Pivotal Factors in Cross-border M&As

A study of elements, trends, and strategies employed to ensure success in an international context

Bachelor's Thesis in Industrial Economy

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Avgörande faktorer i internationella företagsförvärv

En studie av element, trender och strategier som används för att säkerställa framgång i en internationell kontext

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SUMMARY

M&As is a subject often visited upon in business economics literature. In recent years, there has been a noticeable increase in the value and number of cross-border M&As. Challenges are particularly pronounced when companies must navigate substantial cultural, economic, and legal differences. The study takes off in these challenges by answering the research questions, *how can organizations lay the foundation for successful integration early on in the M&A process within cross-border transactions,* and *what role do cultural differences between companies play in the success of cross-border acquisitions, and how can these differences be managed.*

The purpose of this report is to recognize the pivotal factors during the preparatory phase crucial for a successful integration in cross-border M&As.

The theoretical framework for this study is developed from a comprehensive perspective on the M&A process, drawing on widely referenced international business literature. The theoretical framework is designed to offer a basic understanding of mergers and acquisitions, and highlight important issues.

The study employed a qualitative methodology with an abductive research approach. Data was gathered from 26 semi-structured interviews involving participants who have experience with both national and international M&A transactions. The responses were compiled and analyzed by coding and informed the study's conclusions.

To lay a successful foundation for M&A integration in cross-border transactions, organizations should clearly define the transaction's purpose, focusing on strategic objectives over financial metrics. Rigorous and precise due diligence which avoids exaggeration of synergies are critical to mitigate risks. Simplifying processes while ensuring quality, improves integration outcome and helps to avoid deal fatigue. Additionally, to ensure continuity throughout the whole M&A process, the findings from the preparatory phase should effectively be transferred to the integration team.

Further, it is clear that culture plays a crucial role in M & A success. Despite this, many professionals do not take culture into account, or do not approach it in a structured manner.While transparency can be an issue, structured assessments are aided by concrete frameworks. These also make communication of results significantly easier. With fewer transaction problems in countries where the organization is already established, national culture seems to pose a potential obstacle to M&A success.
Keywords: M&A, Cross border M&A, Culture in M&A

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Abstract

Problem

M&As is a subject often visited upon in business economics literature. In recent years, there has been a noticeable increase in the value and number of cross-border M&As. Challenges are particularly pronounced when companies must navigate substantial cultural, economic, and legal differences. The study takes off in these challenges by answering the research questions, *how can organizations lay the foundation for successful integration early on in the M&A process within cross-border transactions,* and *what role do cultural differences between companies play in the success of cross-border acquisitions, and how can these differences be managed.*

Aim

The purpose of this report is to recognize the pivotal factors during the preparatory phase crucial for a successful integration in cross-border M&As.

Theoretical Framework

The theoretical framework for this study is developed from a comprehensive perspective on the M&A process, drawing on widely referenced international business literature. The theoretical framework is designed to offer a basic understanding of mergers and acquisitions, and highlight important issues.

Method

The study employed a qualitative methodology with an abductive research approach. Data was gathered from 26 semi-structured interviews involving participants who have experience with both national and international M&A transactions. The responses were compiled and analyzed by coding and informed the study's conclusions.

Result and Implications

To lay a successful foundation for M&A integration in cross-border transactions, organizations should clearly define the transaction's purpose, focusing on strategic objectives over financial metrics. Rigorous and precise due diligence which avoids exaggeration of synergies are critical to mitigate risks. Simplifying processes while ensuring quality, improves integration outcome and helps to avoid deal fatigue. Additionally, to ensure continuity throughout the whole M&A process, the findings from the preparatory phase should effectively be transferred to the integration team.

Further, it is clear that culture plays a crucial role in M & A success. Despite this, many professionals do not take culture into account, or do not approach it in a structured manner.While transparency can be an issue, structured assessments are aided by concrete frameworks. These also make communication of results significantly easier. With fewer transaction problems in countries where the organization is already established, national culture seems to pose a potential obstacle to M&A success.

Sammanfattning

Problem
M&A är ett väl omskrivet ämne inom företagsekonomin. Under de senaste åren har det varit en märkbar ökning i antalet gränsöverskridande företagsförvärv. Utmaningarna är särskillt tydliga när företag navigerar genom avsevärda kulturella, ekonomiska och juridiska skillnader. Studien tar sin ansats i denna problematik genom att besvara forskningsfrågorna, *hur kan organisationer lägga grunden för en framgångsrik integration,* och *vilken roll spelar kulturella skillnader i framgången för internationella förvärv.*

Syfte
Syftet med denna rapport är att identifiera avgörande faktorer under den inledande arbetsprocessen som är avgörande för en framgångsrik integration i gränsöverskridande M&A.

Teoretiskt ramverk
Det teoretiska ramverket för denna studie är utvecklat från ett brett perspektiv på M&A-processen, baserat på internationellt välciterad företagsekonomisk litteratur. Det teoretiska ramverket är avsett att skapa en grundläggande förståelse inom ämnet företagsförvärv, samt att belysa viktiga frågor för diskussion som direkt kopplar till studiens empiriska resultat.

Metod
Studien använde en kvalitativ metod med en abduktiv forskningsansats. Data samlades in från semistrukturerade intervjuer med 26 deltagare som har erfarenhet av både nationella och internationella M&A transaktioner. Svaren från dessa intervjuer analyserades genom kodning och ligger till grund för studiens slutsatser.

Resultat och Implikationer
För att nå framgång i gränsöverskridande företagsförvärv bör organisationer tydligt definiera förvärvets syfte samt fokusera på att identifiera de strategiska målen med förvärvet, istället för finansiella mål. En omfattande och noggrann företagsbesiktning som undviker överdrift av synergieffekter är avgörande för att minska potentiella risker. Genom att förenkla processer och säkerställa kvalitet förbättras integrationsresultatet samtidigt som det minimerar risken för affärs-trötthet. För att säkerställa kontinuitet genom hela M&A-processen bör resultaten från den inledande arbetsprocessen effektivt överföras till integreringsteamet.

Vidare är det tydligt att kultur spelar en avgörande roll för framgång inom företagsförvärv. Trots detta bortser många från kultur eller angriper det på ett ostrukturerat sätt. Även om transparens kan utgöra ett problem, underlättas kulturanalys av konkreta ramverk. Dessa ramverk gör också kommunikation av resultat betydligt enklare. Med färre transaktionsproblem i länder där organisationen redan är etablerad, verkar även nationell kultur utgöra ett potentiellt hinder för framgång under gränsöverskridande företagsförvärv.

Glossary

M&A - The process of combining two companies into one bigger company, or of a larger company buying a smaller company (McIntosh, 2013).

Merger - The occasion when two or more companies or organizations join together to make one larger company (McIntosh, 2013).

Acquisition - It refers to when a company purchases most, or part, of another company (The Economic Times, n.d.).

Acquiring company - The company that acquires another company.

Target company - The company that is to be acquired (Cambridge University Press, 2011).

Cross-border transaction - In this thesis, it refers to the purchase of another company outside of the acquiring firm's country.

Due Diligence - A detailed examination of a target company, prior to negotiation and acquisition (McIntosh, 2013).

FDD - Financial due diligence, a due diligence process that focuses on examining the target company's financial status (Howson, 2017).

LDD - Legal due diligence, a due diligence process that focuses on examining the target company's legal liabilities and form a draft of the final agreement (Howson, 2017).

CDD - Commercial due diligence, a due diligence process that focuses on examining the target company's business model (Howson, 2017).

HR-DD - Human resources due diligence, a due diligence process that focuses on examining the target company's employees and policies affecting them (Howson, 2017).

Synergy - The concept where the combined value after acquisition is greater than the sum of the individual entities.

Deal fatigue - refers to a condition during a negotiation where parties on either side begin to feel frustrated by a prolonged negotiation process.

ESG - Stands for Environmental, Social, and Governance and refers to the impact of a company's business model in these areas (McIntosh, 2013).

Advisor - In this thesis it refers to persons, and/or companies, which gives advice to the acquiring firm or the target company in a M&A process.

PE - Private equity represents a form of private capital (not listed on public exchanges) that is typically invested by private equity firms, venture capital companies, or angel investors. It serves as working capital for a target company to facilitate expansion (Cumming, 2012).

1. Introduction

Mergers and acquisitions, M&A, refer to the strategic process wherein a company is either fully or partially integrated with another company (Corporate Finance Institute, n.d.). Following an acquisition, the subsequent integration typically occurs in two ways. Either the two companies continue to operate as separate entities, or they are merged into one. These processes are not new innovations, but have a long history as an attractive strategic tool for companies aiming to gain access to a new customer base, technology, intellectual asset or diversify their supply chain (Goedhart et al., 2017).

Such advantages, in turn, render M&A an obvious opportunity for companies to enhance their efficiency and competitiveness in the global marketplace. Han (2020) presents empirical evidence suggesting a steady rise in the total value of transactions, indicating an increasing activity in cross-border acquisitions. Moreover, there is a notable increase in cross-border M&A transactions relative to domestic ones, highlighting companies' growing inclination towards expanding beyond national borders. The increase is confirmed by Wang & Ye (2017), who emphasize the strategic benefits of accessing advanced technology and untapped lucrative markets beyond one's domestic borders.

That being said, there are significant challenges associated with M&As, especially cross-border ones. Howson (2017) explains that over 50% of M&As, both cross-border and domestic, fail to achieve their predefined objectives. The large number of failures can, according to Straub (2007), be attributed to various factors including deficiencies in the company's leadership, acquisition strategy, organizational culture, and financial aspects. To this, Tang & Yao (2022) add that companies, in the case of cross-border M&As, need to grapple with challenges related to cultural integration and substantial differences in economic and legal environments.

Central to the preparatory work preceding a corporate acquisition is the due diligence process. Due diligence involves research on the company expected to be acquired and is conducted to provide an understanding of the conditions, challenges, and opportunities that may arise in connection to the acquisition (Howson, 2017). Schuler & Jackson (2001) describe that companies often overlook the importance of the HR aspect of the due diligence process because it is difficult to define, evaluate, and manage. These difficulties associated with HR due diligence, in turn, stem from the lack of frameworks for systematically evaluating cultures and individuals within the organization. Despite the difficulties, Schuler & Jackson, like Howson, emphasize the centrality of a cultural assessment, a Cultural Due Diligence, for the development of synergies and the success of a cross-border corporate acquisition.

1.1 Purpose

The purpose of this report is to recognize the pivotal factors during the preparatory phase crucial for a successful integration in cross-border M&As.

1.2 Research Questions

M&As represent a central strategy for companies that strive for increased growth and new competitive advantages. Although strategy is a well-established topic in business economics, there is consensus that many M&As fail to achieve their goals (Howson, 2017). Research indicates that a large percentage of these acquisitions fail to create value, which raises questions about the effectiveness and feasibility of such endeavors. An increasingly emphasized aspect within this context is the impact of cultural differences on acquisitions (Schuler & Jackson, 2001).

The due diligence process in M&As is a critical area that traditionally focuses on the financial, legal, and commercial examination of the target company (Howson, 2017). However, the growing recognition of the importance of softer aspects, such as corporate culture and leadership, underscores the benefits of a more holistic view of due diligence (Weber & Tarba, 2014). This awareness necessitates an expansion of the traditional framework to include these critical but sometimes overlooked dimensions.

To address the purpose of the report, two main research questions have been formulated. These aim to provide a better understanding of the various aspects of the problem and break it down into manageable parts. The main research questions that the report aim to answer is as follows:

- *How can organizations lay the foundation for successful integration early on in the M&A process within cross-border transactions?*
- *What role do cultural differences between companies play in the success of cross-border acquisitions, and how can these differences be managed?*

1.3 Delimitation

This study is delimited to examine the early phases of the M&A process, specifically within cross-border transactions. It focuses primarily on identifying success factors within the pre-acquisition phase, potentially limiting insights into later stages of the process. While efforts have been made to include diverse perspectives by interviewing stakeholders from both the buy and sell sides, including acquiring companies, merging companies, target companies, and external advisors, the authors acknowledge that these participants may not fully represent all stakeholders involved. It is noted that a significant majority of respondents provided insights mostly from acquisition cases, thus the study's findings may be skewed towards acquisition scenarios, potentially limiting its representativeness for merger. Respondents were selected based on the criteria that they need first hand experience of cross-border M&A transactions, which may limit the breadth of perspectives captured. The study's geographic focus on transactions mainly involving Nordic acquirers and targets outside this region may restrict the generalizability of its findings to other global contexts.

2. Theoretical Framework

This chapter provides a comprehensive framework for understanding motives, risk analysis, the M&A process, and the influence of culture. It will lay the foundation for analyzing and interpreting the later empirical findings in this paper.

2.1 Motives for M&As

Decisions regarding M&As often stem from a complex set of motives that defy simple categorization (Geiger & Schiereck, 2014). This complexity arises partly because companies may have undisclosed motives, but largely due to the coexistence of multiple motives, making it difficult to attain a clear picture (Nguyen et al., 2012). Evidence also suggests that the importance of various motives for M&A transactions evolves and changes over time (Kiymaz & Baker, 2008).

Nevertheless, it remains crucial and valuable to attempt to classify and summarize these motives to facilitate analysis and identify patterns correlating specific motives with successful M&A transactions. Various efforts have been made to categorize these motives, resulting in a diverse array of classifications. A widely recognized categorization of motives is proposed by Berkovitch & Narayanan (1993), who suggest three major motives: synergy, agency, and hubris.

2.1.1 Synergy

In the world of M&As, synergy emerges as a widely recognized motive, acknowledged by numerous authors (Seth et al., 2000; Sedlaček et al., 2013; Sherman & Hart, 2006). Synergy can be categorized into various types, although this categorization differs between different authors. Gaughan (2017) offers a simplified classification, distinguishing between two main types of synergy: operating synergy and financial synergy. Operating synergy comes in two forms: revenue enhancements and cost reductions.

Revenue-enhancing operational synergies can stem from various sources (Gaughan, 2017). One possible source may be when a merger of two companies results in greater pricing power or purchasing power. This increased pricing power allows the merged entity to negotiate better prices with suppliers or charge higher prices to customers, potentially lowering costs and/or boosting revenue.

Combining functional strength presents another potential source for revenue enhancement, as each company may complement each other with valuable capabilities (Gaughan, 2017). A third possible source of revenue-enhancing operational synergies is the expansion into faster-growth markets or new markets. Similarly, cost reducing operating synergies can arise from various sources, such as economies of scale, economies of scope and economies of vertical integration (Motis, 2007; Gaughan, 2017; Goold & Campbell, 1998; Nguyen et al., 2012, Rabier, 2017; Trautwein, 1990; Goedhart et al., 2017; Sherman & Hart, 2006).

Financial synergy refers to the impact of a corporate merger or acquisition on the capital costs of the acquiring firm or the merging partners (Gaughan, 2017). This impact arises from the combination of financial structures between the two companies and may include benefits such as access to internal capital markets, reduced cost of capital, diversification of cash flow streams, and tax savings (Rani et al., 2020; Kumar, 2009; Alhenawi & Krishnaswami, 2015; Rabier, 2017).

2.1.2 Agency

The agency motive, also known as managerialism, in M&A occurs when managers prioritize their own interests over those of the shareholders (Geiger & Schiereck, 2014; Trautwein, 1990). This perspective suggests that M&A transactions may serve as a means for managers to enhance their own welfare at the expense of shareholders. Through M&A activities, managers may be able to extract value for themselves in various ways, such as acquiring firms that amplify the company's reliance on the management/manager (Shleifer & Vishny, 1989), diversifying the management's portfolio (Amihud & Lev, 1981), and expanding the company's size by using its available free cash flow in an attempt to satisfy professional ambitions (Jensen & Meckling, 1976).

As this perspective views M&As as opportunities to serve the self-interests of managers rather than maximizing the shareholder wealth and interests, the direct implication of mergers and acquisitions driven by the agency motive is that the transaction may not yield the expected benefit and value for the company and its shareholders (Shleifer & Vishny, 1989). Management actions driven by the agency motive may, in fact, reduce the total value of the combined companies.

Mueller (1969) proposes a similar theory called the empire-building theory, or the managerial discretion motive, which suggests that managers strive to expand their organizations. Their primary objective is growth, and acquisition offers the fastest route to realize it. This motive may arise from the direct link between their compensation and the size of the company they oversee. Additionally, the expansions serves as a means to fulfill the ego of management and assert power and authority

2.1.3 Hubris

The hubris motive, initially introduced by Roll (1986), suggests that many managers overseeing acquiring companies are influenced by hubris, or excessive pride, leading them to overestimating their ability to manage companies. This overconfidence in their own ability prompts managers to pursue acquisitions even in the absence of synergies between the two companies. Consequently, they may overpay for their target companies, resulting in value-decreasing M&A transactions.

2.1.4 Other motives

Apart from synergy, agency and hubris, there are other motives for M&As that may, or may not, be counted as their own motives.

