



CHALMERS
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Unveiling Lessons from Volvo's Post-Merger Integrations: Enhancing Future Processes

A Multiple Case Analysis for Successful Post-Merger
Integrations

Master's thesis in Management and Economics of Innovation

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Abstract

Background: Mergers and acquisitions have surged in popularity as a strategy for corporate growth. However, the majority of M&A deals fail to achieve their objectives. This thesis examines AB Volvo, a company that have achieved long-lasting success through strategic acquisitions emphasized at maintaining independent operations, to identify learnings connected to their post-merger integration processes.

Purpose: To analyse Volvo's essential, historical factors for a successful post-merger integration, aiming to improve future integration processes.

Problem: To remain competitive, it is increasingly important to accelerate towards more sustainable products. M&A is a crucial tool to successfully drive current business performance and the transformation to meet future demands simultaneously. Additionally, to achieve the strategic intent the integration processes is identified to be especially important. However, considering the complexity and contingencies of post-merger integration, it is difficult to create a framework that can be applied to all M&A transactions. Hence, firms must learn from previous experiences to their PMI process. By providing learnings from earlier acquisitions, this thesis will contribute to knowledge and capabilities needed for successful post-merger integrations.

Theoretical framework: The thesis was conducted as a case study, where Volvo's post-merger integration process was examined. Two main sources of data were used to lay a foundation for the thesis. The first one was a literature study, where existing knowledge from the research area was combined. The second source of data was semi-structured interviews which was conducted with relevant professionals involved in two earlier acquisitions. Frameworks and insights from the literature study were applied to empirical findings to form the analysis and draw conclusions.

Findings and recommendations: The thesis examines several aspects of Volvo's strategical and sociocultural processes and reveals successful practices as well as areas of potential improvements. These are both based on existing literature but also through patterns visible in the cases.

Keywords: Post-merger integration, Post-acquisition integration, M&A, Structural integration, Sociocultural integration, Change management, Strategy implementation, Organisational change

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A handwritten signature in black ink, appearing to read 'Hampus Back', written over a horizontal line.

Hampus Back, Gothenburg, June 2023

A handwritten signature in black ink, appearing to read 'Albin Jönsson', written over a horizontal line.

Albin Jönsson, Gothenburg, June 2023

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1

Introduction

1.1 Background

The use of mergers and acquisitions (M&A) has massively increased over the last decades (IMAA, 2023; Klok et al., 2022). It is often the biggest transactions that get the headlines, but all M&A transactions have the potential to generate significant impact over time. A prime example is AB Volvo (Volvo), whose long-lasting success can largely be attributed to its entry into new markets through platform acquisitions, as well as its nurturing of existing business lines through add-ons. The company started as a single car factory but has throughout time expanded into a manufacturer of trucks, busses, construction equipment, and engines for marine and industrial applications (AB Volvo, 2023a). Today, Volvo is an employer of over 100 000 people, is present in 190 markets, and has a yearly net sale of 473 billion SEK (AB Volvo, 2023a). An overview of their acquisition journey is shown in figure 1.1. Volvo's general acquisition strategy emphasises the ownership and governance of acquisitions as portfolio companies, rather than integrating them into their own brand and operations. This is evidenced by many of the latter acquired companies below, where the firm has maintained its independent operation and distinct brand.

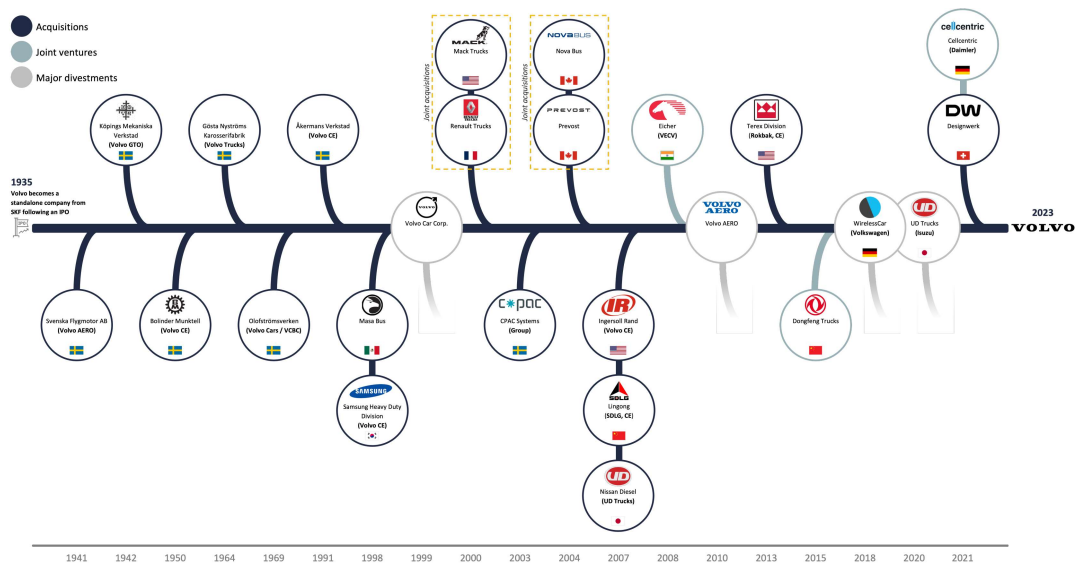


Figure 1.1: A selection of AB Volvo's precedent transactions.

However, despite that mergers and acquisitions continue to be a prevalent strategy to achieve corporate growth, literature claim that results are often disappointing as the majority of M&A deals fail to reach their objectives (Calipha et al., 2010; Christensen et al., 2011). Additionally, scholars have found that post-merger integration processes have a major impact on the performance of M&As, making them crucial for success (Lace & Kirikova, 2020). Graebner et al. (2017) describe post-merger integration as the process of a merger or acquisition after the transaction and addresses issues such as reconfiguration of resources, product lines and business units to adapt the firms to both internal and external needs.

1.2 Problem analysis

During the last decade, Volvo has focused heavily on divestment as a result of an earlier period aimed at high growth, especially through M&A activity. In 2013, Volvo had a period with low profitability and since then, the objective has been to improve efficiency and profitability by reorganising the company to take out overlaps and reduce structural costs (AB Volvo, 2023b). As seen in figure 1.2, Volvo has increased its profitability which has now reached a healthier level. At the same time, the importance of accelerating the transition towards more sustainable products has increased and Volvo aim to drive both current business performance and the transformation to meet future demands simultaneously (AB Volvo, 2023b). To succeed with the strategic goals, it is most likely that Volvo will need to conduct further acquisitions of companies in new technologies or markets.

