view of the country organization, it is after all great that top management is interested in this business and understands this business. And then the common measuring system: KPIs are understandable, business fundamentals are understandable. We are in a manner of speaking all of the same opinion that if the company is not profitable and if it doesn't grow, it won't be involved in the business for long. But a company cannot be profitable and grow without good customers and customer ships as well as quality under control, meaning having processes and people under control and the feelings of the people assessed. And also acting according to these values."***

5 Discussion

In this chapter, the findings of the study are contrasted against the theoretical background of the study referred in Chapter 2. The main points of convergence with the literature and the findings are underlined. In this chapter, the research analytical framework (Figure 10) including the various theoretical viewpoints introduced in chapter two for M&A execution is assessed against the major acquisitions executed in the history of the case company - Firm B acquiring Firm A, Firm C acquiring Firm B and finally Firm D acquiring Firm C. The summary of the key findings reflecting the M&A execution characteristics of different case company firms within the framework of contextual execution of M&As in case company continuum of firm-acquisitions is given in Table 3.

Figure 10. Analytical Research Framework

5.1 Strategic management in M&A execution history of the case company

Firm A utilized a niche product -guided strategy as well as a more market-guided internalization strategy to broaden its operations abroad, according to findings. According to Bower (2001), both the product and market extension M&As are aimed at extending the company's product line to reach international coverage. Firm A grew by utilizing both of these strategies in acquisitions, with both good and bad results, with the end result of finally becoming an acquisition target of Firm B itself.

Synergy motives belong to efficiency theory, dominating the theories of merger motives, which contain the synergies of costs, operations and management. (Trautwein, 1990) When assessing acquisition motives, synergy motives were explicitly underlined in the cases of Firm B's and Firm C's integration plans, but were not concretized in a desired manner, most likely because of the weaknesses in the implementation phase. In Firm B's internal integration plan, the significance of gathering the advantages of the synergies was explicitly underlined, just as it was in Firm C's where it was said that the parties involved in integration were activated to give their best for the common good and the main goal was the realization of the synergies. In the case of Firm D, the synergy motive has been put into practice from the level of common processes to the level of the common system, with measures and organization structure in every country and business unit aiming to optimize the efficiency.

The Parenting Fit matrix underlines the synergies between the acquirer company and the company to be acquired and the possibilities those give for the newly formed company to meet the external market opportunities. (Goold et al.) Within the external company material of Firm C, it was stated that Firm X and Firm B were carefully targeted acquisitions in which the determining factor was their strong cultural fit with Firm CY, meaning quality of the people, work and customers being of the same type. Thus, this kind of positioning the business in its external context and searching for synergies in the parent company's value creation, as well as for possibilities in future external business, was also recognizable at the phase of choosing the acquisition target.

When utilizing the classical acquisition categorization framework of Shelton (1988) presented in Figure 4 the related-supplementary fit of horizontal integration seems to be convenient at least in the cases of Firm B, Firm C and Firm D acting as acquirers. These types of acquirers target principally new customers and markets (having similar enough a background to the acquiring company) rather than new products and skills, which were at least partially in the focus of Firm A in their acquisition strategy. According to Shelton, related-supplementary is one of the two strategies which most probably will create value through acquisitions.

According to Haspeslagh & Jemison (1991), value in acquisition is created only if the acquired company is integrated the right way. They stated that the core of the integration process is the interactions between the two companies setting up the atmosphere for capability transfer. However, what the optimal atmosphere of capability transfer is may differ depending on the parties involved and the current contextual situation. As also stated in one of the recent studies, a further key question is how eager the acquirer is to learn from target company's best practices. (Teerikangas et al. 2012) This is also not a simple and straightforward question to be answered in the dimension of what could be the optimal level of sharing of practices and management power. Teerikangas et al. (2012) state that in the ideal case, the integration is two-way and the transfer of post-deal knowledge and capabilities is mutual. As has been noticed in uncovering the results, this ideal rarely works. Like Schweiger et al. (1993) put it, despite many possibly saying that acquisition parties should have equal power in change decisions, this is rarely the case, especially when one company is fully assimilated to another. After enumerating the unquestionable benefits of equal distribution of power, he points out the fact that in some cases, such as on the occasion of having only a short time to follow through the implementation phase, autocratic decision-making could be more desirable. (Schweiger et al., 1993) Also the results of the thesis support this view at least in part. In the complex and dynamic business environment where fast proceeding is favorable, autocratic decision-making accompanied with discipline could be more functional in the post-acquisition integration phase in order to get the implementation done.