One motive that stands out enough to merit its own category, separate from synergy, is market power. M&As are often pursued with the aim of bolstering market power (Calipha et al., 2010; Hassan et al., 2018). A key aspect of this motive involves leveraging the resources of larger companies to effectively fend off competitors (Austin & Leonard, 2008). By expanding market share and diversifying product offerings, firms consolidate their market position and discourage potential competitors from entering their market (Motis, 2007). Another benefit is that when a firm bolsters its market power through M&As, it often secures a more advantageous position in negotiations with suppliers or customers.

Gaughan (2017) suggests that M&As may serve as a strategy for companies to expand within their industry or diversify into new sectors, in a motive called growth. Gaughan highlights that when internal growth proves insufficient, M&A could offer a faster path to growth, allowing companies to acquire established infrastructure and resources. Additionally, companies utilize M&A to diversify their portfolio and enter more profitable industries (Motis, 2007; Piesse et al., 2013). Gaughan (2017) emphasizes that diversification enables companies to attain leading positions in diverse industries, offering advantages over smaller competitors. Moreover, M&A can facilitate market entry into new territories (Sedlaček et al. 2013). Sherman & Hart (2006) suggests that acquiring established firms in target markets is more cost-effective than building from scratch. While entering new markets presents challenges such as cultural barriers, Gaughan (2017) points out that M&A can make the process quicker and reduce its costs.

Some acquisitions are driven by the belief that the acquiring company' management can oversee the target's resources more effectively (Geiger & Schiereck, 2014; Trautwein, 1990; Gaughan, 2017). The acquiring company may believe that its managerial expertise would enhance the value of the target company once it's under its control. Similarly, a hypothesis known as the market for corporate control or market for targets, proposed by Manne (1965), suggests that undervaluation of a company stems from inefficient management, and that any bidder can identify this, acquire the firm and replace its manager, increasing the target's value by doing so.

Research and development (R&D) is a powerful non-tradeable asset crucial for the future growth of numerous companies (Gaughan, 2017; Motis, 2007). Consequently, improving a company's R&D capabilities may serve as a motive for M&As (Kreitl & Oberndorfer, 2004).

Various studies suggest that an acquiring firm may view a company with extensive R&D capabilities as a swifter and more efficient investment option to bridge R&D gaps compared to internal expenditures (Roller et al., 2006; Goedhart et al,. 2017). Austin & Leonard (2008) also propose that small companies may offer valuable specialized knowledge to the acquiring company in terms of product innovation and consumer insights.

Austin & Leonard (2008) suggests that by merging with, or acquiring, another company, the acquiring company might gain access to a brand that embodies a unique value proposition for consumers. This acquisition can provide the acquiring company with direct access to a customer base that would have been challenging to achieve alone (Kreitl & Oberndorfer, 2004). Strong brands typically cultivate a loyal customer base, which might offer numerous strategic advantages, such as increased market share, expansion of customer base, reduced marketing expenses, and fortification against competitive threats (Alhaddad, 2015). Furthermore, a loyal customer base acts as a barrier to entry, facilitates premium pricing, affords time to respond to competitor innovations and shields against detrimental price competition.

Occasionally, M&As are motivated by the desire to obtain specific intangible assets (Austin & Leonard, 2008; Sherman & Hart, 2006). These transactions provide acquiring firms with the opportunity to acquire valuable patents, copyrights, trade secrets, or other intangible assets that are exclusively available through acquisition. By acquiring a target company, the acquiring firm can gain access to the rights to develop products and services owned by the target, thereby augmenting their own portfolio and market competitiveness.

One last motive is presented by Fridolfsson and Stennek (2005) that suggests that some M&As are driven by a preemptive (or defensive) motive. Their model illustrates that if being an insider offers advantages over being an outsider, companies may engage in acquisitions to hinder potential competitors from acquiring the target company.

2.2 Risk Analysis and Risk Management in M&A Transactions

In the realm of M&As, risk analysis and risk management have a crucial role to help the acquirer navigate potential pitfalls. By using these methods, the acquirer can identify, evaluate and mitigate risks that could harm the transaction.

2.2.1 Risk Analysis in M&A

The initial risk analysis of an M&A process requires a systemic approach to identify risks such as financial, operational, strategic, legal or reputational, that are associated with the target company (Howson, 2017). This important step does not only examine the risks from the target company's operations, it also addresses external factors such as market volatility, regulatory changes, and industry dynamics that could significantly impact the likelihood of success for the transaction. Froot & Stein (1998) highlights the need of a systemic but also comprehensive approach to risk analysis. He explains the importance of incorporating both micro and macroeconomic considerations into risk assessment, to ensure a holistic view of anticipated challenges.

2.2.2 Risk Management Strategies

Hitt et al. (2001) emphasize the importance of strategic risk management in M&A. Besides identifying risks, it is important to develop risk management strategies specifically for M&A transactions. Carpenter & Sanders (2007) also advocate for a strategic approach to risk management, integrating these strategies with the broader objectives of the M&A to optimize outcomes and safeguard value.

According to DePamphilis (2021), the quality and precision of the due diligence process directly correlates with acquiring firms ability to effectively manage risks, as well as successfully integrate the target company post-acquisition. The same view is shared by Christofferson et al. (2004), stating in their article that companies conducting rigorous due diligence are more likely to achieve their expected synergies and post-merger performance targets.

2.3 The M&A-Process

In this chapter the components of a simplified M&A process will be presented, with a specific focus on screening, due diligence, and integration, while excluding negotiation and deal closure since they are outside of this study's scope. The framework depicted in Figure 1, shows one way to explain the M&A process and it includes preparation, pre-due diligence, due diligence, negotiation, and closing, as presented by Kummer & Sliskovic (2007), but it also includes the integration phase. Within the preparation phase, which entails formulating an M&A strategy, engaging external advisors, and conducting screening, our study concentrates primarily on the screening part.

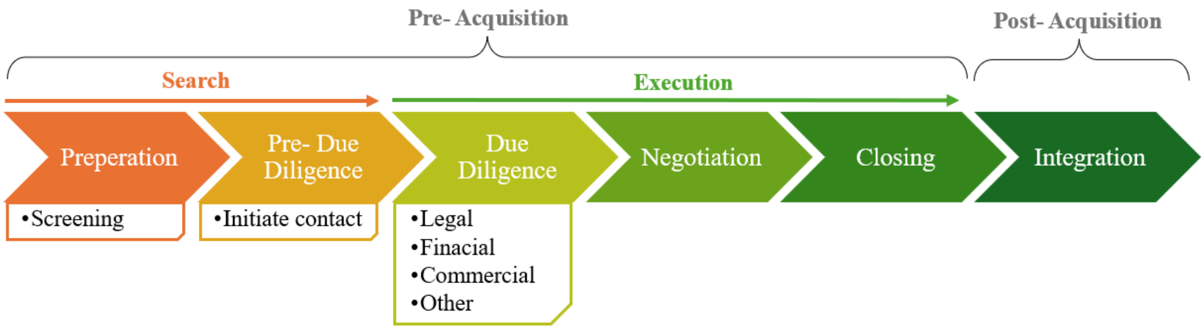

Figure 1: Overview of the M&A process. Adapted from Kummer & Sliskovic (2007).

2.3.1 Screening

The screening phase serves as the groundwork to find potential M&A targets (Gaughan, 2017). Even though it may sound simple, the screening process includes more than just looking through potential candidates, it needs a strategic analysis to make sure that the identified targets are well-aligned with the underlying strategic, financial and market objectives of the acquirer.

Katz & Rosenberg (2022) argues that one could divide the screening process into key steps and these should include:

- Establish specific goals for the acquisition to provide a framework for evaluating potential targets.
- Develop criteria to assess the financial, strategic, market, and cultural aspects of potential targets.
- Identify potential targets that meet the established criteria and analyze them in detail.

Within this process, screening criterias make it easier for companies to assess potential targets. Vasilopoulos et al. (2021) identify five key screening criteria for M&A: financial performance, strategic fit, market share, technological capabilities, and cultural alignment. With a similar idea, Koller et al. (2020) argue that a structured approach to screening, combining the financial metrics with the strategic and cultural considerations, could significantly improve the efficiency and end results of M&As.

Furthermore, it is integral that the screening process is dynamic, always adapting to evolving market conditions and new strategic objectives. Eisenhardt & Zbaracki (1992) emphasize the importance of high flexibility and reactivity in strategic decision-making, which is especially relevant within the fast-paced environment characteristic in the world of M&As. By maintaining a flexible approach, companies can quickly alter their course towards, or away from potential targets, as new information emerges and the circumstances change.

2.3.2 Due Diligence

In the upcoming sections we will explore different parts of due diligence processes, with a focus on the, according to Howson (2017), three most traditional components: financial due diligence, legal due diligence, and commercial due diligence.

2.3.2.1 Financial Due Diligence

Financial due diligence, FDD is, according to Howson (2017), the due diligence process which aims to provide an overview of the target company's financial position and profitability. The focus of an FDD is not to revise the financial statements, but rather to gather information and analyze the contributing factors to provide an initial opinion on the valuation of the target company. Furthermore, Howson argues that it is in the target company's own interest to present a strong financial position to appear more profitable than it might actually be. The reason being, that the target company wants to achieve a higher valuation before the upcoming negotiation. Howson suggests 4 areas which a FDD process should examine:

- Examine the profitability measures that have been presented
- Identify potential deal breakers
- Find arguments for a lower valuation of the target company before the negotiation
- Conclude a initial valuation of the target company

The implementation of FDD is partly based on analyzing annual reports and audit materials to discover potential uncertainties, but it also involves conducting interviews with key personnel in the business. The interviews aim to further examine and explain the target company's financial position in more detail (Howson, 2017).

Howson (2017) also writes that there can be significant legal differences between countries, regarding accounting policies. These differences can create complications in a FDD process. The implementation of FDD begins with the acquiring company designing a detailed list of information they want access to and which key personnel they want to interview. Respondents are chosen strategically for the acquiring company to form a thorough understanding of the target company's business, such as the target company's market strategy, competitiveness, and production. A thorough understanding of the target company's business leads to more insight into the financial results.

In summary, according to Howson (2017) the primary focus of the FDD process is to identify and analyze the target company's profitability and serve as a basis for company valuation. It is conducted by examining historical information and reviewing key personnel at the target company.

2.3.2.2 Legal Due Diligence

According to Howson (2017), the legal due diligence, LDD, process is to be considered the most important of the three main processes thus it forms the basis of the purchase and sale agreement. Furthermore Howson defines three main objectives of the LDD Process, which are:

- Uncover potential liabilities
- Find any legal or contractual obstacles
- Form the basis of the final agreement

Howson (2017) highlights the importance of discovering current, future and contingent liabilities which the target company has. Thorough analysis is crucial to ensure that no unforeseen liabilities exist and it should include examination of accounting positions, environmental regulations and intellectual property rights. Examples of such liabilities can be pensions and taxes, both of which can be detrimental if not accounted for in the pre-agreement process.

Furthermore Howson (2017) discusses the importance of a rigorous LDD process when addressing contractual issues, litigation risks and legal structures across countries. All of which needs to be navigated correctly to avoid expensive mistakes when constructing the purchasing agreement.

In conclusion, Howson (2017) emphasizes that the LDD process stretches across the different due diligence branches and is the central and most important part of the pre-negotiation. The focus during a LDD process is to examine agreements and legal frameworks with the aim to highlight potential dilemmas and purpose a sale- and purchase agreement.

2.3.2.3 Commercial Due Diligence

According to Howson (2017), Commercial Due Diligence, CDD, has an external focus with the main objective to gather information about the target companys' current and future business model. Data, such as the target company's market position, competitive advantages and other market related measurement is collected through public sources and industry experts. The main objective of the CDD process is to provide a comprehensive understanding of the target company's market situation and strategy.

Howson (2017) suggests three traditional aims of the CDD process:

- Highlight and mitigate future risk accordingly.
- Aid in the valuation of the target company
- Facilitate integration planning after the acquisition.

Furthermore Howson (2017) discusses the strategic approach to CDD, which aims on analyzing the strategic advantages of an acquisition. The advantages which can be directly related to the performance of the CDD process is such as, economics of scale, market entry, strategic alignment and other synergies post acquisition.

Howson (2017) also suggests that the scope of the acquisition will determine the main scope of the CDD process and it can vary based on deal size, existing market knowledge, perceived risks, and stakeholder requirements. It includes a broad range of topics from management quality and market penetration, to regulatory impacts and potential technological disruptions. Conducting CDD early in the acquisition process is recommended to confirm strategic fit and identify significant issues before incurring higher costs.

To summarize, Howson (2017) states that CDDs main focus is to analyze market dynamics to gain understanding of the target companys' competitiveness, longevity and possible synergies. Whilst also ensuring future profitability and strategy of integration. By conducting a thorough CDD, acquirers can make informed decisions, reduce risks, and enhance the value derived from the acquisition process.

2.3.3 Integration

M&A integration or Post-merger integration is the process of connecting two or more separate companies to perform and operate together (Patel, n.d.). The purpose is to achieve the intended synergies of the deal and to maximize its predicted value.

The acquirer should not always integrate the target company, instead the type of acquisition should decide to what degree a target company is integrated into the acquirer (Christensen et al., 2011). For example, if the purpose of the acquisition is to improve the acquirer's business model, the target's business model should often be dissolved and the target's resources should be folded into the acquirer. However, if the target is bought because of their business model, it is important to let them continue operating separately and keep their model intact.

According to Patel (n.d.), there are four common types of integration strategies:

- Standalone Integration
- Targeted Integration
- Full integration
- Functional Integration

Standalone integration, the least utilized M&A strategy, involves the acquirer gaining control of the cash flow and financial reporting without disrupting the target's business (Patel, n.d.). Targeted integration captures synergies by integrating back-office operations and adjusting management and organizational structure without disrupting the target business. Full integration absorbs the target company entirely, eliminating its identity, and is the most common strategy. Functional integration involves integrating specific parts of the target's business, such as HR, accounting, purchasing, IT, marketing, and sales departments.

2.4 Culture

In a world that seems to become more global for every day that passes, it might feel as though the lines between cultures have been blurred out to a greater extent than they actually have. Because of this, together with the fact that cultural due diligence, unlike legal and financial, is not compulsory (Panda, 2013), it might feel tempting to overlook the part that culture plays in all aspects of business life. Howson (2017) warns his readers not to fall in this trap and stresses the importance of taking culture into account when assessing a potential target company.

Culture is often seen as a vague and abstract concept, however it is one of the most crucial factors in making an organization successful (The Culture Factor Group, 2024). There are many ways to define culture, and Professor Geert Hofstede's (2011) definition of culture is as follows, *"Culture is the collective programming of the mind that distinguishes the members of one group or category of people from others"*. Thus, culture represents a collective construct, yet a wide range of individuals exist within each collective. The range of individuals can be conceptualized with a bell curve, where a majority of individuals within a culture share common traits.

The term culture is most commonly applied to describe nations, organizations and ethnic groups (Hofstede, 2011). However, national cultures are much deeper rooted in the human mind than organizational cultures acquired at work.

2.4.1 Organizational Culture

As implied by the name, Organizational Culture is the culture that exists within an organization. In other terms it is the types of attitudes and agreed ways of working shared by the employees of the organization (Cambridge University Press, 2011). As Thomas (2000) explains, this can include both more apparent aspects such as how employees interact, dress codes and the visual expression of the company, as well as more subtle ones like values, goals and customs. Aycan et al. (1999) explain that these aspects also affect how human resource management is handled at companies. This means that insight into company human resource management also can give insights into company culture and its cultural environment. The authors bring up how aspects such as if the company is process- or result-driven will impact how management looks at its employees and how for example supervision and reward systems are used. This is further elaborated on in *2.4.3 Classifying and Measuring Culture*.

2.4.2 National Culture

On the other hand, national culture are common traits of a group of people that have been brought up within a given country (The Culture Factor Group, 2023a). People of a national culture tend to possess specific beliefs about the right way to do things shaped from their childhood. National culture is however less apparent in small groups. As the size of the group decreases the traits of national culture becomes less evident.

2.4.3 Classifying and Measuring Culture

A well respected framework for classifying national cultures is the Hofstede Dimensions. The framework consists of six dimensions (Hofstede, 2011):

- *Power Distance* - The degree of acceptance of inequality in power by non-leading followers. This underlines the fact that inequality is upheld by both followers and leaders.
- *Uncertainty Avoidance* - The degree to which a society avoids any form of vagueness and uncertainty. Societies with a low tolerance for uncertainty tend to establish rigid behavioral norms to more easily deal with any unexpected or novel situations.