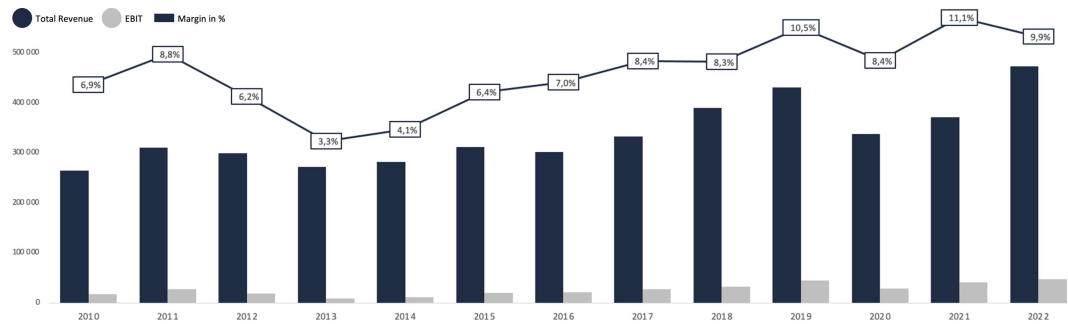


Figure 1.2: Volvo's financial performance from 2010 to 2022, in SEKm (S&P Capital IQ, 2023).

The challenges Volvo experienced to maintain their profitability following acquisitions are supported by the perspective of most scholars in the post-merger integration research area. Studies on M&A suggest that up to 70 per cent of deals fail to achieve their objectives (King et al., 2004; Haleblan et al., 2009, Christensen et al., 2011). It was first when Jemison and Sitkin (1986) conceptualised M&A as a process that the scholars shifted their focus from solely evaluating the worth of an acquisition target to also including how the target should be integrated. Since then, post-merger integration has been widely researched and the M&A scholars have strengthened the notion that the integration process is especially important to the success of M&As (Angwin & Meadows, 2015; Graebner, 2004; Heimericks et al., 2012; Larsson & Finkel

1999). It is thus essential for Volvo to understand how to manage the sub-processes impacting the post-merger integration process to increase their ability to reach the objectives in future acquisitions.

The complexity and contingencies of post-merger integration processes make it difficult to create a theory or framework that can be applied to all M&A transactions. Angwin and Meadows (2015) conclude that the main weaknesses of simpler models are their inability to cover important processes and contingencies but, on the other hand, more comprehensive models will become too complex to use efficiently. Consequently, the vast majority of post-merger integration research revolves around specific subtopics related to successful integration processes instead of extensive frameworks (Steigenberger, 2017). Additionally, given the sequential nature of M&A deals, firms must learn from previous experiences to transfer post-merger integration knowledge and improve their PMI process (Bodner & Capron, 2018). Hence, to help Volvo become more successful in its post-merger integration process, it is not possible to create a framework or checklist for future deals. However, by providing learnings from earlier acquisitions which are based on PMI research sub-processes, Volvo can improve its capabilities within post-merger integration.

Considering both the importance of successful post-merger integration, the contingencies of the integration process and the benefits of learning from prior integration experiences, the following question is derived:

What learnings can be drawn from Volvo's precedent post-merger integration processes?

To identify the possible learnings, it is important to understand how Volvo has executed its post-merger integration before. Additionally, considering the complexities of PMI, the research questions need to be answered with help from sub-questions. In the most comprehensive literature review of the research area, Graebner et al. (2017) divide post-merger integration into two sub-processes. Graebner et al. (2017) explain that each sub-process requires to be managed for the integration to be effective.

The first sub-process is strategic integration which is described by Graebner et al. (2017, p.3) as the “ways in which the acquired and acquiring organisations are coordinated and aligned and resources are combined to create value”. Strategic integration involves activities such as communication and interaction, alignment and standardisation, and structural integration. Scholars argue that these are necessary to realise synergies between the acquirer and the target (Larsson & Finkelstein, 1999). To understand what learnings can be drawn from Volvo's precedent post-merger integration processes it is therefore important to understand how they have executed the strategic integration in earlier acquisitions. This does therefore entail the following sub-research question:

How has strategic integration affected Volvo's success in precedent post-merger integration processes?

The second process regards sociocultural integration which Graebner et al. (2017, p.3) describe as “the various human, social, and cultural aspects of PMI, including issues of identity, justice and trust”. Research has shown that the employee factor is one of the key areas contributing to the high failure rate of M&As and two-thirds of all mergers fail to meet the desired results in the sociocultural aspect (Appelbaum et al., 2000; Ravenscraft & Scherer, 2011). To understand the learnings of Volvos precedent post-merger integration process it is therefore also crucial to understand how they have executed the sociocultural integration in their earlier acquisitions. Similarly, this entails the following sub-research question:

How has sociocultural integration affected Volvo’s success in precedent post-merger integration processes?

1.3 Purpose statement

This paper will analyse Volvo’s essential, historical factors for a successful post-merger integration, aiming to improve future integration processes.

1.4 Delimitations

This study covers the post-merger integration process, but pre-acquisition aspects of the M&A process have been excluded from the investigation. For instance, the financial and legal aspects of the pre-acquisition process are not investigated. The whole M&A process is too comprehensive to accurately research within the time constraints forced by the degree programme. Thus, post-merger integration is selected based on enabling a better understanding of its complexities.

This study focuses on governance and strategic integration aspects, such as strategic and sociocultural aspects, and does not cover task integration aspects, such as processes and systems. Delimiting in this way enables both for more in-depth research of selected topics but also focuses research on core issues Volvo’s corporate finance department face.

2

Literature review

2.1 Introduction to M&A

Merger and acquisition (M&A) are two different types of business combinations. However, the terms are repeatedly used interchangeably in literature (Graebner, 2017; Schreuder, 2013; Schmidt, 2013). In particular, acquisitions are often presented as mergers as it gives them a more friendly appearance (Schreuder, 2013). However, the legal difference between acquisition and mergers are clear (Schmidt, 2013). Acquisitions refer to one firm acquiring another firm by taking a controlling ownership interest over the said firm (Schreuder, 2013). Mergers refer to the combination of two firms, fusing both the business and legal entity, where the combined organisation continues under a single name (Schreuder, 2013; Schmidt, 2013).