The key aspects having to do with the atmosphere of capability transfer and also power relations came up in the findings as crucial factors in post-acquisition integration phase. The first of those was change management and in particular how to manage change resistance, and the third was speed.

Within the model of McGrath’s (2011) Power Pyramid, managing the change can be seen as part of the leadership capabilities necessary in M&A. Change decision-making is of particular importance in the integration.(Schweiger et al., 1993) As also became evident in the findings, the role of change management is crucial for integration to be successful. The interviews established that people need to get emotionally involved in the change. This was the most clearly illustrated with the case of Firm B integration. In the interviews, it became evident that integration has to be experienced personally one way or another for the employee to commit to it. If the acquired unit or company can continue its operations as it pleases, integration doesn’t happen, as was underlined in the interviews. Assertiveness and discipline are needed in order for integration to happen. Even the brightest integration plan doesn’t bring about anything without control and if deviations from the integration plan are tolerated. Monitoring and corrective actions should be undertaken when needed, as was highlighted in the interviewee findings.

Ultimately, the essence and role of speed as a factor of setting up the atmosphere of capability transfer seems to be even more crucial and profound than that. The ways in which Firm D has successfully exploited speed in its post-acquisition integration plan in contrast to Firm C whose integration plan didn’t even manage to be implemented reflect this illustratively. According to McGrath’s (2011) Power Pyramid, speed creates momentum that pushes the integration program through challenges. Speed has a motivating effect as it signals that the company is moving forward and making progress. Firm D has thus far counted on the speed momentum in its post-acquisition integration strategy and it has proved to be successful as its integration strategy has been progressing at a high pace. Benefits will be realized sooner and risks can be mitigated earlier. Also, the ocean of future strategic possibilities opens up earlier and the costs emerging from prolonged integration have no time to be realized. This doesn’t mean that no problems will occur. Integration is the hardest part of the acquisition as illustrated in Figure 3. “The process and task complexity of M&A”. Also, as rebuilding the organization demands that strategies, organizational and unit goals, cultural norms and reward systems as well as individual role and expectations be clarified, developed and communicated, the merging of two large firms where a great number of units are influenced will require more rebuilding work than the acquisition of a small company where only a few units and people are involved. (Schweiger et al., 1993) With a concise and clearly communicated and implemented strategy, the demanding integration phase could be managed successfully, though.

As Eisenhardt & Sull (2011) put it, when business becomes complicated, strategy should be simple. According to McGrath’s (2011) Power Pyramid, a company needs to state its strategic objectives clearly and in a consistent manner because all the decisions made could be evaluated in light of that clearly stated strategic goal, as that clarity also gives the direction and reason for the M&A actions the company carries out. Thus, the significance of the consistency and clarity of the strategy as well as the completeness and consistency of the processes, strategy work, understanding over the field of business, measures and organization structure should be managed carefully and communicated: this was clearly manifested in the findings. The significance of the strategy, its content, form and how easily it can be communicated, is of great importance. The illustrative example of this was Firm B’s “Triangle of Success” compared to “Firm C Story” as a means of strategy launching and communication. The whole package of strategy process needs to be carefully thought out and all the elements have to support each other. As Schweiger et al. stated (1993), strategy has an all-encompassing effect on the acquisition process, as the final form of the merged company varies depending on the strategy driving the M&A.

In the sense of the fundamental strategy dimensions of *Where*? and *How*? (Brown & Eisenhardt, 1998), it seems in general to be *How*? that ultimately counts in the success of the M&A. The core lesson for how the strategists do strategizing in the context of M&A would be in the spirit of interviewee findings: that, in the end, the vision or the strategy (“*Where does the company want to go?”)* as such is not that important compared to the *How*? part, because there are many ways of doing successful business. The distinctive factor is the capability to follow through the implementation of the post-acquisition integration and to put that strategy into practice. Without the capability to push the implementation through, the integration won't happen.

5.2 Main regularities of case company M&A execution context

Global and societal contextual drivers in effect during the case company firm-acquisitions of interest have been related to the M&A waves of characteristically global nature, including intense acquisition activity in the United States, Europe and Asia.

The most important regularities concerning organizational and strategic context are the resemblance of the organizational structures of Firms A and C, and Firms B and D, respectively.