- *Individualism* - The degree to which individuals are tied together and expect to be looked after by others. Tends to correlate with the extent of families, for example, if just the immediate family members are one's family, or if it extends to aunts and uncles. The opposite of collectivism.
- *Masculinity vs Femininity* - The degree to which the values differ between the genders. While the values of women tend to be quite static between cultures, the values of men are often what defines the culture. A more feminine culture is therefore a culture where the values of men align more with the values of women.
- *Long-Term Orientation* - The degree to which people of a culture adapt to the present and are perseverant. Asian and Eastern European cultures are generally long-term oriented, while "Western" culture generally is more short-term oriented.
- *Indulgence* - The degree to which people are allowed to give in to basic human desires related to living an enjoyable life. Somewhat negatively correlated to the previous dimension, long-term orientation.

Each dimension is measured on a scale of 0-100. Using this framework, measurements for over 100 nations have been stored in a database at The Culture Factor Group (2023b). From this database nations can be compared to each other in great detail, and a cultural distance can be calculated. By cultural distance we mean how much the culture of two nations differ, which through these numerical dimensions can be measured as a delta.

Just like national culture, organizational culture is challenging to measure. Denison (1984) writes, "*The measurement of something as complex and amorphous as an organization's culture has been the subject of much debate. Some argue that each culture is unique and must be intuitively "sensed" rather than measured.*" However, The Culture Factor Group (n.d.) argues that it definitely can be measured:

> *Organizational Culture tends to be more straightforward and precise to measure than National Culture. This is because, unlike nations, most organizations have clear objectives and requirements. Most of the activities within the organization are designed to meet those objectives and requirements.*

While there are different views on the feasibility of measuring organizational culture, there are multiple frameworks for it, with The Culture Factor Group's framework being one of them. The framework consists of six dimensions:

1. Organizational Effectiveness
2. Customer Orientation
3. Level of Control
4. Focus
5. Approachability
6. Management Philosophy

While this framework is a good baseline to measure a company's performance, it is not as accessible since there is no predefined database with the score for companies. Instead it is up to every individual user of this framework to make their own assessment for each of the dimensions, making it subjective and less suitable for comparing different measurements. Aycan et al. (1999) bring up another one; *the Model of Culture Fit,* that takes several aspects into account and relates them to the HR management practices of a company. These aspects, that can be broken down further, are:

1. Physical and Socio-Political Environment
2. Enterprise Environment
3. Socio-Cultural Dimensions
4. Internal Work Culture

In their study, the authors used this framework as a basis for a questionnaire, with questions relating specifically to each assessed aspect. In this way, each aspect was quantified and could, just as Hofstede's Dimensions, be compared.

Katzenbach & Smith (2015) describe a team as *"A small group of people with complementary skills who are committed to a common purpose, performance goals and approach for which they are mutually accountable*". They also put forward their framework for understanding team dynamics, consisting of three deliverables of teams, namely *Performance Results*, *Collective Work Products* and *Personal Growth*, and three qualities, *Skills*, *Accountability* and *Commitment*, as seen in Figure 2, that together enables the deliverables. These qualities are further broken down into aspects that they depend on. For example, good problem solving affects the team's *Skills* positively, which in turn, and in addition to good *Accountability*, support *Performance Results*. The authors argue that all teams can be evaluated on these aspects, and through that, be compared to other teams and better understood.

Figure 2: Illustration of three key aspects of team dynamics (Katzenbach & Smith, 2015). Reprinted with permission.

Finally, Meyer (2014) presents an accessible way of visualizing national management culture. In this framework a country's management culture is evaluated on eight comparable aspects:

1. Communication - Low/High-Context
2. Evaluation - Direct/Indirect negative feedback
3. Persuasion - Specific/Holistic
4. Leadership - Egalitarian/Hierarchical
5. Decision making - Consensual/Top-down
6. Trust - Task based/Relationship based
7. Disagreement - Confrontational/Avoidant
8. Scheduling - Linear time/Flexible time

Meyer (2014) argues that these aspects can have an immense impact on the success of any business related activity in an international context. She brings up the example of the big difference in outlooks on leadership in Denmark, an egalitarian country, and Russia, a hierarchical country, and relates it to a Danish boss having issues with his Russian staff who see him as weak and incompetent. She also pushes the importance of knowing one's own culture to properly assess another culture but adding that it can be difficult to understand the culture that one is already emerged in without comparing it to something different. An effective example of how these aspects can be visualized is illustrated below in Figure 3.

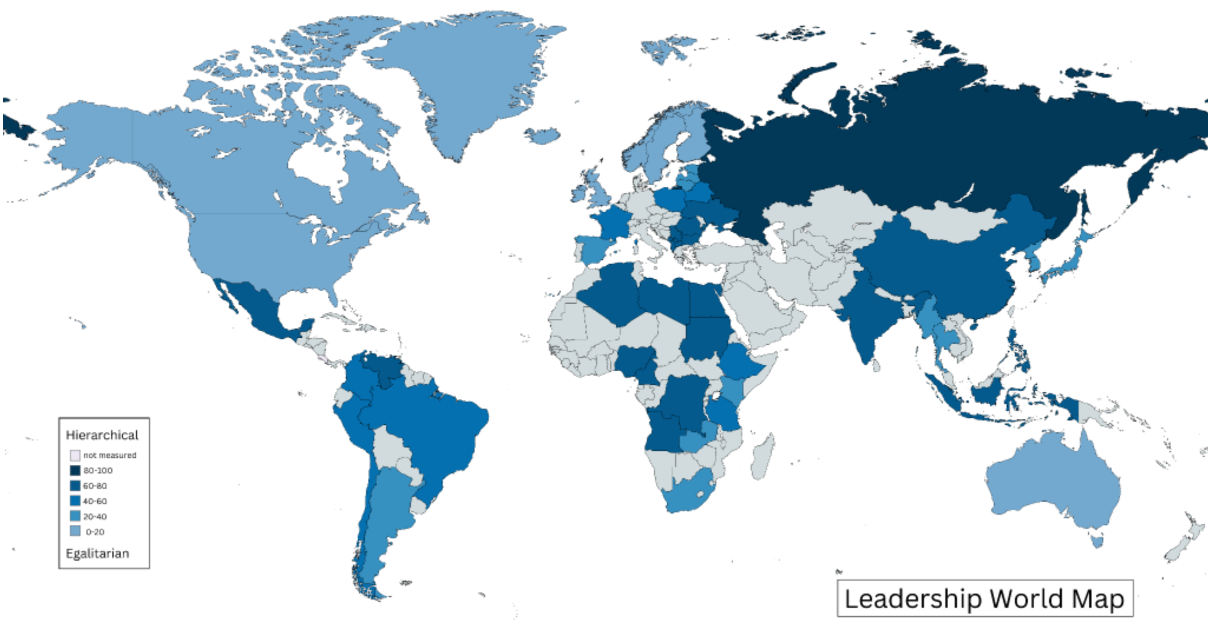

Figure 3: Illustration of a leadership world map. Adapted from Meyer (2014).

2.4.4 Impact of Corporate Culture on Company Performance

A study by Denison (1984) shows that organizations with participative organizational cultures and well-organized workplaces have better financial performance than those that do not. The study measures an organization-of-work index that consists of four survey areas:

- Clear and reasonable goals
- Sensible organization of work
- Adaptation of work methods
- Decision making at appropriate levels

These four areas collectively added up to the organization-of-work index, and an organization with participative organizational culture and well-organized workplace would score high on this index.

Over the 5 years that were studied, organizations with a high organization-of-work index, had nearly double the return on their investments compared to organizations with a low index (Denison, 1984). This means that organizations that can foster a participative culture will see that they can obtain very real returns on this investment. Adding to this, the data suggests that the effect of corporate culture on performance is cumulative. The study was based on survey data from 43,747 respondents across 34 companies.

2.4.5 Relationship Between National and Organizational Culture

The impact national culture has on corporate culture is a subject of debate. Naor et al. (2009) studied the difference in organizational culture between western and eastern countries. Western and eastern countries vary greatly in national culture, and the study aimed to find how that impacted the organizational culture in these countries. They concluded that the cultural dimensions of power distance, performance orientation and future orientation differ between western and eastern countries. These cultural dimensions in the organization are influenced by the national culture. National culture impacts the organizational hierarchy and strategic planning for example, influencing the organizational power distance dimension and future dimension. Further the national culture impacts how companies incentivise their employees, some give awards for extraordinary employees, and some don’t. This impacts the performance orientation.

Conversely, there was not a significant difference between western and eastern countries in dimensions related to people's attitudes and behavior, such as institutional collectivism, in-group collectivism, assertiveness, uncertainty avoidance, and humane orientation (Naor et al., 2009). This means that organizations can train their employees in these dimensions. Employees can be teached to cooperate in a team, avoid conflicts, generate commitment through pride in the company, and use statistical methods instead of gut-feelings, for example.

2.4.6 Culture and Cross-border M&A

The literature on the success of cross-border M&A related to the cultural distance between the acquirer and target company is mixed, but general trends can be observed. A well cited study on this subject found that cross-border M&A perform better in the long run if the acquirer and target company have larger cultural distance, that means that they come from countries that are culturally more different (Chakrabarti et al., 2009). The cultural distance is measured using Hofstede's framework for national culture. It is the overall cultural distance that gives the positive impact, rather than individual cultural dimensions in the framework. The long term positive effect comes from culturally distant companies yielding higher synergies and operational strengths in a global market. These synergies come from larger capability transfer, resource sharing and learning between the culturally distant organizations. Cultural distance may lead to distrust, arising from unfamiliarities of the other culture, and trust plays a major role in M&A transactions. This leads to more rigorous due diligences' being made when acquiring culturally distant companies, avoiding poor purchases and contributing to the long term positive effect. Additional synergies can be identified when the acquirer is from a strong economic system and the target is from a weak economic system. However, larger cultural distance may lead to challenges in the short term, and post-merger integration tends to be more difficult.

Another study by Chand et al. (2023) nuances the relationship between cultural distance and cross-border M&A success even further. Contrasting to the previous study, they found a strong negative relationship between national cultural distance and cross-border M&A success. Meaning that the M&A performed better if the acquirer and target had smaller cultural distance. However there was only a negative relationship if the acquirer and target were in different industries, if they were in the same industry the negative relationship was mitigated. Further, the M&A success was evaluated based on shareholder returns 6-months after the M&A compared to 1-month before the M&A. This would classify as short term and thus confirms Chakarabarti's speculations that large national cultural distance leads to challenges in the short-term. Both studies used Hofstedes's national culture framework.

A third study complements the previous two studies. Cultural distance negatively impacts value-creation of the acquirer and reduces shareholder value in the short term (Boateng et al., 2019). However in the long term cultural distance seems to be irrelevant. This study complements the other two studies by finding that the extent of the negative effects from cultural distance is affected by acquirer size and previous M&A experience. In other words, acquirers with extensive experience and large acquirers often have resources to overcome cultural problems and create value, as their results indicate that culture has an effect on value creation. The authors therefore recommend to not only focus on corporate governance reforms, but also to engage in cultural changes during cross-border M&As integrations.

2.4.7 Cultural Due Diligence

As noted in the beginning of this chapter, culture is often overlooked in the formalized world of M&A (Panda, 2013). However, several authors, including Denison & Ko (2016), argue that cultural assessment early on in a transaction is one of the key elements to success.

Denison & Ko (2016) explain that through the merging of two companies, the organizations not only have to share financials and technology, but also people, culture and goals. For this reason, cultural understanding is important to mitigate integration problems. While the authors add to the notion that cultural due diligence often is overlooked, they describe several applicable approaches and frameworks and what to do with the resulting findings. Many of the approaches involve employee surveys.

Thomas (2000) discusses the pitfalls related to the cultural aspect of due diligence and declares culture clashes as one of the main factors for failure during M&As. While national culture plays a significant part, an assessment and quantisation of other cultural dimensions such as organizational culture is essential. He describes how cultural due diligence might be of even greater importance when the two parties act in the same country, since the cultural aspects in those cases are easier to look past. While Thomas mentions ways of mapping and quantifying cultural aspects for assessment and comparison, he describes one of the reasons that culture is overlooked as the fact that "[...] *acquisition teams are comprised mostly of financial analysts, who naturally focus on financial data. Top managers, too, generally are more comfortable with 'hard', easily quantifiable issues than softer ones like culture*". Evidently, there are ways of putting culture into numbers.

Thomas (2000) also brings up one of the big issues of cultural due diligence, namely that it is hard to assess something you do not have access to. When a company is looking at a potential acquisition, they more often than not cannot approach the employees or even the management directly for secrecy reasons. He continues with putting forward a framework for the cultural due diligence process with regard to this problem. In the first step of this framework, where the target is not yet approached, the cultural due diligence team proceed with a desktop assessment as soon as the acquiring company has gone through a self- assessment of culture. This desktop approach is based on finding everything accessible to the public, including annual reports, articles, internet chat rooms and notions from former employees. With this information a rough measure of the cultural distance can be made through any of the applicable cultural frameworks.

2.5 M&A Performance

M&A performance can be measured in many different ways. In a study by Zollo & Meier (2008) they identified 12 different ways to measure M&A performance by analyzing 88 different papers within the subject M&A. Das & Kapil (2012) conducted a similar study, but instead categorized M&A performance in three broad categories:

1. Accounting measures
2. Market measures
3. Other measures

Accounting measures include the traditional financial measures such as sales growth and different profitability measures (Das & Kapil, 2012). The authors say that the reason that this category is so popular is that it is easy to understand and for its availability. The most common performance metrics identified by Zollo & Meier (2008) were short- and long-term financial measures and they could fit into this category.

As the second category of M&A performance measures, market measures take into account the market's reaction to the transaction, therefore common metrics are market share, stock performance or sales increases (Das & Kapil, 2012).

Lastly Das & Kapil (2012) categorizes all other measures as just other measures. These measures are not as common but include synergy realization, employee retention, customer satisfaction etc. In Zollo & Meier's (2008) study, metrics that could be categorized in this category were used in 23% of the total 88 studies analyzed.

2.6 Literary summary

The presented literature suggests that M&A transactions are influenced by a variety of motives, making them complex to analyze as well as categorize. Attempts to classify the motives have led to several recognized categories such as synergy, agency and hubris. Furthermore, M&A decisions are often driven by a combination of motives, and understanding these is crucial for analyzing M&A transactions and their respective outcomes.

Risk analysis and management also play a crucial role in ensuring successful transactions. By analyzing the target company, as well as external factors, risks can be identified and evaluated. In combination with risk management strategies, potential pitfalls may be mitigated to protect value and optimize the outcome.

The literature also explains the phases typically involved in an M&A process, such as screening, due diligence and integration. The screening phase identifies potential M&A targets that align with the acquirer's strategic, financial, and commercial objectives. This involves establishing specific acquisition goals and developing criterias to assess potential targets. The literature suggests that a structured approach to screening improves the efficiency and outcomes of M&A transactions, at the same time stating that it is integral that the screening process is dynamic, flexible and reactive in today's fast-paced environment. The screening phase is followed by the due diligence phase, involving in-depth examination of several aspects of the target company, typically financial, legal and commercial aspects. Next is the post-merger integration process which connects the separate companies to a certain degree in order to achieve intended synergies and maximize value. The degree of integration varies, from maintaining the target's business model to absorbing it entirely, and is dependent on several factors.

The literature suggests that culture plays a crucial role in various aspects of business. While cultural due diligence is often overlooked in favor of financial and legal aspects, the literature indicates that understanding culture is essential for assessing potential target companies accurately.

Organizational culture encompasses shared attitudes, values, and behaviors within a company, influencing human resource management practices and organizational effectiveness. National culture, on the other hand, reflects common traits of people brought up in a particular country, influencing beliefs and behaviors. Classifying and measuring culture can be done using frameworks like Hofstede's Dimensions, which include power distance, uncertainty avoidance, individualism, masculinity vs. femininity, long-term orientation, and indulgence. Another way to measure culture is by using The Culture Factor Group's framework or the Model of Culture Fit. The literature also suggests that corporate culture has a significant impact on company performance, with participative organizational cultures and well-organized workplaces showing better financial performance.

In cross-border M&A, cultural distance between the acquirer and target company can affect success. While some studies suggest that greater cultural distance leads to better long-term performance due to increased synergies, others argue that smaller cultural distance is associated with better short-term outcomes, especially if the acquirer and target operate in the same industry. It is uncertain how organizational culture is influenced by national culture, and the literature states that employees can learn to cooperate in a team despite differences in national culture.

Cultural due diligence is crucial in M&A transactions to mitigate integration problems. Various approaches and frameworks exist for cultural assessment. Despite the challenges, understanding and quantifying cultural aspects are essential for successful M&A integration.

Lastly, the literature suggests various metrics that may be used to assess M&A performance, and broadly categorizes them into three main groups: accounting measures, market measures, and other measures. Accounting measures focus on traditional financial indicators such as sales growth and profitability, and are popular due to their simplicity and availability. Market measures reflect on how investors and the market perceive the M&A transaction, and use metrics such as market share, stock performance, and sales increases. Other measures encompass a variety of less common metrics such as synergy realization, employee retention, and customer satisfaction.