Furthermore, Schreuder (2013) accurately describes that M&A can be classified as horizontal, vertical, and conglomerate. First, horizontal M&A refers to the act of combining two competitors in the same line of business. Second, vertical M&A refers to the combining of two firms across the value chain. For instance, when a firm acquires a supplier or customer, they expand across the value chain. Third and final, conglomerate M&A refers to the combining of two firms in unrelated lines of business and without strategic relatedness, which instead achieves unrelated diversification.

Although most transactions fail to reach their objectives (King et al., 2004; Halebian et al., 2009; Christensen et al., 2011), M&A remain widely employed as a means to obtain value beyond the boundaries of a firm. The primary reason for M&A occurrences is the acquirer's desire to achieve synergy by integrating business units and enhancing their competitive advantage (Porter, 1985). Synergy refers to the capacity of two or more units to generate more significant value together than independently. Goold and Campbell (1998) identified six sources of synergy, including shared know-how, shared tangible resources, pooled negotiating power, coordinated strategies, vertical integration, and combined business creation. Synergy realisation is often associated with vertical M&As, in the form of cost-saving synergies (Townsend, 1968) and horizontal, in the form of value-creating synergies (Porter, 1985) while conglomerate M&As mostly derive from financial reasons without synergies (Wheelen & Hunger, 2001). According to Carpenter and Sanders (2007), Seth et al. (2000), and Devers et al. (2007) there are also two more personal reasons for M&A, managerial self-interest in the form of equity-based compensations and hubris.

Moreover, Calipha et al. (2010) have identified that scholars propose between two and seven different phases of the M&A process. From the more simplistic, considering only the two phases called pre- and post-acquisition (Boland, 1970), to the more complex models, considering seven phases which include assessment, joint planning, issues analysis, structure selection, securing approvals, final planning, and implementation (Kazemek & Grauman, 1989). The two-sided model's phases are separated by the completion date, which is the date of ownership transfer from the target to the acquirer (Gomes et al., 2013). Common for all definitions of the M&A process is that all consider the post-merger, or integration, phase as a separate entity while the pre-merger is divided into more specific tasks, such as strategy planning, candidate screening and due diligence. However, the post-merger phase involves aspects such as task integration, human integration, and cultural integration (Birkinshaw et al., 2000; Bansal, 2015; Bansal, 2019).

The success of the PMI process should be measured based on the value created by the integration of the two firms (Gates & Very, 2003). Gates and Very (2003) define value creation in M&A as the ability to realise synergies, which is meant to result in revenue enhancement and cost reductions, and the preservation of each firm's intrinsic value. Contrary, they define value destruction in M&A as the result of either inability to realise synergies or the decrease of either firm's intrinsic value. Consequently, Gates and Very (2003) argues that the success of the PMI process should be measured through the pre-defined, in the pre-merger phase, value creation objective based on the selected acquisition strategy by the acquirer.

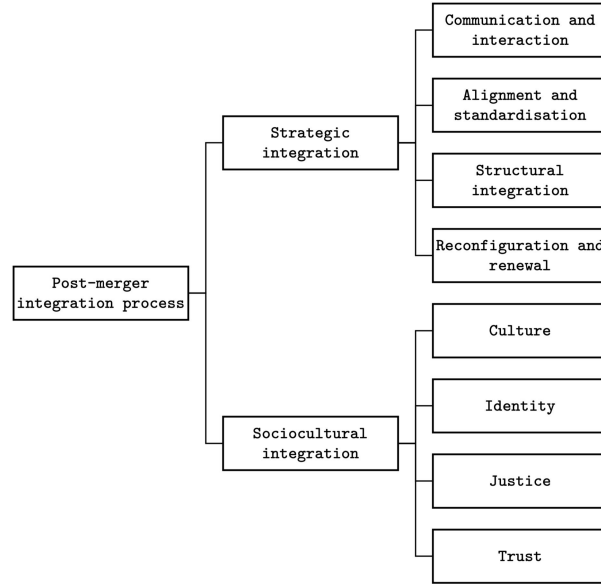


Figure 2.1: Structure of the following literature review.

As discovered, Graebner et al. (2017) have conducted eminent, comprehensive literature reviews convening historical literature, creating frameworks, and setting standards on how to describe the research area. The following sections of the literature review will thus take a stance on Graebner et al.'s (2017) two PMI sub-processes,

which also align with the research question of this thesis. These are strategic and sociocultural integration factors, seen in figure 2.1.

2.2 Strategic integration

Reconnecting to the problem statement, strategic integration is described by Graebner et al. (2017, p. 3) as the “ways in which the acquired and acquiring organisations are coordinated and aligned and resources are combined to create value”. Strategic integration involves activities such as communication and interaction, alignment and standardisation, and structural integration as well as reconfiguration and renewal, each necessary to realise synergies (Larsson & Finkelstein, 1999). These activities are in more detail discussed in the coming sections.

2.2.1 Communication and interaction

Communication and interaction in the PMI process refer to the correspondence and operational interaction across former firm boundaries, between the acquiring and acquired firms, during the PMI period (Larsson & Finkelstein, 1999; Reus & Lamont, 2009). Studies have found that, in general, more firm communication and interaction during the PMI process leads to improved coordination between the acquired and acquiring firms, in turn resulting in improved organisational performance and synergy realisation (Graebner et al., 2017; Kroon et al., 2022). To be precise, increased communication and interaction result in improved synergy realisation, knowledge transfer, and value creation (Graebner et al., 2017).

Research has found multiple specific positive relations between interaction and synergy realisation, as follows. Interaction in relation to tacit knowledge transfer, Bresman et al. (1999) found that communication, visits, and meetings had positive effects on tacit knowledge transfer when studying the interaction between the R&D departments of acquiring and acquired firms. Interaction in relation to social controls, Larsson and Lubatkin (2001) found that social controls, such as training, introduction programmes, and joint get-togethers had a positive effect on the acculturation of the acquiring or the acquired firm. Interaction in relation to communication, Reus and Lamont (2009) found that interfirm communication, such as e-mails, phone conversations, and meetings, had a generally positive effect on acquisition performance.

Furthermore, literature has found that top management can manage the intensity of firm interaction through coordinative decisions. Additionally, these coordinative decisions need to be balanced to avoid problems arising from either being too strict or loose. On the one hand, too vague coordinative decisions could lead to endless negotiations between employees and managers of the firms (Kroon et al., 2022). On the other hand, too precise coordinative decisions could lead to sub-optimal solutions due to the lack of specific understanding necessary (Moore, 2011). Additionally, letting employees, to some degree, decide together can lead to positive interactions as well as give a feeling of ownership (Castañer & Karim, 2013). This implies that some restraint of power from decision-makers is needed. However, Kroon et al. (2022)

argue that top management needs to keep in mind that even sub-optimal solutions might be worthwhile if it avoids excessive arguing between firms' employees.