Firms A and C were structured as matrixes having also strategy process decision making constructed in a top-down manner, whereas in Firms B and D the organization structure was function-like and the strategy process included elements from both top-down and bottom-up decision-making practices. The difference between B and D could be seen to lie in management of launching the synergy. Although Firm D wants business to be carried out near the customers and country-organizations have lot of freedom in organizing their local operations, it aims at synergy through common processes and models put into practice by a common quality system, which is fundamental in the organization. Thus, the top-down dimension of strategy process in Firm D's case is relatively powerful compared to Firm B where it was restricted to desired financial numbers and prevailing emphasis between profitability and revenue. In contrast, Firm C was not that interested in country organization -related matters, because the thinking was based on "one-size-fits-all", top-down management.

The resemblance between these two "firm-pairs" could also be observed in the practical level of the strategy processes as strategic meters represented the same division. Firms A and C had more vague strategic meters, and no central choice between different strategic meters had been made as Firms B and D exploited three fundamentally similar stable core strategic meters.

Firms B, C and D targeted principally new markets and customers when selecting an acquisition target. Firm A targeted more new products and skills compared to the other firms. When assessing post-acquisition integration factors, Firm D makes an exception from others, having the strongest acquirer-management in integration implementation compared to others.

Table 3. Results of applying the contextual framework of M&A execution to the case company's history of M&As

	Firm A (1997–2004)	**Firm B (2004–2007)**	**Firm CY (2006–2007) Firm C (2008–2012)**	**Firm D (2012-)**
Global and societal drivers				
	5th and 6th M&A waves	6th M&A wave	6th M&A wave	Hyper competition
Organizational and strategic context				
Organization structure	Matrix	Function	Matrix	Function

Strategy process decision-making	Top-down	Top-down Bottom-up	Top-down	Top-down Bottom-up
Strategy process characteristics	Vision-directed (in the beginning) Customership-directed (later)	Holding company like at Group level; Triangle of Success (in Finland)	Upper-level and holding company like at Group level in the beginning (before 2008); After that "One-size-fits-all"; Launching method called "Firm C Story"	Quality System–based (Common processes) Members and customers have possibility to influence the Quality System (Strategy) on yearly basis Ownership of Members
Number of strategic measures	Multiple; ~ 20-40	3	Varying number of measures and KPIs, number of KPIs usually 10-12	3
Stability of strategic measures	Changing	Stable	Changing, not a clear view	Stable

Characteristics of key measures	Multiple Balance Scorecard - based measures	Simple, constant	Concentration on financial factors	Strict and demanding target value setting; e.g. Client satisfaction 9.1 and Member satisfaction 7.78
The most imporant measure	No central choice between measures had been made	Customer satisfaction, employee satisfaction and business outcome equally important	Capital turnover (according to external material), interviewees didn´t recognize the most important measure	Customer satisfaction, employee satisfaction and business outcome
The most important of the financial measures	Result	Profitability	Not a clear view	Profitability and Cross Revenue
M&A pre- and post-deal execution				
Motivational factors for M&A	Niche-product - guided and market-extension M&A strategy	Cultural Fit: quality of people, work and customers	Seeking strong cultural fit with acquisition targets	Did not have anything in Nordics and only minor business in Europe, has "build and buy" - growth strategy

Acquisition targeting	Acting as an acquirer targeting also new products and skills	Acting as an acquirer targeting principally new customers and markets	Acting as an acquirer targeting principally new customers and markets	Acting as an acquirer targeting principally new customers and markets
Post-integration management		Synergy Motives underlined in plans-> Not actualized	Synergy Motives underlined in plans-> Not actualized	Disciplined, planned, acquirer-managed
Actors involved				
Personnel in Finland/Altogether	~2300	~2500/10 000	~32 000/40 000	~30 000/ 69 000
EBITA in Finland	~3%	~12%	~6%	~14%

6 Conclusion

In this chapter, the findings of the research are presented in light of the research questions; the limitations of the research are also discussed. Finally, suggestions for future research are introduced in this final chapter of the research.

6.1 Results

By examining the research questions below, the research builds up a picture of the case company's contextual framework of firm-acquisitions (Chapter 4: Findings). First, the research shows the characteristics of the firms A, B, C and D and then the similarities and major differences between the firm-acquisition context-related factors of the different firms, shedding light on the influential factors on those. The key findings of the research are revealed by utilizing the analyzing framework of "Context of M&A execution" (Figure 7) which represents the main theoretical viewpoints presented in Chapter 2: Theoretical framework.