3. Method

This chapter presents the chosen method approach and a motivation on each step taken to best suit the study. The study had an abductive approach and was of qualitative nature. The three initial chapters describe the working procedure of the thesis, the choice of methodological approach and the procedure of creating a literature framework. The following chapters describe the empirical study, which was based on data collection through interviews, and how the data was analyzed through grounded theory. Lastly, the methodological approach is discussed in terms of validity and objectivity.

3.1 Research Process

The working procedure of this thesis followed the phases described by Baptiste (2001). The initial phase of the thesis involved planning the study's structure, gathering literature to build an initial understanding of the subject, and writing a planning report. The report outlined the study's objectives, research questions, and proposed a methodological framework.

Building on the initial framework, the second phase focused on conducting comprehensive theoretical studies to establish a solid theoretical foundation. This foundation was crucial to create the interview guide and ensuring that the right questions were asked. This stage also included reaching out to potential interview candidates.

The third phase centered on collecting data through interviews, with a total of 26 interviews conducted. This phase was critical for gathering the primary data needed to answer the research question. It also involved transcribing and coding the interviews to prepare for analysis.

The fourth and last part of the working procedure, involved the analysis of interview data to derive meaningful conclusions and insights. The findings from the theoretical studies and the analyzed interview data formed the results for this study.

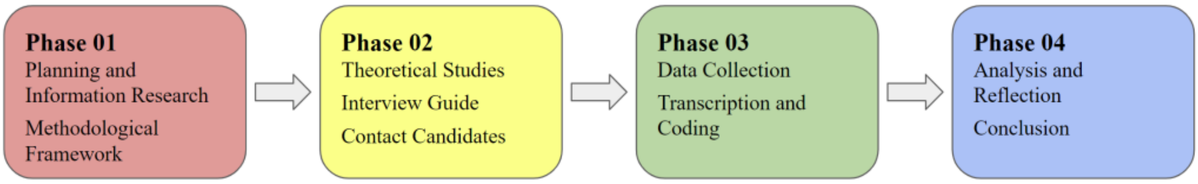

Figure 4: Overview of the study's research process.

3.2 Methodological Approach

The study employed a qualitative research method, which interprets and draws conclusions from subjects observed in their natural settings, making it ideal for exploratory studies that require in-depth understanding (Ryen, 2004; Yin, 2015). Thus, these methods were well suited for this study.

Research design involves the planning and execution of a study, and includes methods for finding interviewees, conducting experiments, and collecting and understanding the gathered data (Rosenstein, 2019). The primary method used was semi-structured interviews. The theoretical studies formed the basis for the theory on which the interview material was built, and together, the data from these two qualitative methods enabled a nuanced and deep analysis.

Qualitative research, such as interview studies, have some common criticism that needs to be addressed. The reliability of qualitative research can be criticized because articles only highlight parts of the data material (Ryen, 2004). Furthermore, anecdotes and anecdotal evidence are often used, where one does not as often hear about the deviating data. Thus, the validity of qualitative studies is sometimes criticized. To address these issues, a sufficient number of interviews was conducted, and had multiple people validate and review the study's findings.

3.3 Theoretical Studies

Prior to conducting interviews, it is crucial to have a thorough understanding of the relevant theoretical concepts, as they will guide the focus of the investigation, therefore the theoretical studies were done (Creswell & Creswell, 2023). Several databases were utilized to find suitable literature within the subject areas. Research questions and keywords, such as *cross-border M&A*, *due-diligence, cultural impacts in M&A, failure in M&A, M&A risks* and *HR in M&A,* were used to search for relevant articles, journals and books. Various databases were used for the literature search, such as Science Direct, Google Scholar, Scopus, and Emerald. Additionally, several of these databases were accessed through searches via Chalmers Library.

3.4 Interview Study

Interviewing is a good method for understanding people’s perspectives on things (Lareau, 2021). Interviews depend on good fit respondents; if the respondent is unable to describe or talk about certain topics the interview can fail to get useful data. Different interview styles yield different results and conclusions (Lantz, 2013). An open interview allows the respondent to share what they consider important within the subject, with the respondent deciding and defining the topic. A structured interview, on the other hand, is based on certain delimitations and definitions and tries to capture the respondent's perception and thoughts.

According to Ryen (2004), a structured interview reduces the risk of missing critical elements of the subject, but could also cause the interviewers to stick to their questions, in turn limiting their ability to explore topics more deeply.

A semi-structured interview is an interview technique that allows for flexibility (Brinkmann, 2013). The semi-structured interview starts with a "*model of concepts and relationships between them*", and through questions, seeks the interviewees' knowledge and thoughts about the topics the interviewer considers important (Lantz, 2013). This type of interview is based on a few previously prepared questions, which ensures that the interview stays on topic, while also allowing follow-up questions (Brinkmann, 2013).

Follow-up questions enable a deeper understanding of the respondents' various experiences, especially those experiences that prove particularly interesting when answering the study's research questions. If there are well-established theories and models about the work, a structured interview technique is more suitable (Lantz, 2013). If the purpose, as in this study, is to develop models, it is appropriate to use a semi structured interview.

3.4.1 Sampling

Selection criteria for potential interviewees were established to ensure relevant and insightful answers to our interview questions. Only individuals with first-hand experience of cross-border M&A transactions were contacted and asked to participate in the study. Notably, the selection criteria were deliberately inclusive, aiming to capture a diverse array of perspectives and experiences within cross-border M&A transactions, including persons entitled CEOs, CFOs, CSOs, strategy consultants and M&A advisors. The candidates also included persons with relevant experience in cultural due diligence. Due to the complex nature of cross-border M&A transactions, no constraints were imposed based on industry or buy/sell-side orientation. A total of 65 individuals were contacted for interviews, of which 26 agreed to participate. The candidates who declined participation cannot be considered to contribute to a biased representation of the study, as the study continued until data saturation occurred and a nuanced portrayal of cross-border M&As was obtained. According to Fusch & Ness (2015), data saturation occurs when sufficient information has been gathered to replicate the study and the likelihood of obtaining new insights is minimal.

From the 26 candidates, the collective experience of cross-border M&As were approximately 1200 completed transactions and 13 of the interviewees chose to be anonymous due to the sensitive nature of the information they provided and the companies which they represented. The anonymized interviewees provided nuanced expert insights that significantly enhanced the academic credibility of the study.

To identify potential interviewees, different approaches were employed, such as through social network platforms, personal contacts, chain recommendations, email and web searches targeting persons with experience of cross-border transactions. For the web searches, keywords such as *M&A advisory, strategy consultant, M&A director, investment company, private equity, cross-border M&A, cultural strategy in M&A,* were used to find suitable candidates.

The primary method for initiating contact with candidates was through email. In the email, a brief overview of the thesis objectives was provided. If the candidate agreed to participate in the study, an interview was scheduled. The selected contact method was selected to facilitate an efficient outreach and to ensure that each candidate received the same information prior to the interview.

Table 1: Respondent and company information. Adapted from Allabolag (n.d.)

Name	**Role**	**Company**	**Corporate type**	**Interview date**
Anonymous 1	CEO	Company 1	Investment Company	March 19, 2024
Anonymous 2	CFO	Company 2	Investment Company	April 17, 2024
Anonymous 3	Senior Associate	Company 3	Consulting Firm	March 8, 2024
Anonymous 4	CEO & Chairman	Company 4	Consulting Firm	April 4, 2024
Anonymous 5	Chief Digital & Information Officer	Company 5	Industrial Company	April 5, 2024
Anonymous 6	Head of M&A	Company 6	Investment Company	April 9, 2024
Anonymous 7	Executive M&A	Company 7	Consulting Firm	April 8, 2024
Anonymous 8	Associate Director	Company 8	M&A - Advisory	March 8, 2024
Anonymous 9	Director	Company 9	Consulting Firm	April 18, 2024
Anonymous 10	Head of Group M&A	Company 10	Consulting Firm	April 4, 2024
Anonymous 11	Associate	Company 11	Consulting Firm	March 7, 2024
Anonymous 12	Partner	Company 12	Consulting Firm	March 7, 2024
Anonymous 13	M&A Consultant	Company 13	Consulting Firm	March 22, 2024
Tim Danielsson	M&A Manager in people and organization	PwC	Consulting Firm	March 26, 2024
Andreas Ekström	Head of M&A	Telia	Telecommunications Company	April 26, 2024
Azin Weisser	Director	EY	Consulting Firm	April 15, 2024
Christian White	CO-Head of M&A	Ernströmgruppen	Investment Company	April 9, 2024
David Ramm	Partner	Grant Thornton Sweden	Consulting Firm	March 21, 2024

Hans Backman	CFO	NIBE Industrier	Industrial Company	March 7, 2024
Leif Åkesson	Vice President Acquisitions	Ernströmgruppen	Investment Company	April 3, 2024
Marcus Nylén	Partner	EY	Consulting Firm	April 4, 2024
Mathias Hölcke	M&A Director	Essity	Industrial Company	April 11, 2024
Mattias Hallendorff	Group Legal Council	OptiGroup	Industrial Company	March 13, 2024
Max Strandwitz	CEO	Mips	Industrial Company	March 25, 2024
Tor Fardell	Manager	OptiGroup	Industrial Company	April 10, 2024
Zakarias Challis	Senior Manager, People and Organization	PwC	Consulting Firm	April 17, 2024

3.4.2 Preparations

As preparation for the interviews, an interview guide was created. The guide started with a set of inquiries and guidelines put forth by Lantz (2013). Lantz underscored the necessity of clarifying the study's objectives and the framework of the interview, covering its duration, documentation procedures, implementation of findings, and whether the findings will be shared among participants. Ethical considerations for conducting the interview should also be discussed here. Questions about confidentiality, anonymity, how long the material will be stored, and who will have access to it should also be addressed.

In accordance with Lareau (2021), the interview guide followed the funnel technique, starting with open questions regarding the M&A process, and progressed towards more specific questions, regarding the due diligence phase, further on. Additionally, Lareau suggests that if the interviewers are still looking for respondents, it could be beneficial to ask the respondents for recommendations. Therefore, this question was included as the final one in the interview guide.

3.4.3 The Interview

The interviews conducted in this study primarily took place via Microsoft Teams, with a few exceptions where face-to-face interviews were arranged at the interviewee’s office. Every interview lasted between 60 to 80 minutes, depending on the interviewees available time and received answers. According to Judge & Neustaedter (2015), conducting interviews through Microsoft Teams could present benefits from a research standpoint, such as:

- Access to a wider candidate pool, since there is no geographical limitation

- Flexibility. Online interviews provide significant flexibility regarding scheduling and rescheduling.
- Data management. Microsoft Teams offers recording and transcription tools which simplifies data collection and the possibility to revisit each interview with ease. The video recording tool also enhances revisitation to see facial expressions and social cues which otherwise might get lost in voice recordings.

However, Judge & Neustaedter (2015) notes that there are also possible challenges related to conducting interviews through online software, such as Microsoft Teams. Some of these disadvantages are:

- Technical challenges, e.g unstable internet connection, which can affect the quality of data collected and reduce the effective time of the interview.
- Limited expressions. Online interviews reduce the ability to non-verbal cues and limit the visual cues which are available with in-person interviews.
- Increased dependencies. The usage of online interviewing requires the candidate to have prior knowledge of the software which increases the interviewer's dependency on the candidate's technical proficiency.

To address the challenges outlined by Judge & Neustaedter (2015), the interviewers of this study ensured to always be at a location with reliable internet connection, and allocated additional time for each interview in case of connection issues. Furthermore, each interviewee had the option of either a face-to-face or online-based interview. For online interviews, each interviewee could choose which software to be used, such as Zoom, Microsoft Teams or Google Meet. All interview sessions were recorded to simplify transcription and analysis. The built-in recording function within Microsoft Teams was utilized for the majority of interviews. In instances where the Microsoft Teams recording function was unavailable or impractical, mobile phones were used to record the interviews.

To ensure an efficient interview process, two persons were involved in each interview session. The interviewing pair was alternated between interviews to reduce the risk of biases. This approach made it easier and more efficient to execute interviews. Leavy (2020) mentions several potential risks of using different interviewers in a semi-structured interview setting, such as:

- Inconsistency in interview technique.
- Increased complexity of the analysis.
- Inconsistency in follow-up questions.

To minimize the presented risks, each interview followed the detailed interview guide with essential questions for the study and examples of potential follow-up questions. The risk of inconsistency in interview technique was addressed by having a thorough discussion on how the interviews should be conducted prior to the first interview. Furthermore, two more debriefing sessions were held to ensure that each interviewer used the same interview technique. The second risk was addressed by having a detailed interview protocol with the essential questions which was to be considered vital for the study. Each interviewer had the responsibility to see to that these questions were to be answered during the interview. The third risk mentioned was addressed by having regular group discussions on relevant follow-up questions to gain a deeper understanding. However these follow-up questions were not to be regarded as vital for the study.

3.5 Analyzing Qualitative Data

The analysis was based on grounded theory, which is a method where individual experiences successively shape conceptual categories in a dataset to understand, explain, and find patterns (Charmaz, 2012). Subsequently, an analysis is conducted on the parts that appear most relevant to the study. Charmaz further states that grounded theory is a structured and well-established process for shaping and managing qualitative data.

The first step of data analysis was to reduce the amount of data so only data deemed relevant and intended for the analysis remained, as recommended by Lantz (2013). The original transcript was saved to prevent data loss. According to Adeoye‐Olatunde & Olenik (2021), a suitable way to analyze interviews is to transcribe and code the interviews to find common themes for the responses; the study followed this approach.

Coding is a process with the aim of finding *"summary words for certain segments of words"* in order to facilitate the analysis and not give too much importance to individual quotes (Lantz, 2013). After coding had been done, patterns were identified between the responses. The last step was the analysis of the responses which was then used to draw conclusions.

3.6 Critical Discussion

Achieving trustworthiness in a study is considered the most important aspect of a research (Elo et al., 2014). Lincoln & Guba (1985) describes the four steps to achieve trustworthiness in their book *Naturalistic Inquiry* which are *internal validity, external validity, reliability and objectivity*. This chapter delves into the crucial aspects of a critical discussion and discusses the methodologies employed and evaluates their effectiveness within the study.

3.6.1 Internal Validity

To ensure internal validity in the study, numerous strategies presented by Morse et al. (2002), were employed. The research continued until no new information emerged, member checks were performed on the analysis and continuous reflection on assumptions were made to establish internal validity, as discussed by Morse et al.

3.6.2 External Validity

External validity is described by Newhart & Patten (2023) as the extent to which the study produces generalizable knowledge which is applicable to a broader context. A thick description is a way of achieving external validity and is done by describing the research in sufficient detail so it achieves generalizable knowledge (Lincoln & Guba, 1985). Thick description was utilized in this thesis by providing detailed descriptions of how the interviews were structured, the methods employed for analysis and the support given for discussions and reflections.

3.6.3 Reliability

According to Roberts & Priest (2006), reliability in qualitative research refers to the degree to which the research generates consistent results over time with the same conditions. The study's authors addressed the factors which influence the reliability, as outlined by Roberts & Priest. One of the main processes described by Roberts & Priest is independent auditing. Independent auditing is the process of which a non-involved person with more, or equal, knowledge of the research subject examines the research and the conclusions drawn from the study. The independent auditing was performed by multiple peer-review sessions and by the project's supervisor, Gunnar Wramsby, who contributed to the reliability by providing guidance, answering queries, and proofreading the report.

3.6.4 Objectivity

In qualitative research, objectivity refers to the impartiality and neutrality of the researcher in conducting a study. It emphasizes the researcher's ability to present the findings based on the data without personal biases and agendas (Cooper, 1997). To achieve objectivity in the study the authors adopted the strategies: reflexivity, member check, peer review, triangulation and audit trail, which were presented by Cooper. Reflexivity is when researchers critically examine their own potential biases and impact on the process and findings of the study. The writers addressed this by reading literature and analyzing their findings in a group discussion. To further reduce biases in the study, interviews were transcribed and coded by group members who were different from those who conducted the interviews. The second strategy employed to ensure objectivity was the usage of member checks, as previously mentioned in chapter 3.6.1 on Internal Validity. The third approach to guarantee objectivity was the utilization of peer reviews, as described in chapter 3.6.3 on reliability. The fourth strategy used was the employment of triangulation. The study achieved triangulation by theoretical studies and the inclusion of a diverse range of interview participants with different opinions and experiences. The fifth and final measure employed to ensure objectivity, was the creation of an audit trail. The purpose of an audit trail is to allow readers to follow the decision-making process and assess the study's objectivity (Cooper, 1997; Lincoln & Guba, 1985).

4. Empirical Study

The chapter provides an overview of the collected data. This collection of data was done through engaging in-depth interviews with 26 industry experts, who together have experience of over 1200 cross-border M&A transactions. The empirical findings capture the complex nature of the subject and lay the foundation for the analysis of the study. The data is structured around the thematic elements from the interview guide, in Figure 5 this structure is presented and also connected with the literature.