2.2.2 Alignment and standardisation

The literature finds contradictory results regarding the effect of alignment and standardisation across the two organisations involved in a merger or acquisition (Graebner et al., 2017). The research focuses on promoting performance and knowledge transfer where the evidence for the latter is more coherent. In the following section, different perspectives on alignment and standardisation will be discussed in conjunction with the implications on integration success.

Cording et al. (2008) employed the notion of integration depth to describe the degree to which functional areas such as human resources management, production, marketing programs, and strategic planning were integrated or combined. They discovered a positive relationship between the level of integration, the consolidation of comparable business units and the transfer of knowledge from the acquirer to the target. This, in turn, was linked to increased post-acquisition stock returns. Similarly, Bauer and Matzler (2014) adopted Cording et al.'s (2008) integration depth measure and established a correlation with M&A performance. However, Reus et al. (2016) found no direct effect on performance when researching the extent to which functional areas of the acquired firm were integrated with those of the acquirer.

Sarala and Vaara (2010) focused on the level of change in the merging organisations and measured operational integration efforts as the extent of post-acquisition changes in the acquiring and the acquired company as well the elimination of overlapping business units and standardisation of practices. They found that this measure helped to predict successful knowledge transfer resulting in benefits to operations. While Vaara et al. (2012) utilised a slightly different measure by including decision-making, they also found a positive relationship between operational integration and knowledge transfer.

In Bauer and Matzler's (2014) study of integration depth, they also found that strategic complementarity increased the degree of integration while cultural similarity had the opposite effect. This suggested that cultural similarity can act as a substitute for integration and that the type of merger will influence the required degree of integration. Shrivastava (1986) assert that mergers with the ambition to pursue market synergies or consolidation require the greatest degree of organisational integration.

2.2.3 Structural integration

Graebner et al. (2017) bring forward a set of studies that distinguish between targets that maintain their separate P&L after the acquisition and targets that are structurally integrated into the acquiring firm. Despite mixed empirical findings on the relationship between autonomy, structural integration, and performance, the

literature suggests that autonomy and integration can impact both sociocultural aspects such as stress and cooperation, as well as operational performance in the integration process.

Despite previous research traditionally considering integration and autonomy as similar concepts, recent studies have demonstrated that these two constructs are distinct. Specifically, Zaheer et al. (2013) have defined structural integration as the degree to which the acquiring firm consolidates the functional activities of the target into its reporting hierarchy, while target autonomy is defined as the extent to which the acquiring firm delegates decision-making power to target managers over function activities. Other scholars, such as Larsson and Lubatkin (2001), Reus et al. (2016), and Sarala and Vaara (2010), have likewise found that autonomy and integration are separate. These findings suggest that PMI has, at a minimum, two dimensions: one related to communication, coordination, alignment, and standardisation, and another related to imposition, domination, and control.

One of the foundational typologies that conceptualises integration as multidimensional, which is seen in figure 2.2, is the four integration approaches proposed by Haspeslagh and Jemison (1991). Their framework focuses on two dimensions: strategic interdependence, which refers to the dimension related to communication, coordination, alignment, and standardisation, and Organisational Autonomy, which refers to the dimension related to imposition, domination, and control. Strategic interdependence suggests the degree of interdependence between merging firms with respect to capability transfer and resource sharing, while organisational Autonomy pertains to the extent to which an organisation’s culture is preserved or dissolved (Haspeslagh & Jemison, 1991). The four distinct integration approaches are preservation, symbiosis, holding, and absorption.

		Need for strategic interdependence	
		High	Low
Need for autonomy	High	Symbiosis	Preservation
	Low	Absorption	Holding

Figure 2.2: Integration matrix by Haspeslagh and Jemison (1991).

Angwin and Meadows (2014) conducted a review of Haspeslagh and Jemison’s framework and identified a correlation between some of the variables within the two dimensions, indicating that the typology is not orthogonal. As a result, they presented a modified framework, as seen in figure 2.3 that includes the two new dimensions acquired firm level of autonomy and knowledge transfer, which they found to be uncorrelated. Moreover, they proposed a new integration approach

called re-orientation, which is more balanced in both dimensions. The updated typology consists of the approaches intensive care (an updated version of holding), preservation, absorption, symbiosis, and re-orientation.

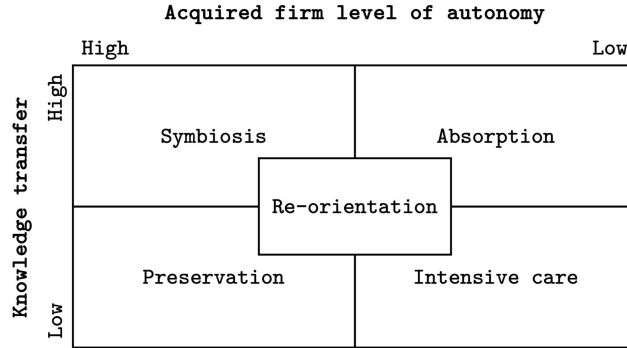


Figure 2.3: Integration matrix by Angwin and Meadows (2014).

The five different integration strategies in the typology by Angwin and Meadows (2014) are based on the acquired firm’s organisational fit, which refers to the level of autonomy, and the potential for knowledge transfer between the firms. The first strategy, intensive care, is commonly known as a turnaround acquisition and is appropriate for poorly performing companies requiring highly directive instructions from a well-informed acquirer (Angwin & Meadows, 2014). The preservation strategy focuses on maintaining the autonomy of the two organisations and allowing them to continue to operate independently (Haspeslagh & Jemison, 1991). The aim is to preserve the strengths of each organisation and avoid any major changes that could disrupt their operations (Haspeslagh & Jemison, 1991). In the absorption strategy, one organisation is integrated into another, and it is usually the acquired company’s operations, organisation, and culture that are dissolved and either integrated into the acquirer or one of its platform companies (Haspeslagh & Jemison, 1991). The symbiosis strategy involves creating a new organisation that combines the strengths of both organisations, with the goal to create a new entity that is more powerful and effective than either organisation on its own (Haspeslagh & Jemison, 1991). Finally, the re-orientation strategy revolves around acquiring financially healthy companies and achieving exploitation gains by coordinating administrative structures and outward-facing functions while maintaining independent operations, production, and development functions (Angwin & Meadows, 2014).