The results of the research include the most preferable organizational structure and strategy process in a particular case company's firm-acquisition context from the point of acquisition integration success. The results also include the significance of the post-acquisition integration phase in the process of acquisitions and the favorable characteristics in those. The findings from empirical data as well as from the previous research underline the central significance of the post-acquisition integration phase in comparison with other phases in the acquisition process. The crucial importance of implementation power, discipline and communication were especially highlighted.

- What kind of strategy processes did the case company firms have?
- How did the strategic measures express the practical level of strategy process of the case company firms?
- What were the pre-acquisition acquirer-side motivational as well as influential background market factors behind the M&As?
- What was the post-acquisition integration-strategy like?

6.2 Limitations of the Research

This research is done only in one empirical case company context. Thus, it is strongly related to the time and place. It is also in the nature of the research to get as holistic as possible a picture over the phenomenon in the case company context.

6.3 Questions to be further researched

Once the fundamental global and societal driver, organizational and structural, M&A pre- and post-deal execution as well as actors-related contextual factors are assessed and the points of similarities are shown, a deeper evaluation between the influential factors should be made. Certain strategy process -related characteristics have at least thus far turned out to be relatively successful in the context of the Finnish ICT-acquisition business field. This phenomenon would be interesting to research in more detail. The relatively successful strategy process characteristics including function-structured organization, strategy processes including elements from both top-down and bottom-up management as well as practicing strategic meters focusing on three basic elements economic result, employee satisfaction and customer satisfaction should be studied with various methods and wider data sources.

The contextual framework of M&As executed in the case company should also be complemented by adding more actors involved in the acquisitions, assessing not only the roles of the particular acquirers and acquisition targets but also rivals and potential acquirers etc. In addition, pre- and post-deal factors like communication, cultural and emotional side should be examined in more detail. The focus points and thematic questions chosen within this study were picked in order to reveal the most important M&A execution context characteristics specific for each of the case company firm-acquisitions, not to encompass the entirety of the wide phenomenon.

REFERENCES:

Angrawal, A. & Walkling, R. A. (1994) Executive careers and compensation surrounding takeover bids. *Journal of Finance*, 49: 985-1014.

Amburgey, T. L. & Miner, A. S. (1992) Strategic momentum: The effects of repetitive, positional and contextual momentum on merger activity. *Strategic Management Journal*, 13: 335-348.

Barkema, H. G. & Schijven, M. (2008a) How do firms learn to make acquisitions? A review of past research and an agenda for the future. *Journal of Management*, 34:594-634.

Barkema, H. G. & Schijven, M. (2008b) Toward Unlocking the Full Potential of Acquisitions: The Role of Organizational Restructuring. *Academy of Management Journal*, 51/4:696-722.

Berg, B. L. (2009) Qualitative Research Methods for The Social Sciences. Pearson International Edition.

Bettis, R. A. & Hitt, M. A. (1995) The new competitive landscape. *Strategic Management Journal*, 16 (special issue): 7-19.

Biggadike, R. (1979) The Risky Business of Diversification. *Harvard Business review*, 57/3:103-11.

Birkinshaw, J., Bresman, H. & Håkanson, L. (2000) Managing the Post-Acquisition Integration Process: How the Human Integration and Task Integration Processes Interact to Foster Value Creation. *Journal of Management Studies*, 37:3 May 2000.

Bower, J. L. (2001) Not all M and As are Alike – And that Matters. *Harvard Business Review*, 79/3:93-101.

Brown, S. L. & Eisenhardt, K. M. (1998) Competing on the Edge: Strategy as Structured Chaos. Harvard Business School Press.

Capron, L., Dussauge, P., & Mitchell, W. (1998) Resource redeployment following horizontal acquisitions in Europe and North America, 1988-1992. *Strategic Management Journal*, 19: 631-661.

Cassell, C. & Symon, G. (2004) Essential Guide to Qualitative Methods in Organizational Research. SAGE Publications Ltd

Deutch, Y., Keil, T. & Laamanen, T. (2007) Decision making in acquisitions: The effect of outside directors' compensation on acquisition patterns. *Journal of Management*, 33: 30-56.

Drucker, P. F. (1981) The five rules of successful acquisition. *The Wall Street Journal*, Thursday 15 October 1981.

Eisenhardt, K. M. (1989) Building Theories From Case Study Research. *Academy of Management. The Academy of Management Review*, Oct 1989, 14:4.

Faulkner, D., Teerikangas, S. & Joseph, R. J. in Faulkner et al. Eds. (2012). The Handbook of Mergers and Acquisitions, Oxford University Press.