Literature Chapter	Interview Questions	Empirical Results
Motives for M&A • Synergy • Other Motives	**2:** 2.0, 2.1, 2.2 **5:** 5.1, 5.3,	
Risks in M&A • Risk Management • Integration with Due Diligence	**3:** 3.0, 3.1 **7:** 7.0, 7.1, 7.2 **8:** 8.0 **9:** 9.0, 9.1	Cross-border M&A

The M&A Process
• Screening
• Due Diligence
  ○ FDD, LDD, CDD
  ○ Cultural DD
• Integration
	4: 4.0, 4.1, 4.2
	5: 5.2, 5.2.1, 5.2.2
	6: 6.0, 6.1, 6.1.1, 6.1.2, 6.2, 6.3, 6.4, 6.5
	8: 8.0
	10: 10.0, 10.1, 10.2,
		Culture

Culture • Corporate vs National Culture • Classifying Culture • Culture and Cross Border M&A	**9:** 9.0, 9.1 **10:** 10.2, 10.3, 10.4, 10.5 **11:** 11.0, 11.1	Other Findings
M&A Performance	**2:** 2.0, 2.1, 2.2 **5:** 5.3, 5.3.1, 5.4	

Figure 5: Relation between literature chapters, interview questions and empirical results.

The section *Cross-border M&A* presents the empirical findings of success factors and challenges of cross-border M&As. Section 4.2, *Culture*, exhibits the empirical findings regarding culture in cross-border M&As, including the challenges and ways of working with culture. The last section, *Other Findings*, presents findings the authors find interesting that do not fit in the other sections.

4.1 Cross-border M&A

A recurring pattern in the interviews is that the definition of a successful M&A transaction remains consistent, whether it is a cross-border deal or a domestic transaction. Mattias Hallendorf (OptiGroup) defines a successful M&A transaction as, *"One where you deliver according to the business case. It's really not more difficult than that"*. Anonymous 6 (Company 6) adopts a very similar approach, asserting, *"In blunt terms, I would say that if you have achieved your business case, then it's a successful acquisition"*.

Anonymous 2 (Company 2) mentions, *"For an M&A to make sense at all, one must have decided what they want to achieve with the purchase. So, companies that only buy other companies to get bigger have quite a low success rate on that".* Several of our respondents adopt a similar approach when defining what a successful M&A is, defining it as if you have reached your predefined business case. Max Strandwitz (Mips) agrees with this definition but adds that it is always very important to know why you are acquiring a company to be able to make it successful. Anonymous 5 (Company 5) simplifies the matter, remarking,

> *It's not really that complicated, actually. In the vast majority of cases, there's a fairly clearly defined goal for what one wants to achieve. Whether it's access to a market, a technology, or whatever it may be. I've been involved in models where we have both a short and a long-term perspective on this* [defined goal]. *I usually think that after two years, you should really revisit the case and see what you've accomplished.*

Tor Fardell (OptiGroup) correlates the success of a transaction to the initial expectations, explaining, *"There are several aspects to it. One is if you just take it purely from a financial perspective, then the first thing is, of course, the financial performance, based on what one expects".* To be able to accomplish a successful M&A transaction, with this definition, many of our respondents also stress the importance of defining clear goals and objectives.

Some of the interviewees from M&A-advisory firms add further dimensions to the definition of a successful M&A transaction. One of them is David Ramm (Grant Thorton), who mentions two different definitions, stating, *"I suppose a successful transaction is one that meets its* [business case] *objectives and one that creates shareholder value. Although, I suppose, internally we define a successful transaction as one that takes place".* Anonymous 3 (Company 3) shares this definition but adds that it is important that the client leaves satisfied. Anonymous 3's definition is shared by some other respondents who work within M&A advisory, showing a possible conflict of goals in an M&A transaction.

The involvement of key individuals, both within the acquiring company and the target company, is identified as a critical factor for success. For example Hans Backman (NIBE) emphasizes the importance of maintaining stability by retaining the existing management team post-acquisition and Christian White (Ernströmgruppen) highlights the significance of assembling a competent team with clear responsibilities. Other respondents also highlight the importance of involving key stakeholders during the acquisition phase for a smooth transition into the integration phase.

Anonymous 10 (Company 10) highlights the importance of making all stakeholders content,

> *A successful transaction provides a Win-Win situation for both the seller and the buyer.* [...]. *The acquiring company understands very well the motivation of the company it receives and and the company being acquired understands in advance what the integration and development will look like. After three years, about 90% of*

the people have stayed and carry the identity of the acquired company. That's a successful transaction. Many M&A transactions generally don't look like that.

Anonymous 9 (Company 9) has similar ideas,

> *A successful transaction to me is if the goals of the buyer and the seller somehow met. So we try to reach a win-win situation because there are different interests on one side and different interests on the other side, but many of them are overlapping.*

Adding to the complexity, Anonymous 13 (Company 13) mentions the difficulties of assessing success,

> *Sometimes the acquisition itself can be good. But then the market might fluctuate or collapse for various reasons. It's not the acquisition's fault. It has nothing to do with the acquisition; it's all about external factors, of course.*

4.1.1 Differences from domestic transactions

Looking at the difference between domestic and cross-border transactions, an overarching theme from the interviews is the idea that cross-border M&A transactions often become much more complex and problematic. This is explained by David Ramm (Grant Thornton), *"There's often more due diligence done on cross-border transactions. There's more involvement from advisors. Also there's often more involvement from the buyer as well".* David Ramm (Grant Thornton) further elaborates,

> *I think in general the routines, processes and goals aren't significantly different. But I would say that more due-diligence is often conducted on cross-border transactions and sometimes the due-diligence is more thorough.* [...]. *It's harder to get information on foreign companies if you're not present in the country.*

Christian White (Ernströmgruppen) emphasizes: *"It depends on whether you already have a local operation in the country where you're making your acquisition".* This view is shared by Anonymous 10 (Company 10) who explains,

> *Domestic and cross-border transactions are very similar if your company already has some operations in the receiving country. Then you can make use of local contacts who understand the local culture and language and they are the one who is going to work with the new company after the integration as well.*

On the same topic Max Strandwitz (Mips) mentions,

> *Primarily, when acquiring companies internationally, it becomes more challenging to establish loyalty and trust.* [...]. *Moreover, there isn't always the same level of integrity, many companies worldwide do not even distinguish between regular growth, organic growth, and growth from acquisitions. Thus, I would say that transparency is not always present, which can result in a very substantial difference.*

Many respondents have a similar view on this, which is well explained by Anonymous 1 (Company 1), *“*[The differences] *are a combination of cultural, legal, and accounting issues. Therefore, actually examining what is stated in the balance sheet is perhaps most crucial when conducting acquisitions abroad, especially when dealing with a manufacturing company”.*

However, Anonymous 13 (Company 13) has a different view on this topic, *”In Europe, the process is similar. Acquiring a Swedish or German company is roughly equivalent in terms of legal basis etc. However, if one goes to the U.S.or Asia, one must be more attentive to tax regulations”.*

When asking if the process has changed during the duration of the professional careers of our respondents, the answers varied somewhat. The first observation from the answers is that most of the respondents with just a few years of experience within the M&A field, do not see any substantial difference in the work related to cross-border M&A transactions. Tor Fardell (OptiGroup) explains, *“No, I don't believe it has changed dramatically. Although I haven't been in the industry for very long. However, it's true that nowadays, focus has shifted more towards ESG related topics and of course most things can now be done digitally, especially with the rise of video meetings and similar technologies as a result of the pandemic”.*

Mattias Hallendorff (OptiGroup) on the same topic of technological evolution says, *“One could one say that the processes today are somewhat different. They are, above all, significantly more digitized. Moreover, there is an increasing utilization of tools emerging as well, aiding in the execution of due diligence processes”.* Adding to this, Anonymous 2 (Company 2) mentions,

> *Yes, indeed, it has. When I started working, it was before the euro. The euro was introduced in 1990, The introduction significantly facilitated transactions in Europe by making it more transparent regarding the value of various currencies.* [...]. *I also believe that doing business in Europe has become facilitated now because there is more similarity between countries”.*

This idea is shared by Marcus Nylén (EY), *“There is a greater emphasis on specialized due diligence services. It's an evolution I've witnessed”.*

Anonymous 1 (Company 1) means that the timeframe of the process has changed, and that many transactions nowadays get a bit rushed. Max Strandwitz (Mips) further elaborates on the same topic,

> *I believe that things move much faster in many cases today. Many have a romanticized view* [of the M&A process] *and think that you can acquire a company very quickly. However, if you complete an acquisition in under six months, you've probably taken a lot of shortcuts.*

Hans Backman (NIBE) believes that the process has become more specialized and detailed. This idea is shared by Anonymous 11 (Company 11),

> *The process has changed to be more specific and detailed today as the landscape is constantly evolving. As industries emerge and develop, new questions arise that need to be addressed prior to an acquisition.* [...]. *I would say that there is now a broader array of services available today than before, which one can access and may need to utilize.*

David Ramm (Grant Thornton) also believes the process has evolved,

> *Yes, I suppose it* [the process] *has. I guess things have become a bit more professional over the years. I think there's certainly more use of local advisors.* [...]. *Generally the due diligence process has become more sophisticated, but also more harmonized. We no longer have significantly different processes from one country to another. Advisors have become more experienced and professional over the years, which must have facilitated things.*

Anonymous 5 (Company 5) mentions the soft aspects of acquisitions and believes that,

> *The cultural and soft issues have become much more prominent. When I made my first acquisition in the USA, it wasn't even on the radar. There has been a shift from being very technical to contemplating more about what happens to the people, especially considering that many businesses are very knowledge-intensive. I've noticed that even on the divestiture side, there's much more attention to detail when it comes to divesting assets. How it is perceived by employees and the external environment from other perspectives.*

Multiple respondents agree on this and it becomes evident that the increased awareness and availability of studies have led to a better understanding of people-related topics.

Continuing on his earlier thoughts Marcus Nylén (EY) explains, *"As I mentioned earlier, I believe the focus has broadened. We can take ESG as an example; ESG and sustainability topics have grown increasingly important for private equity houses, all the way from capital raise to deal execution/value creation through to divestment/exit".*

4.1.2 Cross-border Challenges

The most distinct finding in the area regarding cross-border challenges, is that complexity increases in cross-border M&As, because of culture, laws, and regulations.

Anonymous 9 (Company 9) mentions, *"There are definitely different layers of differences and that makes international transactions a little bit more complicated".* Tim Danielsson (PwC) further declared that culture is one aspect of the complexity, *"In an international context, the complexity increases, especially regarding work practices. We're not just assessing Swedish work practices; suddenly, German practices can come into play, and we* *need to have that expertise in place as well".* Anonymous 9 (Company 9) adds that laws and regulations is another aspect, *"On the one hand, the more countries that are involved, the more regulations and laws have to be considered and that makes the deal a bit more complicated".* These two notions are confirmed by several other respondents.

Anonymous 6 from Company 6 elaborates further, explaining that generally,

> *The further away you go* [to make business]*, the more complicated it gets. This has a lot to do with being very dependent on the advisors you have.* [When you conduct business far from home] *there are, for example, slightly different approaches when negotiating.* [...]. *So you become very dependent on the advisors you have chosen and have to trust them.*

Part of our empirical findings shows that different accounting traditions and cultures can be seen as warning signs. Anonymous 1 (Company 1) shares a case about an acquisition that they decided not to go through with and why,

> *They had increased the value of the stock and valued it up. And you really didn't see that when you looked at ordinary accounting rules. Because they had hidden it very well. By tinkering with the accounting. In Sweden we are very open and it is very difficult to cheat in Sweden.* [...]. *Actually seeing what is in the balance sheet is perhaps most crucial when making acquisitions abroad, when you have a manufacturing company.*

Anonymous 13 (Company 13) mentions another thing to be cautious about when doing M&A transactions and the company wants to buy a company that is not performing very well, *"There's a reason it's not working. Maybe you shouldn't have too high hopes if you can turn a company around".*

Mattias Hallendorf (OptiGroup) talks about the chance of success for M&As,

> *There are a surprisingly large number of transactions that do not achieve the intended business case, and a successful M&A strategy depends on having a solid plan for how to manage the acquisition following the closing. The actual strategy and plan that's used can differ from "independent" to "integration", depending on the acquired business.*

Max Strandwitz (Mips) and Hans Backman (NIBE) have some similar thoughts and also mention the integration phase as a potential for failure. They more specifically mention the importance of not forcing the acquired company to work in a certain way. Hans Backman (Nibe) mentions one reason to why this is so important,

> *If you go in and control too much and hard-integrate I have seen that it often happens that key personnel jump off, they don't like that change but it's better to let the company be independent and help them where you can, assist them in the long run maybe it's better to integrate hard if you have good control of it but it often takes a long time to get on that track if you've lost people.*

Leif Åkesson (Ernströmgruppen) reflects about where things can go wrong, *"It's much more about the personality of the seller who should stay, than anything else"*. He also mentions that it would be desirable to talk to, and get to know more people in the organization, but the confidentiality prior to the agreement does not allow for this. Christian White (Ernströmgruppen) contributes,

> *The success recipe is to really get to know the sellers and work as close to them as possible. Set up physical meetings to ask the questions, understand, be interested, understand their business.*

Tor Fardell (OptiGroup) discusses a cross-border case where the owners sought to exit the company in the near future and to maximize the purchase price and comments, *"This was not a deal breaker for us, since we agreed beforehand with the sellers to have their support and work together on finding a suitable long-term replacement to manage the company going forward. In addition, since part of the purchase price was contingent on future performance post-acquisition, the sellers were incentivized to remain in the company and to gradually hand over the responsibilities in a good manner"*.

4.1.3 Individual dependent businesses

The interviewees frequently brought up the common scenario where a bigger company acquires a smaller entrepreneurial firm. Christian White (Ernströmgruppen) explains that, *"Some companies are more driven by individuals than others"* and, as previously mentioned, how that can lead to problems if those key persons are not on board with the acquisition. He further talks about the importance of understanding relationships and authority by adding *"If you can clarify that during the due diligence you will have gained a lot"*.

Anonymous 13 (Company 13) adds to this notion with,

> *What we are trying to understand is how dependent a company is on one or two or three people. This says something about the culture.* [...]. *This can also speak to the loyalty of their regular employees. How likely is it that they might stay in the company or leave* [after the consolidation]*? That is always a risk when acquiring companies. If one of those key individuals leaves, it often causes significant disruption. A company is, after all, the sum of its individuals.*

Moreover, the type of the target company matters, says Andreas Ekström (Telia), *"I think in knowledge-intensive organizations, where a lot of the value lies in the employees, then* it *naturally becomes more important"*. Anonymous 5 (Company 5) emphasizes that knowledge-intensive organizations are more common now and that means people topics are becoming more important, *"Many organizations are much more knowledge-intensive and people are more important"*. Anonymous 9 (Company 9) adds that key employees will leave if culture is not considered properly, *"If people are not accompanied through the process they jump off board and if too many key employees leave the company the deal will break down"*.

4.1.4 Due Diligence

It is evident that there is no "one-size-fits-all" model for due diligence. The due diligence process varies depending on several factors, but typically includes legal, financial, and commercial aspects. Those who didn't perform these three due diligence processes often cited specialization in a particular type of due diligence process. In addition to the most common processes, several others are performed, such as IT, operational, technical, ESG, HR, cultural, and supply chain.

Several interviewees believe that due diligence processes vary depending on the company, but mention that these differences have decreased over the years. Anonymous 2 (Company 2) comments on the difference between companies, *"Less and less. There was a bigger difference before.* [...]. *So now there is actually less difference between the companies, but then, as always with everything, it is very personal"*.

Anonymous 6 (Company 6) agrees that there is a variation, but argues that the variation is rather more dependent on industry than an individual company,

> *I have mostly worked as an industrial buyer, where you buy a company that you fully integrate into one of the existing companies. Then you need to understand this cultural aspect and make everyone feel satisfied and happy because you will continue working together. I can imagine that it's different if you're buying factories or an asset, and where management is replaced. Then you don't need to think quite as much about the soft aspects.*

Anonymous 11 (Company 11) agrees, pointing out significant differences between industries rather than companies, *"In sectors such as energy, infrastructure and investments are essential, while for software companies, it may be more critical to understand software and the competitive environment"*. He/she also emphasizes that there is no universal solution for due diligence but rather a *"variety of services that are relevant to different situations"*.

Anonymous 8 (Company 8) also describes differences between industries, *"That type of additional due diligence varies by industry, but the financial, tax, and legal basis is present in every project"*. Anonymous 8 also highlights that the buyer and the size of the acquisition largely determine the extent of the due diligence. Tor Fardell (OptiGroup) also notices differences depending on the buyer,

> *Financial actors tend to invest more in due diligence generally because they might not always be familiar with the commercial sides of the business. After all, they can invest into almost anything based on the financials or at the case itself. So there can be differences between strategic and financial buyers.*

Several interviewees emphasize that financial and legal due diligence processes are usually more standardized and routinely than other processes. Anonymous 8 (Company 8) expresses that, *"It's a lot of tick-the-box exercise on legal due diligence, almost a bit rigid, you might think at times"*.