The existing literature on the relationship between autonomy and performance has yielded mixed empirical findings. For example, Weber et al. (1996) discovered that greater autonomy resulted in reduced cooperation but also less stress in domestic acquisitions. However, in the context of international acquisitions, greater autonomy consistently led to a worse attitude toward cooperation, increased stress, and reduced commitment. By focusing on the transfer of knowledge and capabilities, Sarala and Vaara (2010) found that increased autonomy hindered knowledge transfer. However, Ranft and Lord (2000) found that autonomy improved employee retention, which thereby enhance the transfer of technological capabilities from

the target to the acquirer. Lastly, both Reus and Lamont (2009) and Reus et al. (2016) identified a positive relationship between autonomy and acquisition performance, implying that greater autonomy is beneficial for post-acquisition performance.

Kroon et al. (2022) have shown that top management's early and clear integration decisions can offer advantages to the success of the integration. Leaving everything to negotiation can result in excessive concern over decision-making rather than execution. Moreover, Haspeslagh and Jemison's (1991) multidimensional and multistage process of integration suggests that successful integration involves two phases. Birkinshaw et al. (2000) found that in the first phase, managers should focus on human integration, fostering cultural convergence and mutual respect while satisficing task integration. In the second phase, which occurs a few years post-acquisition, managers revisit task integration and make additional changes to optimise task performance.

2.2.4 Reconfiguration and renewal

Graebner et al. (2017) describe reconfiguration and renewal as the dynamic process of realising potential value by continually reconfiguring assets, capabilities, and knowledge to sustain competitive advantage. This approach goes beyond the traditional strategic perspective of economies of scale and scope, as it recognises the potential of M&A to disrupt organisational inertia and introduce new organisational and technical components which can be combined in new ways. Graebner et al. (2017) categorise this research area into four streams, the reconfiguration of business units, resources, knowledge, and social networks.

The first aspect of reconfiguration and renewal is the restructuring of business units' boundaries between the firms. Karim's (2006) research revealed that acquired units are more susceptible to reconfiguration and integration into other units than internal units. Furthermore, Gomes et al. (2013) assert that the decisions and actions related to restructuring business units will be influenced by path dependency. They argue that previous practices have an impact on subsequent activities and choices, and it is, therefore, important to recognise the links between various stages of the process when planning the integration. Barkema and Schijven (2008) further argue that organising business units becomes increasingly complex when a buyer makes additional acquisitions. They also discovered that the extent of performance improvement following a restructuring event is contingent on the number of acquisitions made by the buyer since the last restructuring.

The second part is the reconfiguration of resources which refers to the use and assistance of resources between the firms and is studied at a more nuanced level than the restructuring of business units. Capron et al. (1998) discovered that it is typical for R&D, manufacturing, and marketing resources to be transferred from the targets to the acquirers, while managerial and financial resources are moved from the acquirer to the target. Additionally, Capron and Mitchell (1998) found that bilateral resource redeployment (to and from the target) was more effective than unilateral redeployment in enhancing post-acquisition capabilities. However, Graebner et al.

(2017) contend that there is a bias toward retaining the acquirer's assets, irrespective of quality.

The third aspect regards knowledge transfer and recombination and this research has shifted towards a knowledge-based perspective of the firm and analysed aspects such as technical innovation capabilities, manufacturing know-how, and managerial capabilities. Kogut and Zander (1996) advocate that the transfer of knowledge-based resources carries specific risks as well as the potential for value creation during the post-merger integration phase. Building upon the same perspective, Bresman et al. (1999) established that post-merger integration is a two-stage knowledge transfer process in which the acquirer unilaterally imposes its knowledge on the acquired firm during the early stages. As time progressed, knowledge transfer become reciprocal and collaborative, transforming into a bilateral process.

In the literature on knowledge transfer between merging firms, scholars have highlighted several factors that impact the process. Larsson and Finkelstein (1999), Cording et al. (2008), and Sarala and Vaara (2010) have identified communication, standardisation of functions, and better HR practices as key determinants of successful knowledge transfer. Furthermore, Graebner (2004) emphasised the critical role of acquired leaders in the integration of knowledge-intensive firms. These leaders can help to mitigate employees' concerns and maintain productive momentum, thereby realising expected value.

However, as noted by both Kogut and Zanders (1996), and Ranft and Lord (2002), the integration of knowledge-intensive firms presents unique challenges. Acquirers must balance the desire to achieve synergies with the need to preserve the capabilities of the target firm. Empson (2001) has identified two barriers to effective knowledge transfer in this context. The first is the fear of exploitation, which arises when merging firms have different levels of codified and tacit technical knowledge. The leading employees may fail to appreciate the value of others' knowledge and fear that they will receive nothing in return for sharing their own. The second barrier is the fear of contamination, which occurs when one firm believes that its counterparts have an inferior image. As a result, they may be hesitant to share client information out of fear that it will tarnish their reputation.

To manage these tensions, Ranft and Lord (2002) have proposed a grounded model, which is seen in figure 2.4 that links implementation speed, communications, autonomy, retention, and transfer of technologies and capabilities. This model highlights the importance of preserving and transferring knowledge during post-merger integration.

Based on their cases, Ranft and Lord (2002) have developed thirteen propositions in conjunction with the model. Some of these are explained below. First, it is more difficult to implement tacit and socially complex knowledge. Second, greater autonomy facilitates the preservation of an acquired firm's tacit and/or socially complex knowledge. However, greater autonomy also inhibits the transfer of the

acquired firm's technologies and capabilities that are based on tacit and/or socially complex knowledge. Additionally, rich communications facilitate the preservation of the acquired firm's technologies and capabilities by creating a more favourable climate between the two organisations while on the other hand, rich communications also facilitate the transfer of the acquired firm's technologies and capabilities by enhancing the exchange of tacit and/or socially complex knowledge. Lastly, the relative size and the relative performance of the acquired firm are positively associated with low integration and retention of key employees but are negatively associated with communications between the two organisations.