Folta, T. B. (1998) Governance and uncertainty: The trade-off between administrative control and commitment. *Strategic Management Journal*, 19: 1007-1028.

Franks, J. & Mayer, C. (1996) Hostile takeovers and the Corrections of Managerial Failure. *Journal of Financial Economics*, 40: 163-181.

Glesne, G. & Peshkin, A. (1992) Becoming Qualitative Researchers. An Introduction. Longman Publishing Group.

Goold, M., Campbell, A. & Alexander, M. (1995). Corporate-Level Strategy: Creating Value in the Multibusiness Company. New York: Wiley

Greenberg, D. N., Lane, H. W. & Bahde K. (2005). Organizational Learning in Cross-Border Mergers and Acquisitions, in Günther, K. S. & Mendenhall, M. E. (Eds.) "Mergers and Acquisitions", Stanford University Press.

Gummesson, E. (2000) Qualitative Methods in Management Research. Sage Publications.

Björkman, I., Tienari, J. & Vaara E. (2005). A learning Perspective on Sociocultural Integration in Cross-National Mergers, in Günther, K. S. & Mendenhall, M. E. (Eds.) "Mergers and Acquisitions", Stanford University Press

Hayward, M. L. A. (2002) When do Firms Learn From Their Acquisition Experience? Evidence From 1990-1995. *Strategic Management Journal*, 23: 21-39

Haleblian, J. & Finkelstein, S. (1999) The influence of organizational experience on acquisition performance: A behavioral learning perspective. *Administrative Science Quarterly*, 44: 29-56

Haleblian, J., Kim, J. Y. J. & Rajagopalan, N. (2006) The influence of acquisition experience and performance on acquisition performance: Evidence from the US commercial banking industry. *Academy of Management Journal*, 49: 357-370

Haleblian, J., Devers, C. E., McNamara, G., Carpenter M. A. & Davison, R. B. (2009) Taking Stock of What We Know About Mergers and Acquisitions: A Review and Research Agenda. *Journal of Management*, 35: 469

Haspeslagh, P. C. & Jemison, D. B. (1991). Managing Acquisitions: Creating Value through Corporate Renewal. New York: Free Press

Hitt, M. A., Keats, B. & DeMarie, S. M. (1998) Navigating in the new competitive landscape: Building strategic flexibility and competitive advantage in the 21st century. *Academy of Management Executive*, 12: 22-42.

Howell, R. A. (1970) Plan to integrate your acquisitions. *Harvard Business review*, 48/6, November-December: 66-76.

Ingram, P. & Baum, J. A. C. (1997) Opportunity and constraint: Organizations' learning from the operating and competitive experience of industries. *Strategic Management Journal*, 18: 75-98.

Jemison, D. B. & Sitkin, S. B. (1986) Corporate Acquisitions: A Process Perspective. *Academy of Management Review*, 11/1:145-63.

Jensen, M. C. (1986) Agency costs of free cash flow, corporate finance, and takeovers. *American Economic Review*, 76: 323-329.

Jensen, M. C. & Ruback, R. S. (1983) The market for corporate control: The scientific evidence. *Journal of Financial Economics*, 11:5-50.

Kogut, B. & Zander, U. (1992) Knowledge of the firm, combinative capabilities, and the replication of technology. *Organization Science*, 3: 3838-397.

Kolev, K., Haleblian, J. & McNamara, G. (2012). A Review of the Merger and Acquisition Wave Literature, in Faulkner et al. (Eds.) The Handbook of Mergers and Acquisitions, Chapter 7, Oxford University Press.

Kummer, C. & Steger, U. (2008) Why Merger and acquisition (M&A) waves reoccur: the vicious circle from pressure to failure. *Strategic Management Review*, 2:1.

Laamanen, T. & Keil, T. (2008) Performance of Serial Acquirers: Toward an Acquisition Program Perspective. *Strategic Management* Journal, 29: 663-672.

Lewis-Beck, M.S., Bryman, A.E. & Liao, T.F. (2004) The SAGE Encyclopedia of Social Science Research Methods.

Lincoln, Y. S., & Guba, E. G. (1985) Naturalistic inquiry. Beverly Hills, CA: Sage.

Lind, B. & Stevens, J. (2004) Match your merger integration strategy and leadership style to your merger type. *Strategy and Leadership*, Vol 32, 4: 10-16.

MacDonald, A. B. & Thomas, T. H. (2003) Two merger imperatives: Urgency and execution. *Strategy and Leadership*, Vol 31, 2: 42.