Anonymous 6 (Company 6) also shares this view, pointing out that, *"Finance is more about hygiene, to check that there are no surprises.* [...]. *It is clear that things can turn up there as well, but the work is more about verifying"*.

When Chrsitian mentions the financial due diligence, he states, *"That's where we go off track, where you go off track, it's the commercial due diligence. And that you're too optimistic, or that the company isn't that good, or that the company is sold at the top"*.

Several interviewees testify to changes in the due diligence process over time. Marcus Nylén (EY) notes, *"What I have seen more and more, is an increased focus on supplementary due diligence services, e.g. IT/technology, ESG and people issues, in addition to the more standard core services, e.g. financial, tax, legal etc"*. Anonymous 7 (Company 7) is following the same line of thought, *"The difference compared to three years ago is the emphasis placed on both commercial and cultural due diligence. It's a significant change"*. Anonymous 6 also describes the changes in recent years, *"IT and cyber have become increasingly relevant, emphasizing the need for thorough cyber due diligence to avoid any unpleasant surprises"*.

4.2 Culture

A consistent theme throughout the interviews was the insight that culture can be pivotal to the success of business performance. As a result of this, many bring up some common pitfalls and challenges relating to culture in M&As in general and cross-border M&As specifically. The interviewees brought up several practical examples, many of which were recurring. While almost all interviewees described "gut feeling" as the main way of getting an understanding of company management, instead of having a methodical cultural due diligence, accounts of more thorough processes were brought up.

Azin Weisser (EY) summarizes it as, *"One of the top reasons why M&As fail is often culture and people topics. And culture and people topics get more important in international M&As"*.

Anonymous 4 (Company 4) declares that, *"Culture eats strategy for breakfast"*, elaborating that a strong organizational culture with quality leadership and effective teams is highly valuable, as it enables every employee to perform at their best. Anonymous 4 continues that it will take years for a competitor to copy your strong organizational culture, whereas they can come up with the same strategy in a few weeks. Leif Åkesson (Ernströmgruppen) adds, *"If* *you have the wrong culture in a company, even if you have the right plan and the right strategy, it's the culture that persists and the strategy that falls"*, further highlighting the importance of culture during M&As.

To highlight the difference in national cultures that can occur in cross-border transactions David Ramm (Grant Thornton) says, *"On the cross-border, which we're focusing on, I think their HR becomes more important because things are done in very different ways in different places".* Anonymous 2 (Company 2) further explains *"The cultures must be compatible, this country should not behave in a completely different way with these products in this market".* Referring to the fact that national culture impacts the way companies tackle different markets and product choices. Anonymous 9 (Company 9) adds, *"The culture is so important. It's just that you have to find a good way to conduct such a process".*

Despite this emphasis on culture, almost all respondents argue that the financial perspective remains more significant. Anonymous 9 (Company 9) explains, *"The companies work because of profit, right?* [...] *If a deal doesn't make sense from the numbers perspective, you don't want to do it even if the culture looks promising".*
Most respondents mention that culture should get more focus in cross-border transactions and many see culture as a big potential source of failure among transactions. However some are of the idea that culture is not relevant in the decision to buy a company.

David Ramm (Grant Thornton) says *"I think it would certainly make a difference on some transactions to have more focus on the cultural side, potentially on the ESG side as well, but certainly I would say on the cultural side".* Christian White (Ernströmgruppen) agrees, *"Culture is indeed extremely important, encompassing numerous individuals and aspects. Many acquisitions have failed due to companies having divergent cultures".* Tim Danielsson (PwC) adds, *"It's incredibly common, more than half of the time, that value isn't created because the human factor hasn't been considered".*

On the same topic, Anonymous 13 (Company 13) says, "[Culture] *might be where you should invest more time sometimes, but again, it's perhaps not something that make you change your mind if you really want to buy the company".* Anonymous 9 (Company 9) gives an example where the cultures differed a lot and the acquisition still went through,*"The result was a little bit eye-opening, they paused the acquisition in order to take care of the culture topics within their own company first. Then they continued about a year later".* Marcus Nylén (EY) says that culture, as deal value driver is more difficult compared to other more tangible topics, to bring forward in commercial negotiations, *"It's rare that you go into such negotiations and say, I think the culture is poor, so I want to pay 20% less for this business. It's very difficult to put a value on culture"*. Regarding if companies would benefit from looking at culture, Anonymous 1 (Company 1) gives advice, *"Yes, I really believe that. But you have to be very clear early in the purchasing phase that you will want to look at their culture. It's not certain that you'll be able to do that. You can also choose to say: no, then we're not interested* [if they don't let you look at their culture]*".*

Even though the importance of culture was highlighted, a general theme was found that the importance of culture depends widely on the type of transaction. Culture was said to have the most impact in projects where the target company is integrated into the acquiring party.

This notion is further elaborated by Anonymous 9 (Company 9) who says, *"It depends on the goal of the transaction. Integration or just owning"*. Anonymous 9 adds that when the goal is to integrate, the culture plays a bigger role than when you just buy a company to own it. Anonymous 1 (Company 1) suggests the same view, with the statement, *"The more you're going to collaborate, the more important it* [culture] *becomes"*. Zakarias Challis (PwC) solidifies the point by saying that it is difficult for cultures to clash when they don't integrate,*"If the company continues to operate as a stand-alone, then culture matters less. In that case, there may not be any clash anyway"*.

4.2.1 A Shift in Priorities

While insight into the importance of culture in cross-border M&As differs widely between many respondents, the most distinct finding in this area was that culture is trending towards getting more attention.

Anonymous 11 (Company 11) mentions that culture is still a relatively new topic, *"*[Culture] *was a topic that was brought up a few years ago. And it's still relevant, of course"*. Moreover, Zakarias Challis (PwC) mentions that culture has always been relevant, *"*[culture] *has always been on the agenda, and everyone involved in deals has seen how culture has destroyed a synergy case"*. Anonymous 5 (Company 5) describes the trend, *"Over the past decade, there has been an increasing trend towards incorporating an understanding of organizational dynamics* [...] *The cultural and soft issues have become more prominent"*. Anonymous 9 (Company 9) further explains, *"They are aware that* [culture] *is on one side a risk, and on top of that it is also a cost factor"* Azin Weisser (EY) complements with the statement that culture still doesn't get much attention, *"So when you look historically, I think companies and transactions, they are getting more aware of the cultural and people factor. But it's still not common or a high percentage"*.

As noted previously most respondents agree that culture is not the main focus in an cross-border M&A.

Azin Weisser (EY) says, *"So you could say that international M&As have another complex layer that is often not considered, or forgotten"*. Weisser continues that when culture is considered, it is often not considered early enough in the M&A process, but only as an afterthought. Andreas Ekström (Telia) agrees, *"You underestimate the need of a cultural analysis"*. Anonymous 4 (Company 4) further explains, *"Everything that is easily measurable is also easy to focus on; thus, it's very easy to concentrate on financial figures. However, if the target company does not have the right people, it might just sound a bit* *fuzzy"*. Explaining that if you try to tell an acquiring company that the target they are planning to buy doesn't have the right people, or that the cultures are incompatible, they might not pay enough attention since it sounds fuzzy compared to the financial figures. Azin Weisser (EY) adds,*"They don't spend money for anything fuzzy.* [...]. *So it's not enough to say 'well, your companies are different'. The fluffy and vanilla topics are not important enough for them, or they don't trigger them. You need to put it in numbers"*. Azin Weisser (EY) continues,

> *And you see the results at the end for sure, but* [people, culture and change] *is not so tangible as in deliverables. So often when there is pressure and you have to decide where the money goes, then that factor is not appreciated.*

4.2.2 Corporate and National culture

A general pattern among the respondents is that corporate culture plays a bigger role than national culture regarding cross-border M&As. However, some respondents bring up how national culture has its challenges, especially in the negotiation process.

Zakarias Challis (PwC) explains, *"Work culture varies a lot around the world*. [...]. *When you have done a few* [cross-border transactions] *you learn what countries are more prone to problems"*. Challis continues by explaining that these problems can have their root in the fact that these countries are legally and administratively impaired, or because they have a culture that creates problems. He also brings up an example of how employer culture can have an impact on employee satisfaction.

When comparing the importance of national and corporate culture, Leif Åkesson (Ernströmgruppen) answers, *"You can learn national culture. I mean, how people behave in different cultures. And you can adapt to that. Corporate culture is a bit trickier"*. Many respondents agree that corporate cultures can differ greatly within a country, Mattias Hallendorff (OptiGroup) gives an example,

> *There's a certain part that relates to the national culture. However, there's also a significant part that revolves around corporate culture. You can have two Swedish companies with vastly different corporate cultures.* [...]. *These two Swedish companies may encounter similar challenges in finding alignment, as a Swedish company might when crossing international borders. Both [national and company culture] are relevant, and on a general level, national culture differs and needs to be accounted for. However, it would be a trap to rely on assessing national culture but forgetting about corporate culture, and I do believe that corporate culture holds greater significance.*

Focusing more on national culture, Andreas Ekström (Telia) mentions, *"One notices the national cultural differences most in the bidding process"*. Anonymous 8 (Company 8) explains,

> *There are quite significant national cultural differences. In Sweden, people trust each other a lot, and they are fairly transparent. If you look outside the Nordic countries, like the UK, France, Germany, but also the USA, it's a completely different atmosphere. It's much more aggressive in terms of negotiations.* [...]. *Even within the Nordic region, it feels like the Danes stand out a bit, they're tricky to deal with.*

Anonymous 2 (Company 2) shares a similar sentiment, *"Denmark is much more difficult to do business with compared to Sweden, Norway, or Finland. I'd rather buy five companies in each of Norway and Finland than buy one in Denmark.* [...]. *Danes have a different way of thinking"*. Hans Backman (NIBE) also agrees with this point, *"We might think that, as Swedes, we're fairly close to the Danes. But culturally, the difference is significant. They do business in a completely different way"*.

Anonymous 1 (Company 1) mentions, *"If I'm involved in due diligence in a company in Sweden or the Nordic region, you can go around and talk to the employees and ask some questions and so on. That's very difficult internationally"*. Mathias Hölcke (Essity) adds, *"In Sweden, people often prefer consensus and aim to present a reasonable proposal during negotiations. Meanwhile, in some other countries, it's considered acceptable to put an unreasonable proposal on the table to shift the mental position"*.

4.2.3 Culture assessment

A distinct finding in this area is that culture is difficult to access and measure in early phases of the transaction. Zakarias Challis (PwC) says,

> *Conducting cultural due diligence is challenging because, to do it thoroughly* [...] *you need access to the company, which you don't typically have during the due diligence phase. It's very sensitive whom you can talk to; it's often a small number of people. And the data you want, you have to request, which is time-consuming and difficult to obtain.*

Anonymous 6 (Company 6) adds, *"It's primarily the management team* [that you get to talk to] *because in most acquisitions, employees aren't aware that a process is underway; it's usually kept confidential"*.

Leif Åkesson (Ernströmgruppen) further explains that the management doesn't always know or tell the truth, *"There have been times when we've gone wrong, where we've believed in the management. And then when we buy the company, the business culture is not at all what we thought it was"*.

Anonymous 1 (Company 1) mentions that it's rare you get access to employees in cross-border transactions, *"You have pretty limited access to employees, and it's quite difficult to get half a day and go around interviewing the employees about what they think of the company. You just don't get that opportunity abroad most of the time"*.

Anonymous 9 (Company 9) gives an example of a solution, *"In the beginning you work with a smaller number of people, because transactions in the early stages are highly confidential. So, typically, you could start to ask the company to assess their own culture across some dimensions"*.

Max Strandwitz (Mips) further declares, *"When it comes to analyzing the soft aspects, such as culture and motivations, it gets harder"*, pointing to the difficulty of a cultural analysis.

Anonymous 2 (Company 2) adds to this notion regarding cultural due diligence,

> *In the due diligence process, I don't know because I find it very difficult to envision how we can do that type of* [cultural] *due diligence. I mean, how do you approach that, what questions should you ask?* […]. *Although, that doesn't mean that the job doesn't need to be done. I've done that* [cultural assessment] *job several times, it's just that it doesn't happen in the due diligence process but rather after the due diligence process.*

Max Strandwitz (Mips) describes a few tell-tale signs of company culture aspects,

> *When it comes to examining the soft values, such as culture and motivation, it's more challenging, but there are indicators to look at. Employee satisfaction surveys, ENPS (Employee Net Promoter Score), Sick leave, staff turnover, and adherence to internal processes are some things that can provide clues about how well a company is functioning.*

The interviews revealed a pattern, cultural analysis is very often performed to some degree, with most relying on gut feeling when meeting management, while fewer follow a dedicated framework. A common approach to assessing culture is to rely on your gut feeling after meeting with management at the target company.

Hans Backman (NIBE) says, *"If we feel that the cultural fit isn't right, if we have a gut feeling, like what did that team really think, or can we work with them? Now, that's a very, very important aspect.* [...]. *Warning signs are more in the sense of, if you feel that the management wants to leave as soon as we come in, they may want to play golf instead"*.

Anonymous 13 (Company 13) agrees, *"It might be a bit difficult to ask specific questions and get exact answers, instead* [culture] *it is more of a feeling, a general perception you get"*.

Mathias Hölcke (Essity) thinks meeting management is enough, *"You know quite well just from having met the management team. You get a sense of what type of corporate culture it is. I believe that's usually sufficient to know how to handle start planning for the implementation"*.

Anonymous 8 (Company 8) further explains that evaluations of management is always done but that it does not fall under cultural due diligence,

> *It's not clearly formalized that we have a workstream that is cultural due diligence; rather, it's more about having workshops and getting to know each other along the way. I don't think it falls under cultural due diligence, but I think more like evaluation of management. That's something that's done regardless of the type of buyer.*

Anonymous 1 (Company 1) mentions that you can't take the temperature of culture and describes another way to assess culture, *"If you go into the break room and see that it looks very nice, like as nice as where they receive customers, then you might think, well, they must take care of their employees"*.

Anonymous 13 (Company 13) further elaborates how to assess culture,

> *It's not entirely easy to describe cultures in data; it's perhaps more of a feeling from those who have been involved. How do the general manager act, what type of controllers do they have, how thorough are they, what's the pace of innovation, are people satisfied, have they done their Customer/Employee Satisfaction Survey, and such things.*

There are diverging opinions on having cultural analysis as a dedicated cultural due diligence process, instead of relying on gut feelings.

Highlighting the diverging opinions Anonymous 2 (Company 2) emphasized that, *"I have never encountered a Cultural due diligence in any transaction I have been part of"*. In contrast, Marcus Nylén (EY) mentions, *"There is a clear method, a clear framework, and a clear approach.* [Cultural due diligence] *is a relatively mature service that has a proven track record"*. These two perspectives are recurring in all the interviews.

Further discussing, Anonymous 1 (Company 1) mentions that,

> *You could definitely have* [cultural due diligence] *as its own category. I'm sure of that. Especially if you're going to make acquisitions within a group where you're buying a similar company where you expect them to collaborate or if you're buying out a competitor. Then it's extremely important.*

Leif Åkesson (Ernströmgruppen) agrees, *"You would like to have a due diligence team* [with insight into these aspects]*, a culture due diligence team. But how do you do it? How do you come in and take part in their business culture?"*

There are multiple frameworks to assess culture, developed to be used in different phases of the M&A process. Zakarias Challis (PwC) emphasizes that it is very important to make a cultural assessment of both the target and the acquirer,

> *We conduct a customized assessment of the target company's culture in relation to the acquirer. And that's very important because many people think like this: 'Now we're going to buy a company, let's investigate the culture in that company.* [...]. *But it's not worth anything for them if they don't know how they function themselves, what kind of culture they have. Because it's based on their own culture in relation to the target that you can get a delta.*

Both Azin Weisser (EY) and Anonymous 9 (Company 9) agree that it is important to make a cultural assessment of both the target and the acquirer.