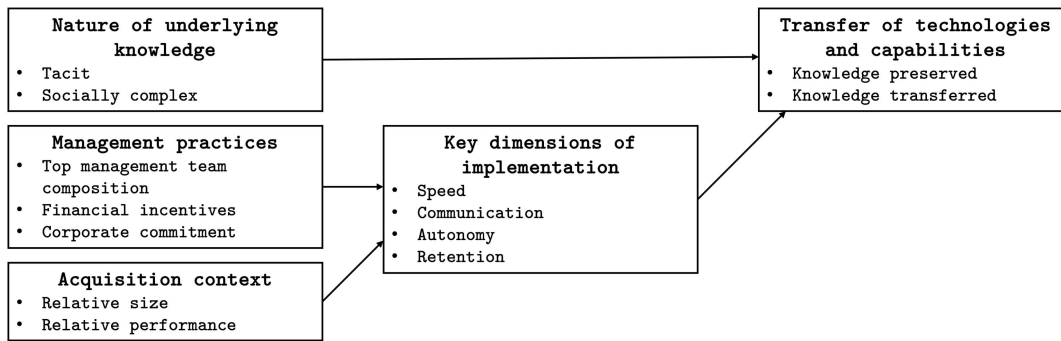


Figure 2.4: Grounded model of acquisition implementation (Ranft & Lord, 2002).

The last aspect is network reconfiguration where a few scholars have researched the reconfiguration of social networks in the context of M&A, such as interfirm communication and different individuals' social position in their firms. Allatta and Singh (2011) discovered that e-mail communication between individuals in the acquiring and target firms was initially more frequent within each firm than between the two firms. However, communication between the two firms gradually increased over time and reached its peak after two years before returning to lower levels.

2.3 Sociocultural integration

Reconnecting to the problem statement, sociocultural integration is described by Graebner et al. (2017, p.3) as “the various human, social, and cultural aspects of PMI, including issues of identity, justice and trust”. Research has shown that the employee factor is one of the key areas contributing to the high failure rate of M&As and two-thirds of all mergers fail to meet the desired results in the sociocultural aspect (Appelbaum et al., 2000; Ravenscraft & Scherer, 2011). Sociocultural integration involves activities such as culture, identity, justice, and trust (Graebner et al., 2017). These activities are in more detail discussed in the coming sections.

2.3.1 Culture

The notion of culture in the context of M&A was initially introduced by Schein (1985) and described as the shared beliefs and values among senior managers regarding appropriate business practices. Over time, the concept has evolved to encompass

multiple levels of analysis, including subculture, functional, national, regional, industrial, and organisational levels (Gomes et al., 2013; Teerikangas & Very, 2012). All types of culture can also be conceptualised at different levels of observability, such as practices, values, and fundamental assumptions, (Gerhart, 2008) and is therefore difficult to define. However, Bouchikhi and Kimberly (2012) describe culture in a broad sense as the shared values and beliefs within a group. Organisational culture is referred to as the “environment in which people work and the influence it has on how they think, act and experience work” by Warrick et al. (2016). Lastly, national culture was early defined by Hofstede (1980) and refers to the nationally collective programming of the mind where cultural values create a broad tendency to prefer certain circumstances over others.

Considering the effects cultural differences have on performance, several studies have demonstrated that cultural differences can result in both expected and unexpected clashes and conflicts (Graebner et al., 2017). However, the impact of cultural differences on performance has not been conclusively established. On the one hand, differences in organisational culture have been linked to negative outcomes, such as declines in accounting metrics and stock market value following domestic M&A (Chatterjee et al., 1992). Similarly, research has shown a negative correlation between cultural distance and financial performance in international acquisitions (Gomes et al., 2013). On the other hand, recent studies have argued that cultural differences may also have a positive effect on post-acquisition performance. Positive associations between cultural differences and performance, attitudes, and stress have been observed in both organisational and national contexts (Teerikangas & Very, 2012). For instance, Vaara et al. (2012) examined the effects of both organisational and national cultural differences on social conflict and knowledge transfer and reported that national cultural differences were negatively associated with conflict, whereas both organisational and national cultural differences were positively associated with knowledge transfer.

Considering the impact that cultural differences can have on performance in an organisational context, research has demonstrated that such differences can give rise to various challenges that impede the integration process and increase the costs of acquisition (Brock, 2005; Cartwright & Price, 2003). For instance, disparities in organisational culture have been linked to initial resistance from employees, which can in turn diminish the performance of the acquisition (Smolders et al., 2023). Furthermore, Weber et al. (1996) discovered that cultural differences were associated with reduced commitment and cooperation among top management in merging organisations.

The influence of national cultural differences on acquisitions is often perceived as a complicating factor and is associated with failures in M&A (Calipha et al., 2010). In the context of international acquisitions, national cultural differences have been linked to stress, negative attitudes towards the transaction, and cooperation (Graebner et al., 2017). However, some scholars have reported a positive relationship between national cultural differences and performance. For instance, Morosini et al.

(1998) observed that national cultural differences enhanced M&A performance, and argued that this was due to the transfer of knowledge in the form of diverse routines, repertoires, and capabilities that the firms could leverage.

The inconsistent results regarding the influence of cultural differences on performance have prompted scholars to examine the underlying integration dynamics that give rise to these varying effects (Graebner et al., 2017). One of the seminal works concerning integration dynamics is the introduction of acculturation in M&A by Nahavandi and Malekzadeh (1988), which refers to the process of cultural adaptation and alternative scenarios when two organisational cultures merge. They developed an acculturation framework designed to reduce acculturative stress and promote successful implementation by aligning the acquiring and acquired firms' preferences regarding acculturation mode.

The process of acculturation is a wide-ranging cultural concept that centres around how two groups adapt to each other and resolve emergent conflicts. Berry (1983) identified four different ways in which acculturation can occur, which he referred to as modes. Nahavandi and Malekzadeh (1988) adapted these findings to the context of M&A and the following framework includes the four modes which Berry (1983) created to describe different cultural outcomes and how they occur.

		Desire to preserve culture at the acquired firm	
		High	Low
Perceived attractiveness of the acquirer	High	Integration	Assimilation
	Low	Separation	Deculturation

Figure 2.5: Target's modes of acculturation (Nahavandi & Malekzadeh, 1988).

Integration leads to structural assimilation, where the organisations combine, but still maintain their distinct shared beliefs and organisational practices. Assimilation, on the other hand, involves one firm adopting the culture of the other. Separation aims to preserve the culture by maintaining independence from the acquiring organisation. Lastly, deculturation occurs when the acquired firm loses cultural contact with both organisations. The four acculturation modes and the choice of appropriate mode depend on different variables for the acquired firm and the acquiring firm. As seen in figure 2.5, the acquired firm's preferred choice of mode is determined by the desire to preserve their own culture and perception of the attractiveness of the acquirer.

Additionally, as seen in figure 2.6, the acquiring firm's preferred choice of mode is determined by the degree of multiculturalism at the acquiring firm and if the acquisition is in a related or unrelated line of business.