McGrath, M. (2011) “Practical M and A Execution and Integration: Step by Step Guide to Succesful Strategy, Risk and Integration Management (2nd Ed) Wiley Corporate F&A.

March, J. G. (1991) Exploration and Exploitation in Organizational Learning. *Organization Science*, 2: 71-87.

Martynova, M. & Rennebook, L. (2008) A Century of Corporate Takeovers: What Have We Learned and Where Do We Stand. *Journal of Banking and Finance*, 32:2148-77.

McSweeney, B. & Happonen, E. (2012) Pre-Deal Management, in Faulkner et al. (Eds.) The Handbook of Mergers and Acquisitions, Chapter 7, Oxfors University Press.

Meschi, P.-X. & Métais, E. (2006) International acquisition performance and experience: A resource-based view: Evidence from French acquisitions in United States (1988-2004). *Journal of International Management*, 12: 430-448.

Napier, N. K. (1989) Mergers and acquisitions, human resource issues and Outcomes: A review and suggested typology. *Journal of Management Studies*, 26: 271-289.

Paine, F. T. & Power, D. J. (1984) Merger Strategy: An Examination of Drucker's five rules for Successful Acquisitions. *Strategic Management Journal,* 5: 99-110.

Pfeffer, J. (1972) Merger as a response to organizational interdependence. *Administrative Science Quarterly*, 17: 382-394.

Roll, R. (1986) The hubris hypothesis of corporate takeovers*.* *Journal of Business*, 59: 197-216.

Sanders, W. G., (2001) Behavioral responses of CEOs to stock ownership and stock option pay. *Academy of Management Journal*, 44: 477-492.

Salter, M. S., & Weinhold, W. A. (1979) Diversification through Acquisition: Strategies for Creating Economic Value, Free Press, New York.

Schilling, M. A. & Steenma, H. K. (2002) Disentangling the theories of firm boundaries: A path model and empirical test. *Organization Science*, 13: 387-401.

Schofield, J. W. (2000) Increasing the generalizability of qualitative research in Case Study Method, Edited by: Gomm, R., Hammersley, M. & Foster, P.

Schweiger, D. M., Csiszar, E. N. & Napier, N. K. (1993) Implementing international mergers and Acquisitions. *Human Resource Planning*, 16/1: 53-70.

Schweiger, D. M. & DeNisi (1991) The effects of communication with employees following a merger: a longitudinal field experiment. *Academy of Management Journal*, 15: 110-135.

Schweiger, D. M. & Walsh, J. P. (1990) Mergers and acquisitions: An interdisciplinary view, in Rowland, K.M. & Ferris, G.R. (Eds.). *Research in Personnel and human resource management* , 8: 41-107.

Shelton, L. M. (1988) Strategic Business Fits and Corporate Acquisition: Empirical Evidence. *Strategic Management Journal*, 9: 279: 87.

Teerikangas, S. & Joseph. R.J. (2012) Post-deal integration, in Faulkner et al. (Eds.) The Handbook of Mergers and Acquisitions, Chapter 2, Oxford University Press.

Trautwein, F. (1990) Merger Motives and Merger Perceptions. *Strategic Management Journal*, 11:283-95.

Vaara, E., Tienari, J., Säntti, R. (2003) The international match: Metaphors a vehicles of social identity building in cross-border mergers. *Human Relations*, 56: 419-51.

Vermeulen, F. & Barkema, H. (2001) Learning through acquisitions. *Academy of Management Journal*, Vol 44, 3:457-476.

Woodside, A. G.& Wilson, E.J. (2004) Case study methods for theory building. *Journal of Business & Industrial Marketing*, 18 (6/7), 493-508

Yang, M. & Hyland, M. (2006) Why do firms imitate? A multilevel approach to examining sources of imitation in the choice of mergers and acquisitions. *Journal of Management*, 32: 381-399.

Yin, R. K. (1984) Case Study Research. Design and Methods (1st ed.) Beverly Hills, CA: SAGE.

Yin, R. K. (2003) Case Study Research (3rd ed.) Thousand Oaks, CA: SAGE.

Zollo, M. & Singh, H. (2006) Deliberate learning in corporate acquisitions: Post-acquisition strategies and integration capability in U.S. bank mergers. *Strategic Management Journal*, 25: 1233-1256.