Zakarias Challis (PwC) declares a difficulty with cultural due diligence, *"If you're going to do it properly, as I mentioned, with surveys and interviews and desktop research, then you need access to the company, and you don't have that in a due diligence phase",* and mentions that sometimes you may be interested in a company without the company knowing about it. He continues by describing how such an assessment process might look and explains how hard it can be to get access to the right information. Anonymous 9 (Company 9) describes a three-step approach to this cultural assessment, *"You have a look at culture topics which are available from social network sources that are freely available on the internet, like Glassdoor, where you find hints".* Anonymous 9 (Company 9) elaborates on the second step of the cultural assessments that can be done after looking at social media sources,*"Outside-in perspective without involving too many people. Let's call it leadership or expert interviews".* Explaining that available survey data from the HR perspective can also be used in the second step of the assessment. Anonymous 9 (Company 9) continues with the third step of the assessment,

> *And then, once it is possible to reach out to the employees and the project is not confidential anymore,* [...] *we have the third part, which is called a cultural fitness diagnostic tool. It is something which can be implemented and helps you to measure the cultural paths and provides you with "what is the current state?" and also some recommendations of what you need to take care of. This tool makes these fuzzy factors really tangible by this tool.*

Azin Weisser (EY) continues by describing a complimentary tool for assessing culture called culture health score, that looks at three areas. Motivation, culture risk and positive traits. It is conducted via a survey and can be conducted multiple times in the same company to follow progress. Zakarias Challis (PwC) describes the stages in their cultural assessment,

> *There are three primary sources of data. You conduct an interview study, you conduct a survey study with as many people as possible. But you want to send the survey to at least 10%. And then you do desktop research based on employee surveys, leadership courses, and various descriptions that may exist of the culture.*

Despite working at different companies Zakarias Challis (PwC) and Azin Weisser (EY) describe the cultural assessment in similar ways. Both make use of desktop assessment, survey study and interviews. Zakarias Challis (PwC) continues by giving an example of who to interview during the cultural assessment,

> *We want to talk to people who have worked for a while.* [...]. *It's also positive if they've had different roles in the company and moved around a bit so that they haven't just been sitting in a corner.* [...]. *We usually always talk to union representatives. They often have their ears to the ground.* [...]. *We also want to talk to both managers and people who work in production. There can be some differences* [in the outlook on the company culture] *there.*

Zakarias Challis (PwC) further explains how a numerical cultural delta is calculated after identical cultural assessments have been conducted on both target and acquirer,

> *We lay them on top of each other, and it's in these dimensions we see the biggest differences. And then we have to create a plan based on those differences to mitigate the cultural clashes that we see may occur in the future.*

Azin Weisser (EY) explains that they use theoretical frameworks during the cultural assessment, *"We make use of the common ones, from Schein, Erin Meyer and Hofstedt, but we use that as a basis to deliver and tailor that to the client's own language and needs"*.

Other respondents also discuss how they use theoretical frameworks to conduct cultural assessments, to look for patterns and help them look at the right questions.

4.2.4 The Challenges of Integration & Culture

Almost all respondents mention that integration is the most challenging phase in a cross-border transaction, and many argue that culture plays an important role in integration.

Max Strandwitz (Mips) says, *"It's crucial to understand that the challenge isn't in making the acquisition itself but rather what comes afterward. Managing and integrating the company in the right way is critical"*. Anonymous 2 (Company 2) emphasizes, *"The success was attributed to effective integration and the retention of the customer base"*. Mattias Hallendorff (OptiGroup) further agrees, *"The percentage that has actually delivered on the business case that was bought is not high. And what often fails is integration"*.

Andreas Ekström (Telia) explains that the link between the due diligence and integration team must be robust,

> [The M&A team] *hand over the keys* [to the integration team] *and say good luck guys. Now you need to integrate this. And if the link between those two doesn't quite hold together, a new team starts from scratch in the integration phase.* [...]. *There needs to be a consistent and coherent continuity throughout the entire process.*

Hans Backman (NIBE) strengthens the point that integration is difficult when he states that not integrating as a success factor,

> *The reason why we find it incredibly important to meet with them multiple times and ensure that they want to stay is that we actually don't integrate very tightly, and I believe that's one of the key success factors. It relies heavily on trust and autonomy.*

A distinct finding in this area is that culture is of great importance for a successful integration if suitable. Max Strandwitz (Mips) says, *"Neglecting cultural aspects can lead to integration issues post-acquisition".* Many respondents agree on this insight and mean that if cultural differences aren't identified and managed effectively, it can lead to significant integration challenges after the acquisition. Mathias Hölcke (Essity) adds that culture assessments are more common during the integration phase than the due diligence process.

Marcus Nylén (EY) further explains, *"*[Cultural understanding/due diligence] *will give you a stepping stone into integration. If you're going to integrate two companies after a transaction, culture is very important".*

Zakarias Challis (PwC) gives an example of when you can do a culture assessment, *"When they are planning for integration. When they are going to buy this company. And during that period, you can do a culture assessment and analysis. It won't affect the deal because it's already done".*

Anonymous 4 (Company 4) mentions however that you have to start planning the integration early on in the M&A process and the reason for doing so,

> *It's one thing to do an M&A, but what plan do you have after the M&A, how do you integrate these companies? How do you make the cultural differences visible? That's really where the biggest work needs to be done, and that plan must be developed in the due diligence process.*

Anonymous 2 (Company 2) adds the contribution that cultural differences must be addressed as early as in the first 100 days of integration, and continues, *"Because otherwise, we'll lose everything we bought. If the culture isn't compatible with our own".* Anonymous 2 (Company 2) describes how, *"There's very little* [cultural analysis done] *before the integration process, more than the feeling that there will be two very different entities trying to merge".* This leads to the topic of how culture is assessed during an M&A.

No distinct finding of how to best handle different cultures was found but Anonymous 9 (Company 9) gives an example of three approaches,

> *1. You could see it as an opportunity to create a new culture. You have culture a, culture b and then you create the best things out of both.*
> *2. The acquiring company could dictate the culture, saying you have to adopt our way of working, So a eats b.*

> *3. You have the opportunity to say well, we are so different, so let's coexist in parallel. Let's find a way of good collaboration but we keep it like it is and we have two organizations but under the same umbrella.*

Azin Weisser (EY) gives an example of handling two different corporate cultures, *"They didn't integrate.* [The acquirer] *said* [the target] *has an effective culture. It's different from ours. But this is one of their most important value drivers. And if we change that, we wouldn't create that value".*

Regarding the challenge and risk of integration Mathias Hölcke (Essity) says, *"Often, you want to buy because 1 plus 1 becomes 3, but 1 plus 1 hopefully still is 2 when you* [do not integrate]. *The two organizations live parallel lives without any synergies at all".*

Some respondents explain that conduction of a proper cultural due-diligence and mapping not necessarily leads to cultural success on its own. Zakarias Challis (PwC) describes the following scenario regarding a case he worked with together with PwC,

> *In that instance, a cultural due diligence was conducted to explore potential collaboration structures. Despite identifying areas for improvement, the issues persisted. Approximately ten years later, the acquisition was dissolved within the organization, yielding minimal value. Money down the drain, unfortunately. I would say that they didn't take our advice seriously - It takes two to tango, it's really important.* [...]. *Our customers on the buyer side have to haul a load too, to realize the synergies. This is a key takeaway, that synergy will demand hard work from both parties; otherwise the mapping of culture will not have any impact.*

4.3 Other Findings

The interviews reveal further insights into common mistakes, warning signs, and key considerations in the M&A processes. A recurring discussion in the interviews is the scope of the M&A process and its impact on the various parties involved. Leif Åkesson (Ernströmsgruppen) states that an M&A process can be taxing for the selling company, expressing,

> *They* [the acquiring companies] *feel that they have to cover all the small details to have their back covered. It's frustrating for the selling company sometimes, to feel that you get so many detailed questions, so many things you have to look at.*

Anonymous 8 (Company 8) highlights the one-sidedness in a due diligence process, where only the buyer investigates the seller, but not vice versa, *"Sometimes our clients might have wanted more information about the acquiring party. That as a seller, especially if it's a strategist, you get a little more information about the company and what the plan is going forward".*

This idea of reversed due-diligence is explored by a few other respondents as well, they explain that it becomes clearer what the expectations are on issues from both sides.

Marcus Nylén (EY) stresses the importance of transparency and access to information from the selling company when performing cultural due diligence, *"For it to be really good, access is important, this is basically a requirement in order to validate any hypotheses gathered from an outside-in perspective"*.

Anonymous 6 (Company 6) prefers their own business to be involved in the M&A process, *"We always bring people from our business, because it is really my strong opinion that those who are to be integrated should have been involved in the due diligence and gotten to know the company"*. Anonymous 5 (Company 5) offers a nuanced perspective on the same topic,

> *Many companies have M&A teams that start the due diligence quite far before the business is engaged. I think that's sometimes dangerous. I would like the business to be involved in the early stages of the acquisition process.*

On the topic of common pitfalls, several interviewees mention the phenomenon of becoming emotionally involved in the process, and thus becoming less critical of the company one tends to buy. Leif Åkesson (Ernströmsgruppen) states,

> *There is a risk when doing deals. When you have conducted the analysis and then fall in love with your own project. When you fall in love, you overlook the mistakes and are not as critical as you should be, and that's a risk. You like the person, you like the business, and you already start thinking about how it will look together.*

Anonymous 5 aligns with this viewpoint, *"What happens in a long process is that you start to like each other. You think it's going to be great and then you start confirming each other and eventually nothing is a problem anymore"*.

5. Analysis

In section 5.1 the empirical findings regarding cross-border M&A transactions are connected with the presented literature. In section 5.2 the same is done for the empirical findings regarding the cultural impact on cross-border M&A transactions.

5.1 Cross-border M&A

Interviewees consistently emphasize the importance of establishing a clear purpose for M&A transactions. A common definition of success is to deliver on the predefined business case, which makes a clear purpose for the transaction and this definition is consistent for both cross-border and domestic deals. From literature like Zollo & Meier (2008) and Das & Kapil (2012) we learn that a successful transaction is most commonly defined by financial metrics. Even though this might appear to contradict the findings of the study, it doesn't necessarily have to, as the predefined business objective may prioritize the enhancement of specific financial metrics.

The study by Denison (1984) underscores that well organized workplaces exhibit superior financial performance. Notably, among what constitutes a well-organized workplace, the presence of clear and reasonable goals is emphasized as an important factor in this study. This is something that some of our respondents also highlight as an important factor for success within M&A, which can be seen as a natural conclusion to draw based on their definition of a successful M&A transaction.

Max Strandwitz (Mips) emphasizes the importance of avoiding shortcuts and exaggeration of synergies in M&A deals. This often leads to unsuccessful acquisitions and underwhelming performance, highlighting the necessity of precisely defining acquisition goals and avoiding rushed transactions. As seen in the literature (Geiger & Schiereck, 2014; Trautwein, 1990; Gaughan, 2017), some acquisitions are driven by the belief that the acquiring company can manage the target company more efficiently and if this is the business case it is even more important to assemble a competent team. Roll (1986) explains that overconfidence in ability to manage the acquired company, may lead to overpaying for the target, resulting in bad transactions. Some respondents indicate that engaging in unfavorable deals because of overconfidence in synergies and managerial capabilities is quite common. To mitigate this risk, it is crucial to have a rigorous due diligence process and to critically assess synergies and competence.

In line with DePamphilis (2021), emphasizing the quality and, especially, precision of the due diligence process is essential for acquiring firms aiming to manage risks effectively and achieve successful post-acquisition integration. Even though there is so much due-diligence the companies want to do, and maybe should do, the pressure these demands can create on the target company might not be worth it. Some of our respondents mention “deal fatigue”, that can come from putting too much work on the acquiring company, which could lead to a worse integration. This highlights the need to keep things simple but to focus on the quality and precision of the due diligence, this is a view that is shared by some of our respondents.

Some of the respondents perceive the integration phase as the most critical aspect of the M&A transaction. There are various integration approaches available, and as mentioned by Christensen et al. (2011), the acquirer should not always fully integrate the target company. The type of acquisition, along with its intended goal, should determine the extent to which a target company is integrated into the acquiring company. One method to facilitate a smooth transition into the integration phase is to involve individuals from the integration team during the acquisition phase, as is suggested by several respondents. Hans Backman (NIBE) and Christian White (Ernströmsgruppen) highlight the significance of assembling a competent team with clear responsibilities, and together with other respondents, they specifically highlight the importance of involving key people during the whole process. This notion is particularly emphasized in the context where existing operations in the country can provide expertise and understanding throughout the entire process. Anonymous 9 (Company 9) adds that key employees will leave if culture is not considered properly and states that it is a large problem in knowledge-intensive organizations. This is also said to be especially notable in entrepreneurial companies and naturally, Andreas Ekström (Telia) explains that personnel retention in those cases are especially important. For that reason, Anonymous 13 (Company 13) pushes the importance in understanding the cultural aspects relating to how likely it is for people to leave the company. Anonymous 9 (Company 9) says that this issue can be mitigated by understanding and properly handling culture.

5.2 Culture

It becomes clear throughout the research and interviews that culture more often than not plays a significant role in the success of cross-border M&As. This is repeated by most respondents and authors such as Thomas (2000), Howson (2017), Denison & Ko (2016). Anonymous 4 (Company 4) summarizes it as *"Culture eats strategy for breakfast"* and many respondents describe how there has been a shift in perspective toward cultural understanding in business.

Despite this, as brought up by Panda (2013) and made clear through many of the interviews, many professionals neglect the impact of culture, or refer to it as "too fuzzy" to approach in a structural manner. For instance, Max Strandwitz (Mips) describes culture as difficult to measure and in addition to this, Azin Weisser (EY) expresses that cultural findings are not taken seriously. This notion, that measurement challenges are the biggest reason for cultural neglect, is commonly brought up by other respondents and in the literature. Similarly, as mentioned in the interviews, Thomas (2000) explains that management and others involved in M&As are more comfortable with hard numbers and thus look past culture. In addition, Panda (2013), backed up by Anonymous 2 (Company 2), brings up that culture assessment, in contrast to financial and legal, is not mandatory.

As Denison (1984) writes, many approach cultural assessment as something that cannot be objectively measured, but as something that has to be sensed. This observation is confirmed by most respondents, such as Hans Backman (NIBE) and Anonymous 13 (Company 13), who describe relying on gut feelings from meetings with top management when assessing culture. The reason for this could be that formal methods are unknown, or not trusted.

While an accessible, holistic and formal approach to culture assessment still seems to be in its cradle, several authors and respondents bring up applicable and nuanced frameworks such as those by Hofstede, Katzenbach and Meyer. Azin Weisser (EY) and others describe that frameworks are used in cultural assessments, but that they currently have to be combined and slightly altered from case to case. Regardless, these frameworks seem to offer an effective basis for reviewing, understanding and communicating cultural differences.

On the subject of cultural due diligence Thomas (2000) explains that the beginning of M&As are surrounded by secrecy and confidentiality, and brings up that it is hard to assess something that you do not have access to. This notion is confirmed by several respondents, including Max Strandwitz (Mips) and Anonymous 1 (Company 1), who describe that this secrecy either can be derived from the fact that the target company, or parts of it, deliberately not yet has been approached, or because culture is seen as too private to be given full access to by the target company. Anonymous 9 (Company 9) proposes that the latter situation could be mitigated by asking the target company to assess itself. Thomas further puts forward a framework for what Zakarias Challis (PwC) calls the *"desktop approach"* to culture, which is much in line with what Challis describes as PwC's method of assessing a company's culture without interacting with said company directly.

In the literature and throughout the interviews it becomes evident that the importance of properly assessed and managed culture is heavily dependent on the reason behind the M&A. Most notably, culture highly impacts transactions where the target is integrated into the acquiring organization as noted by Christian White (Ernströmsgruppen). Anonymous 2 (Company 2) also describes how the value of the acquired company can be lost entirely if culture is not addressed at an early part of integration. In addition, almost all respondents mention that integration is the most challenging and critical part of cross-border transactions. Andreas Ekström (Telia) describes one obstacle for effective integration is the lack of communication between the team involved up until the transaction goes through, and the integration team. This would mean findings from the due-diligence and negotiation process are not necessarily used in the integration, which is in line with Challis (PwC) observation of cultural findings not always being used and DePamphilis (2021) idea that proper due diligence is directly correlated to integration success.

These issues can explain why some companies are more integration-avert than others. For example, Hans Backman (NIBE) is of the opinion that to mitigate the risks relating to culture, it is often wise not to integrate. Many find it too problematic, risky and complicated to integrate. However, Mathias Hölke (Essity) and others bring up that this means you miss out on the potential benefits of integration, such as synergies. In addition to this, the literature and many of the respondents suggest that, while culture differences are a risk and a challenge for the integration process, they can be turned into value drivers if managed properly. The findings of Chakrabarti, et al. (2009), together with those of Chand et al. (2023) and Boateng et al. (2019), makes it clear that while larger culture deltas, as calculated from the frameworks, can be problematic in the short run, they tend to become substantial drivers of synergy later on.

Ultimately, the findings point to integration as something that can be highly beneficial and that proper cultural assessment and understanding is a prominent factor for laying the foundation for good integration and acquisitions in general. As Howson (2017) explains, companies might see success if they start planning the integration process early on and take findings from the due diligence into account. Building on this, several respondents describe how it is essential for personnel involved in the due diligence to have the integration process in mind from the beginning and not to have mitigation of cultural issues as an afterthought. Anonymous 12 (Company 12) explains that proper cultural understanding from early on also has the positive effect of providing insight into how the integration process will be received by the other party. Having established this, let us look into more detailed cultural aspects relevant in cross-border transactions.