		Degree of multiculturalism	
		High	Low
Degree of relatedness of firms	High	Integration	Assimilation
	Low	Separation	Deculturation

Figure 2.6: Acquirer’s modes of acculturation (Nahavandi & Malekzadeh, 1988).

According to Seo and Hill (2005), the acculturation mode triggered during the integration process depends on the relative strength of factors that require organisational integration, such as the degree of relatedness of the firms, and the strength of factors that drive cultural differentiation, such as the strength of organisational identity. Nahavandi and Malekzadeh (1988) argue that acculturative stress occurs when the two firms cannot agree on the desired mode of acculturation. Elsass and Veiga (1994) suggest that this stress is most present when there is a strong desire to maintain the firm’s culture as well as a strong push for organisational integration, which can lead to resistance to acculturation and significant inter-organisational conflicts. Lastly, there also exist other frameworks that identify four similar approaches to acculturation. They also vary in terms of hostility and change but are referred to by different names (Cartwright & Cooper, 1996; Buono et al., 1985).

Sarala (2010) found that both cultural differences and organisational cultural preservation can increase conflict, while partner attractiveness can decrease conflict. Hence, it is argued that these findings confirm that both organisational cultural differences and acculturation factors are essential to understand the post-acquisition integration dynamics. Managing the acculturation process is particularly crucial when the cultural differences are significant (Barmeyer & Mayrhofer, 2008; Choi et al., 2012). However, the manager’s ability to impact the process is limited (Quah & Young, 2005; Riad, 2007). Additionally, sociocultural controls, such as forming mixed teams, encouraging socialisation among employees, specialised integration teams, and personnel exchange, are ways which are proven to help facilitate the acculturation process (Larsson & Lubatkin, 2001; Lodorfos & Boateng, 2006).

Teerikangas and Very (2012) have found that target firms from different countries prefer integration approaches that align with their home countries’ national culture. Target firms’ participation in the integration process is linked to greater acquisition success (Teerikangas & Very, 2012). However, international M&A is challenged by various cultural obstacles, including resistance to changing work methods, perceived threats to employee positions, and nationalism rooted in historical backgrounds (Olie, 1990). Teerikangas and Very (2012) recognise that national culture is particularly difficult to change and suggest that a national culture-compatible strategy that aligns with the target country’s culture is the most beneficial method for acquirers.

When considering the managerial implications of cultural dynamics, Marks (1999) asserts that cultural due diligence can provide a realistic assessment of the cultural differences that exist between organisations in M&A. By doing so, managers can assess the potential for culture clashes and enable proactive planning of interventions to address acculturation problems. Teerikangas and Very (2012) conclude in their research that factors such as the degree of mutual trust and shared norms promote the progress of cultural integration by enabling dialogue and conflict resolution and decreasing employee fears. To manage employee fears, they claim that managers need to communicate and explain the need for changes in order to legitimise the change. Similarly, Reus and Lamont (2009) find that cultural distance decreases the understandability and transferability of key capabilities and constraints communication between organisations, which negatively affects performance. However, these findings also indicate that cultural differences enhance the effect of communication on acquisition performance. Hence, Graebner et al. (2017) argue that investments in communication are crucial to alleviate the potential negative effects of cultural distance. These findings are supported by Larsson and Lubatkin (2001) and Schweiger and Goulet (2005), who assert that social integration measures increase communication and consequently enhance acculturation.

Another aspect of cultural integration management is cultural learning, which entails the acquiring organisation's ability to learn about and understand the target firm employees' experiences of being acquired. Schweiger and Goulet (2005) claim that a positive experience of an acquisition is not a matter of merging similar cultures but rather a matter of cultural learning. They found that deep-level cultural learning interventions resulted in enhanced intercultural awareness, understanding and communication, as well as geared attitudes toward cooperation and integration. For example, Ashkenas et al. (1998) explain that an integration process, which entails a cultural workout where managers from both firms discuss differences in organisational culture and together develop plans to integrate the cultures, results in a better experience of the acquisition for the employees.

2.3.2 Identity

There are multiple types of identity, including organisational, professional, and workgroup identity (Seo & Hill, 2005). However, M&A literature has shown special interest in organisational identity (Seo & Hill, 2005; Terry & O'Brien, 2001), as M&A results in dramatic organisational changes profoundly affecting employees' organisational identity (Giessner et al., 2012). Organisational identity can be defined as an employee's self-conception of membership in an organisation (Bouchikhi & Kimberly, 2012; Hogg & Terry, 2000). Importantly, this differentiates identity from culture, in the sense that culture refers to shared values and beliefs whilst identity refers to the self-concept (Bouchikhi & Kimberly, 2012).

Social identity theory claims that employees who self-identify as a part of an organisation are more inclined to negatively predispose against people self-identifying with another organisation (Smeulders et al., 2023), or as in M&A, employees of

the acquired and acquiring firm (Bansal, 2019). This creates a we-versus-them scenario resulting in resistance against collaboration (Bansal, 2019; Smeulders et al., 2023), which is a common outcome for managers mistaking identity for culture (Bouchikhi & Kimberly, 2012). In addition, decreased post-acquisition organisational identification amongst the acquired firm’s employees has been shown to result in more conflict, lower motivation, and organisational performance, putting both financial and strategic objectives at risk (Giessner et al., 2012).

To better handle these challenges, Bouchikhi and Kimberly (2012) have created a two-dimensional matrix framework to manage identity integration during the PMI process, seen in figure 2.7. The first dimension relates to integrating through preserving both identities or changing one of them. The second dimensions relate to handling legacies, that is, if the acquiring and acquired firm pursue a common future through the creation of a new organisational identity or integrate through legacy identities. These two dimensions result in four distinct approaches for identity integration, these being assimilation, confederation, federation, and metamorphosis (Bouchikhi & Kimberly, 2012). These four approaches defined by Bouchikhi and Kimberly (2012) are shown in figure 2.7.

		Integration through	
		Existing identities	Creating a new identity
Dealing with legacies identities	Preserve	Confederation	Federation
	Delete	Assimilation	Metamorphosis

Figure 2.7: Identity integration matrix (Bouchikhi & Kimberly, 2012).