Annual Reports (External material):
Firm A 1997-2002
Firm C 2006, Firm C 2007-2009
Firm D 2012, 2013

Integration Plans (Internal material):
Firm B/Firm A, 2004
Firm B/Firm CY, 2006
Firm D/Firm C, 2012

APPENDICES

Appendix 1: Interview questions

1. Strategy processes

- How would you describe the strategy processes of each company?
  - Firm A
  - Firm B
  - Firm C
  - Firm D
- What kind of influence on strategy work have Firm A, Firm B, Firm C and Firm D Finnish Country Corporation had?
- How have the Firm A, Firm B, Firm C and Firm D organization structures affected this?

2. Pre-acquisition phase – effective factors in each of the historical market situations

- Which do you consider to be the central strategic motives for each of the acquisitions – how has the acquisition target been seen as part of the acquirer's strategy?

3. Post-acquisition phase – integration process

- How would you describe the integration strategy and its implementation within the
  - Firm B and Firm A,
  - Firm C and Firm B and
  - Firm D and Firm C cases?

4. Measures – how strategy processes appeared in practice

- What kind of key measures have been used in the case company (within Firm A, Firm B, Firm C and Firm D context)?
- What kind of influence have the measures had on strategy work and management (budgeting, reward systems etc.)?

5. Learning

- What do you consider to be the major challenges in the integration processes?
- What do you consider to be the most important success factors in integrations, according to your experience?

Appendix 2: Interview citations before translation

Page N.o.	**Citations**
p. 47	**”Me navigoimme eli haastoimme toisiamme matriisiorganisaatiossa. Se oli taas esimerkki siitä, että matriisiorganisaatiot eivät toimi.”**
p. 47	**”Muokattiin organisaatiota sen mukaan, mikä sitten tuki sitä strategiaa, mutta edelleen se tavallaan se strategian toteuttaminen se ontui, ja eihän me kuitenkaan saatu sitä kannattavuutta ja tavallaan tunnuslukuja sille tasolle, mitä edellytettiin”**
p. 48	**“ Ja huimat kasvutavoitteet ja jollakin tapaa se ajatus oli mun mielestä se, että kun luodaan riittävän voimakas visio, niin se ohjaa kaikkea muuta.”**
p. 50	**”se oli niinku aika sekasin tavallaan se ajattelutapa, et mikä on tuotebisnestä ja mikä on tämmöstä toisentyyppistä, kun ne on kuitenkin ansaintalogiikaltaan aika erilaisia”**
p.52	**”Se oli varmaan tämmönen, näissä monta kertaa tuntuu olevan, että näissä kuvitellaan, että olis hyvin rationaalista, mutta tässä vaikuttaa tämmöset ihan tämmöset niinku henkilökemiat ja sattuma”**
p. 55	**“....ihmiset kananlihalle, mikä on ehkä noissa asioissa (=integraatioissa) se iso asia. Et se sai sen aikaseks, et hän sai sen muutosvalmiuden...”**
p. 59	**”Mun mielestä voimakkaana asiana oli sit tää Firma B:n Suomen toimitusjohtaja, elikkä jos ajatellaan niinkun mulle jäi tavallaan itse se vieraammaksi se Firma B:n konsernistrategia”**
p.59	**”Korostuu viestintä ja ymmärrettävyys ihmisbusineksessä. Tää koneisto on ihmisiä. Näin.”**
p.60	**“Ei ollu niinku mitään semmosta ohjausta, joka olis hakenu voimakasta synergiaa esimerkiks kansainvälisyydestä. Ja myöskin maan sisällä niin tiukka tulosohjaus, joka meni sinne matalalle tasolle, niin se ei välttämättä parhaalla mahdollisella tavalla edistä yhteistyötä ja yhteistä tekemistä. Saattaa olla, että tulee liiaksi tällaista yksiköiden välistä jopa kilpailua.”**