While most respondents highlight company and management culture as most influential in cross-border M&As, many portray dealmaking and transactions as significantly easier if the enterprise already has an established presence in the target country. For example, multiple respondents, including Hans Backman (NIBE), point out challenges especially prevalent in negotiations and collaboration between Danes and Swedes, despite their geographical proximity. Others, like Anonymous 6 (Company 6) describe how the further you go to make business, the more complicated it becomes. While Anonymous 6 (Company 6) description of the lack of established networks and trusted advisors in foreign countries is relevant, this does not exclude other causes for the challenges.

A possible explanation for the often brought up problems between Danes and Swedes might be found in Thomas' (2000) description of how it is especially important to assess cultures if the two parties act in close geographical proximity to each other. This is because the closer parties are to each other, the easier it might be to overlook culture as a potential problem. This is confirmed by Hans Backman (NIBE) who explains that Swedes mistakenly believe Danes are culturally similar. This could potentially lead to more transactions being initiated, which would explain why Danes in particular are brought up so frequently in the interviews. As brought up earlier, Chakrabarti (2009) writes that more obvious cultural differences often lead to culture being properly assessed, which is one of the reasons why many of these transactions achieve success.

While Naor (2009) describes how organizations can train their employees to change some qualities relating the cultural aspects brought up by Hofstede (2011) and Meyer (2014), as well as Mattias Hallendorff (OptiGroup), suggests that two companies in the same city can differ more than two from different continents, the general pattern seems to suggest something different.

The idea that M&A is especially complicated in countries not previously explored by the acquiring organization indicates that there are some inherent traits unique to each country. These traits are therefore not directly derived from general corporate culture. As the literature by Naor et al. (2009) and others suggests, national culture in itself does in fact have a noticeable effect on corporate life and transactions, as confirmed by Anonymous 1 (Company 1) and others.

The findings suggest culture as a main issue with entering new national business territory, and also that the most impactful cultural aspects can in fact be concretised. Consequently, this means that there is an absence of an effective, easily available and/or widely known way of understanding foreign culture. Such a framework could include relevant customs, social codes and ways to conduct business, and could have the effect of streamlining international business and significantly impact the success rate of cross-border M&As. While Meyer (2014) does propose such guidance in her book *The Culture Map*, and this is brought up by Azin Weisser (EY), it does not seem to be widely used by generalists.

Evidently, there seems to be a rift between the professionals on the frontline of cross-border M&As and the practically applicable techniques and frameworks to effectively assess culture for integration and through that, lay a foundation for M&A success.

5.3 Other Findings

Through the interviews and theory, including the findings of Aycan et al. (1999), it becomes clear that HR is closely related to culture.

The study by Denison (1984) shows that strong organizational cultures lead to improved financial performance, which aligns with the views of some respondents. Anonymous 4 (Company 4) mentions that a strong organizational culture enables every employee to perform at their best, indicating improved financial performance. Similarly, Azin Weisser (EY) suggests that organizational culture can be the most significant value driver for a company.

6. Results

Before addressing the initial research question regarding laying a solid foundation for successful integration, it is important to acknowledge integration and synergies may not be part of a company's objectives in an acquisition. As indicated by both empirical studies and the literature, there exist many different motivations behind acquisitions beyond integration and synergy pursuit.

How can organizations lay the foundation for successful integration early on in the M&A process within cross-border transactions?

To lay the foundation for successful integration early in the M&A process within cross-border transactions, organizations should adhere to several key principles highlighted in both literature and interviews. It's crucial to establish a clear purpose for the transaction, emphasizing predefined business cases rather than solely relying on financial metrics. This approach, supported by Denison (1984), ensures alignment between strategic objectives and evaluation criteria, potentially increasing the likelihood of success. Moreover, the importance of avoiding shortcuts and exaggeration of synergies is underscored by our respondents, emphasizing the need for precisely defined acquisition goals and rigorous due diligence to mitigate risks.

Respondents mention the possibility of “deal fatigue”, which comes from imposing excessive demands on the target company. Such demands could potentially hinder the integration phase and lead to worse employee retention. Instead, to help the effectiveness of the integration, it may be beneficial to focus on simplicity, while maintaining quality and precision in the due diligence, as suggested by various respondents and DePamphilis (2021). Early consideration of simplification, quality and precision may increase the likelihood of successful integration in cross-border M&A transactions.

Lastly, the involvement of key persons from the integration phase during the earlier stages of an M&A deal can be seen as an important success factor. One of the cornerstones of successful cross-border transactions seems to be ensuring continuity throughout the process. To achieve continuity the findings from the preparatory phase should effectively be transferred to the integration team, which may yield a positive outcome for the transaction. It is also mentioned by some respondents that it is much easier to acquire a company in a country where the acquirer already has an existing business. This is tightly linked to the involvement of people with the right competence throughout the whole process, laying out the foundation for the tough integration part already during the early stages.

What role do cultural differences between companies play in the success of cross-border acquisitions, and how can these differences be managed?

The findings suggest that culture plays a vital part in cross-border acquisition success, affecting several stages of the acquisition and integration process. Despite this, culture is not taken into account in a structured manner in most acquisitions. The cause for this seems to be multifaceted, with the most prevalent component being that many see culture as too vague to objectively evaluate and that intuitively sensing culture suffices. This takes effect in many ways such as integration conflicts and unrealised synergies, which can lead to unsuccessful acquisitions. This is clearly a misunderstanding as both interviews and literature describe a few prevalent frameworks, with Hofstede's (2011), Meyer's (2014) and Katzenbach's (2015) seeming to be the most recognised.

Using and understanding these frameworks is not always enough. The findings suggest that accessing target culture can be complicated, especially at an early stage. To mitigate this early stage problem some, including Thomas (2000) and Zakarias Challis (PwC), suggest making use of the desktop approach. This can be used without correspondence with the target company, while still giving important insight on what to expect from the transaction.

With this said, the motive behind the acquisition appears to play a significant role on the impact of culture. While it is clear that synergy is a significant positive effect of integration, and that culture plays a critical role in realizing the synergies, as mentioned earlier, many organizations simply do not buy companies for these purposes. For acquirers that choose to integrate, it seems evident that early cultural assessment and proper integration planning with regards to the cultural findings, is strongly correlated to overall transaction success. In these cases the literature also suggests that bigger synergies can be found when the cultural differences are more prominent.

In conclusion, regarding how cultural differences can be managed to ensure M&A success, the findings suggest a few prominent alternatives. These include conducting cultural assessment early on in the M&A process and using these findings to plan the potential integration. Consequently, maintaining a strong connection between the due diligence team and the integration team is suggested to result in more integration success. Additionally, it is strongly suggested in the findings that the cultural assessment, as well as the communication of the findings, can be highly aided by the employment of the most accepted frameworks. These seem to be especially helpful if they are combined and slightly altered to better fit each case.

6.1 Suggestions for further research

Many of our respondents share a wish to meet more people during the M&A process to get a better understanding of the targets' corporate culture, but this is something that the sellers often do not allow. One of the reasons is because this is said to cause worry for the employees in the target company. Therefore one suggestion for further research is how could acquiring companies get closer to the employees of the target company without disturbing daily operations?

Another suggestion for further research arises from the aspiration of many respondents to keep target employees after an acquisition, as this is highlighted as a success factor in cross-border M&As. Our second suggestion for further research is therefore to explore what makes target employees leave during or after a M&A transaction, and how to mitigate that risk.

We also found that while the most prominent frameworks for cultural assessment offer relatively objective results, many do not use them or do not find them satisfying on their own. Therefore we suggest further research regarding the objective effectiveness of cultural assessment frameworks.

On the subject of culture, many respondents describe how the only cultural assessment made in some transactions is gut feeling from meetings with top management. Hence we also suggest further research on how well top management reflects company culture as a whole.

Our final suggestion for further research delves into the balance between internal and external resources within the acquisition process, a suggestion that emerged from two independent interviews conducted within the report. Understanding the extent to which various phases of the process are handled internally versus externally could offer valuable insights into the dynamics of successful acquisitions. Especially, given the significance of comprehending the acquired company's culture for integration success, investigating the impact of conducting more aspects of the due diligence internally could be valuable. By exploring the internal and external allocation of tasks, one could gain a nuanced understanding of how these approaches correlate with a smooth integration phase, and ultimately, a successful M&A-transaction.

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Appendix A - Interview Guide, English

Date:
Location:
Time:
Respondent:
Interviewers:

Introduction

The interview will last approximately 60 minutes and will begin with some questions about you and your background. After that, we will move on to questions that are more directly related to the purpose of the study, which is to examine how key elements of a due diligence process can be combined and designed to increase the likelihood of success in international corporate acquisitions.

To simplify transcription, we plan to record the interview. The recorded interview will be saved until the transcription is complete, which will take a maximum of four weeks. After these four weeks, the interview material will be deleted. The transcription will be archived and included in the published work, but before we publish the transcriptions, we will provide you with a copy for review. You will then have the opportunity to request corrections or anonymization of information that you consider sensitive or personal.

- Do you consent to the interview being recorded?

If you need or wish to be anonymous in the final report, that option is of course available. You also have the opportunity to change your answer after the transcription is done.

- Do you wish to be anonymous?

As mentioned, the interview will focus on M&A transactions and we will ask about your experiences. We understand that many transactions are confidential, but we appreciate any insights and thoughts you can share.

Questions

Background & M&A:

1. Please describe yourself and your professional life.
    1.1. In which of these roles do you have experience within M&A?
    1.2. How many M&A transactions do you estimate you have been involved in?
        1.2.1. How many of them have been international?

2. How do you define a successful M&A transaction?
    2.1. Does this definition change in the context of international acquisitions?
    2.2. Do you believe this is a universally accepted definition?

3. What are, in your opinion, the main differences between international and domestic M&A transactions?
    3.1. What are the biggest issues you have personally encountered during a transaction?

4. Has the approach to, and ways of working with, international M&As changed during your active years?
    4.1. In what ways?
    4.2. Is there any aspect that is given more focus or attention now?

5. Discuss a past international acquisition you were involved in.
    5.1. What was the goal of the acquisition?
    5.2. What did the acquisition process look like?
        5.2.1. What challenges were there in the acquisition?
        5.2.2. Did this case significantly deviate from the norm?
    5.3. Was it a successful acquisition and did you achieve your goals?
        5.3.1. What factors do you think were the reasons for its success or failure?
    5.4. Is there anything in the acquisition process that could have been improved?

Due Diligence:

6. What due diligence-processes does your company currently employ?
    6.1. Why these? Which ones are prioritized?
        6.1.1. Is there any due diligence-process that you think should be prioritized higher or lower?
        6.1.2. Is there any process that you think is completely missing?
    6.2. Do you feel that there is a significant difference between projects, and if so, in what way?
    6.3. Do you feel that there is a significant difference between industries, and if so, in what way?
    6.4. Do you feel that there is a significant difference between national and international transactions, and if so, in what way?
    6.5. Have you experienced significant differences in frameworks between firms?

7. Are there any clear warning signs that can emerge during the due diligence-process?
    7.1. Are there any of these warning signs that are often overlooked?
    7.2. Are there any warning signs that you believe receive too much attention?

8. What tools are used during the due diligence-process?

Cultural Due Diligence:

9. Are there aspects in an initial screening that can reveal whether culture will need to become a more significant part of the due diligence work?
    9.1. What types of problems can this result in?

10. If not mentioned earlier, have you worked with Cultural Due Diligence?
    10.1. Why/why not?
        10.1.1. In what ways
        10.1.2. To what extent?
    10.2. How do you personally view Cultural Due Diligence?
    10.3. How has the perception of Cultural Due Diligence differed between projects?
    10.4. Do you think the perception of cultural due diligence differs between countries, and if so, how?
    10.5. Does the significance of culture differ significantly between industries?

11. Are there any specific tools used during the cultural due diligence process?
    11.1. Do you categorize companies based on cultural aspects?

Conclusion:

- Is there any question within the scope of the work that you consider important and that we have missed?
- Do you have any tips on further interviewees for us?

Appendix B - Interview Guide, Swedish

Datum:
Plats:
Tid:
Respondent:
Intervjuare:

Inledning

Intervjun pågår cirka 60 min och börjar med lite frågor om dig och din bakgrund. Därefter övergår vi till frågor som är mer direkt kopplade till studien syfte, vilket är att undersöka hur centrala element av en due diligence-process kan kombineras och utformas i syfte att öka sannolikheten för framgång vid internationella företagsförvärv.

För att förenkla transkriberingen har vi planerat att spela in intervjun. Den inspelade intervjun kommer att sparas fram till att transkriberingen är klar och detta kommer att ta max fyra veckor, efter dessa fyra veckor kommer intervjumaterialet att raderas. Transkriberingen kommer att arkiveras och ingå i det publicerade arbetet, men innan vi publicerar transkriberingarna, kommer vi att förse dig med en kopia för granskning. Du har då möjlighet att begära korrigeringar eller anonymisering av information som du anser känslig eller personlig.

- Godkänner du att intervjun spelas in?

Behöver eller vill du vara anonym i slutrapporten så finns givetvis den möjligheten, du har även möjlighet att ändra ditt svar efter att transkriberingen är gjord.

- Vill du vara anonym?

Intervjun kommer som sagt att handla om M&A-transaktioner och vi kommer att fråga om dina erfarenheter. Vi förstår att många transaktioner är sekretessbelagda men vi uppskattar alla insikter och tankar du kan dela med dig av.

Frågor

Bakgrund & M&A:

1. Berätta kort om dig själv och ditt yrkesliv
   - 1.1. I vilka av dessa roller har du erfarenheter inom M&A?
   - 1.2. Hur många M&A-transaktioner uppskattar du att du varit delaktig i?
     - 1.2.1. Hur många av dem har varit internationella?

2. Hur definierar du en framgångsrik M&A-transaktion?
    2.1. Skiljer sig definitionen när det handlar om internationella uppköp?
    2.2. Upplever du att detta är en vedertagen definition?

3. Vilka är de, enligt dig, största skillnaderna mellan internationella och nationella M&A-transaktioner?
    3.1. Vilka är de största problemen som du personligen har stött på vid en internationell transaktion?

4. Har arbetet kring internationella M&As förändrats under tiden du varit aktiv?
    4.1. På vilket sätt?
    4.2. Är det något som läggs mer fokus på nu?

5. Berätta om ett tidigare internationellt förvärv du var inblandad i?
    5.1. Vad var målet med förvärvet?
    5.2. Hur såg förvärvsprocessen ut?
        5.2.1. Vilka utmaningar fanns i förvärvet?
        5.2.2. Avvek detta case betydande från normen?
    5.3. Blev det ett lyckat förvärv och uppnådde ni era mål?
        5.3.1. Vilka faktorer tror du var anledningen till att det lyckades, eller misslyckades?
    5.4. Finns det något i den förvärvsprocessen som hade kunnat förbättras?

Due Diligence:

6. Vilka due diligence-processer använder ni er av idag?
    6.1. Varför dessa? Vilka prioriteras?
        6.1.1. Finns det någon due diligence-process som du tycker bör prioriteras högre eller lägre?
        6.1.2. Är det någon process som du tycker saknas helt?
    6.2. Upplever du att det skiljer sig mycket mellan projekt, på vilket sätt?
    6.3. Upplever du att det skiljer sig mycket mellan industrier, på vilket sätt?
    6.4. Upplever du att det skiljer sig mycket med hur man jobbar kring internationella och nationella?
    6.5. Har du upplevt betydande skillnader i ramverk mellan firmor?

7. Finns det några tydliga varningsflaggor som kan uppkomma under due diligence-processen?
    7.1. Är det några av dessa varningsflaggor som ofta förbises?
    7.2. Finns det några som du anser får för mycket uppmärksamhet?

8. Vad finns det för verktyg som används under due diligence-processen?

Cultural Due Diligence:

9. Finns det aspekter i en initial screening som kan avslöja om kultur kommer behöva bli en mer betydande del av due diligence-arbetet?
    9.1. Vilka typer av problem kan det ge?

10. Om inte nämnt tidigare, har ni jobbat med Cultural due diligence?
    10.1. Varför/varför inte?
        10.1.1. Hur?
        10.1.2. Vilken omfattning? (Ge exempel vid tid)

    10.2. Hur ser du personligen på Cultural due diligence?
    10.3. Hur har synen på Cultural due diligence skiljt sig mellan projekten?
    10.4. Anser du att synen på cultural due diligence skiljer sig mellan länder, på vilket sätt?
    10.5. Skiljer sig betydelsen av kultur sig mycket mellan industrier?

11. Finns det några speciella verktyg som används under den kulturella DD-processen?
    11.1. Kategoriserar ni företag utifrån kulturella aspekter?

Avslut:

- Finns det någon frågeställning inom ramen för arbetet som du anser är viktig och som vi missat?
- Har du några tips på vidare intervjupersoner till oss?

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