p. 61	**”He keräs ikään kuin best practices sekä strategiaan että integraatioon liittyen. Minäkin sinisilmäisenä kirjoittelin, olin nähnyt Firma B:n valon ja uskoin niihin malleihin, koska tiesin, että ne toimivat verrattuna Firma A:han.”**
p.62	**“Globalisaatio iski enenevässä määrin suomalaisiin yrityksiin, meidän asiakkaisiin, ja kyllä niinku Firma B:lle oli erittäin hyvä että Firma C osti Firma B:n 2006, koska tota 2007-2008 alkaen pystyttiin alkaa lähestyy sellasii asiakkuuksia, jotka toimi, niinku kansainvälisiä yrityksiä ja muita, jotka toimi myöskin Pohjoismaitten ulkopuolella.”**
p. 63	**“Firma C oli siinä mielessä esimerkiksi tälle liitettävälle yritykselle hyvä, että Firma C:llä ei ollut Pohjoismaissa mitään eli ei ollut päällekkäistä, eikä tullut valtavaa niinku turbulenssia ja showta siitä, että Firma B:n henkilöitten kannalta Firma C oli varmaan niinku paras ostajakandidaatti ja osu siinä mielessä hyvin siihen, että tausta kuitenkin ainakin joltain osin oli samantyyppinen”**
p. 64	**”Haastavinta integraatiossa on toimeenpano, viestintä ja kuri. Viestinnän ymmärrettävyys: asiantuntijaorganisaatiossa porukka on kokolailla fiksua ja ne haluaa ymmärtää, miksi jotain asiaa tehdään ja sen takia niin viestin on oltava selkeä.”**
p. 65	**”Mä en tiedä oliko sitä integraatiota edes. Se integraatio oli enemmän sellanen, että me itte itse asiassa tehtiin sitä integraatiota.”**
p. 66	**“Ei integraatiota tapahtunut, koska se sallittiin – se, että Firma C ei ollut riittävän vahva ajamaan läpi yhdenmukaistettuja toimintoja”**
p. 69	**”Jos on olemassa businessmalli tiedossa, niin se integraatio on mahdollista. Jos et tiedä, mikä on se businessmalli, johon integraoidaan uusia ostoja, niin se on ihan mahdottoman vaikea asia, koska silloin sä integroit johonkin, mitä ei oo vielä olemassa, eiks niin.”**
p. 69	**”Ei se mun mielestä se visio oo yhtään sen kirkkaampi kuin monella muullakaan yrityksellä tai missio. Mun mielestä ne on aika vaikeeselkosia, jos rehellisiä ollaan. Mutta että se että miten se toimeenpannaan. Se on niinku se ydin tässä.”**

p. 71	**”Pidetään huoli siitä, että on niinku vauhti päällä ja sitten kommunikoidaan, seurataan, ratkaistaan. Jos jotain hommaa ei oo saatu kuntoon, niin selvitetään, miksei se oo kunnossa. Sit se ratkaistaan. Sen sijaan että joissain kulttuureissahan, jossei homma oo kunnossa niin raportoidaan, että se on kunnossa. Full Transparency”**
p. 72	**”Kuin sumussa ajaisi autolla, sä näät vaan vähän matkaa eteen päin, sä näät 60 päivää eteen päin. Sä et tiedä, mitä sitten tapahtuu, mutta kyllä ne kertoo sitten vähän ajan päästä.”**
p. 73	**” Joskus se tuntuu, niinku meistä tuntuu tällä hetkellä, et jotkut asiat on niinku ihan älyttömiä, et mennään tässä huonompaan, mut täs on ehkä periaatteena, et niistä ei keskustella. Ne vaan niinku toteutetaan ja piste. Se on niinku kuitenkin se tärkeempi puoli siinä. .. Ne vaan toteutetaan ja sillä hyvä.”**
p. 73	**”Maailmassa on olemassa monta totuutta – on olemassa monta tapaa tehdä businestä ihan onnistuneesti – mutta jos ei oo kykyä ajaa sitä yhtä totuutta läpi, niin sitä integraatiota ei tapahdu.”**
p.75	**”Omistajuus yhtenä tärkeänä asiana, että pyritään saamaan koko henkilöstö jollakin tavalla osalliseksi ja omistajiksi yrityksessä ja siten kokemaan se taloudellinen viesti ja siten se on merkityksellisempää.”**
p. 76	**”Menestystekijät tulee siitä kun on menestyvä konsepti ja sen määrätietoinen noudattaminen. Ja tietysti maayhtiön näkökulmasta, onhan se loistojuttu, että on ylin johto, joka on kiinnostunut tästä busineksestä ja ymmärtää tätä businestä ja sit se yhteinen mittausmalli: KPIt ymmärrettäviä, busineksen fundamentaalit ymmärrettäviä. Ollaan ikään kuin kaikki samaa mieltä, että jos firma ei oo kannattava, eikä se kasva, se ei oo pitkään tässä busineksessa mukana. Mutta sit että firma ei voi olla kannattava ja kasvaa, ellei sil oo hyvät asiakkaat ja hyvät asiakassuhteet, et laatu kunnossa, joka tarkottaa et sil on prosessit kunnossa ja et sil on porukka kunnossa ja sen porukan fiilistä kans pyritään mittaamaan. Ja toimitaan niitten arvojen mukaisesti.”**