The first approach in Bouchikhi and Kimberly’s (2012) matrix is assimilation. Assimilation is described as when the acquired firm’s identity is dissolved into the acquiring firm’s identity. The acquired firm’s visual identity is changed to the acquiring firm’s visual identity, e.g., name and logo. Additionally, the acquired firm’s management is dissolved whilst employees who are retained are distributed across the acquirer’s organisation. The approach strongly signals the need for employees to adapt and conform to the acquirer’s identity. The level of stress put on employees of the acquired firm is dependent on the level of commitment to the old identity and the perception of the new identity’s attractiveness. Assimilation integration is less of interest when there is a lack of asymmetries between the acquired and acquiring firms. Terry and O’Brien, (2001) argue that when the firms are similar in size, profitability, or reputation the acquired firm may perceive its identity to be superior to the acquirers, consequently, resist changing identity. Bouchikhi and Kimberly (2012) continue to discuss how the acquired firm’s perception of them being better in some important dimensions, e.g., that they are more innovative or care more about

their employees, can further decrease the effectiveness of assimilation. Similarly, but taking another point of view, Seo and Hill (2005) argue that an acquired firm is more likely to adopt its identity if they perceive the acquirer to be better in some important dimensions. Finally, Bouchikhi and Kimberly (2012) continue by arguing that research on cross-border acquisitions has found that acquired firms often find the acquiring firm's identity less attractive.

The second approach in Bouchikhi and Kimberly's (2012) matrix is confederation. Confederation is described as when the acquired and acquiring firms' identities both are allowed to be preserved. Both the acquired and acquiring firms' visual identity, management structure, and decision-making processes are kept, resulting in the lowest possible coordination efforts required to realise selected synergies. Confederation integration is of interest when an adequate level of revenue and cost synergies can be reached with a low integration depth, balancing economic calculations and psychological needs. That is, the acquired and acquiring firm keep their autonomy and identities whilst being guided by high-level coordination mechanisms. When applying the confederation identity integration approach, top management must clearly communicate the integration depth to employees, at both the acquired and acquiring firm.

The third approach in Bouchikhi and Kimberly's (2012) matrix is federation. Federation is described as when the acquired and acquiring firms' identities both are allowed to be preserved but an overarching identity is created that the acquired and acquiring firms both can identify with and thrive within. Federation integration is of interest when the local identity and management autonomy are essential for the acquired firm. That is, preserving the uniqueness of the firm whilst also achieving economies of scale, in general, two contradictory factors. However, managerial consistency, e.g. quality, across subsidiaries can be challenging in this form of decentralised organisation.

The fourth and final approach in Bouchikhi and Kimberly's (2012) matrix is metamorphosis. Metamorphosis is described as when both the acquired and acquiring firms' identities are dissolved into a completely new firm identity. Top management efforts to create a neutral terrain will enable employees from both firms to forget their old identities whilst creating a shared identity. Metamorphosis integration is of interest when there is a high level of strategic and operating integration benefits whilst the firms have equally strong identities. This approach helps top management to handle anxieties and uncertainties amongst employees, by avoiding the perception of winners and losers of the integration and instead focusing on the employees' participation in the creation of a new identity.

Although presented as separate approaches, Bouchikhi and Kimberly (2012) briefly mention that there are possibilities of, over time, change from one approach to another. For instance, initially selected confederation integration could over time naturally change to the federation as identity integration evolves, as in the case of Air France and KLM (Bouchikhi and Kimberly, 2012).

Moreover, Bouchikhi and Kimberly (2012) have identified two tools to influence

identity integration, these being the symbolic and the substantive tool. The symbolic tool relates to what the organisation should stand for (Bouchikhi & Kimberly, 2012) and could be managed through the mission statement, corporate values, and corporate branding (Bouchikhi & Kimberly, 2012; Seo & Hill, 2005). Bouchikhi and Kimberly (2012) have found that most senior managers think of identity management in symbolic terms, however, this is not enough. Symbolic tools help to communicate the desired identity but are not sufficient for lasting change, to facilitate lasting change, managers need to utilise substantive tools (Bouchikhi & Kimberly, 2012). The substantive tool relates to the embodiment of identity, that is, the personal aspects of identity such as decisions related to ownership, leadership team composition, and recruitment (Bouchikhi & Kimberly, 2012). Examples discussed are using the substantive tool could be the choice of hiring people aligned, or displacement of employees not aligned, with the desired organisational identity, and organisational changes in structures and managing systems. Moreover, it has been found that highlighting a common competitor or creating cross-firm structures and teams could have a positive effect on identity integration, the latter by increased understanding of the other firm's identity (Haunschild et al., 1994).

2.3.3 Justice

Another important aspect of the human side of change in M&A is the perception of justice and being treated fairly (Bansal, 2019; Graebner et al., 2017), especially in the PMI process (Monin et al., 2013). Justice in organisations is defined as the employees' perception of fairness in the organisations (Colquitt et al., 2005). For instance, in many M&A transactions decisions are made about the retention and replacement of employees, which have a profound implication on employees' perception of fairness (Seo & Hill, 2005). In turn, employees' perception of justice then influences attitudes and consequently behaviours and reactions towards change (Cobb et al., 1995; Seo & Hill, 2005). In other words, justice legitimises organisational changes, where the perception of justice helps employees to embrace change and its consequences whilst injustice problematises change (Bansal, 2019; Monin et al., 2013), decreases synergy realisation (Larsson & Finkelstein, 1999), and generate conflicts (Graebner et al., 2017) often even resulting in complete M&A failure (Herscovitch & Meyer, 2002).

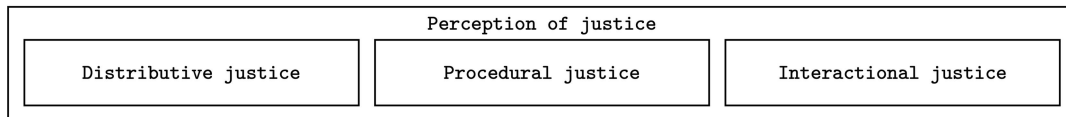


Figure 2.8: Perception of justice's three dimensions.

M&A literature has defined three dimensions of justice perception, seen in figure 2.8 above, these being distributive, procedural, and interactional justice (Bansal, 2019; Colquitt et al., 2005; Graebner et al., 2017; Monin et al., 2013; Seo & Hill, 2005), the latter also being called interpersonal justice (Monin et al., 2013).

First, distributive justice is described as the fairness of resources, roles, and rewards received compared to what others receive or what is deemed fair in the

organisation (Bansal, 2019; Colquitt et al., 2005; Monin et al., 2013). Literature shows that it is important to consider both equity and equality when managing distributive justice in PMI processes (Bansal 2019), even if it might be hard to put into practice (Graebner et al., 2017). That is, allowing for equity in receiving fair outcomes in relation to input whilst also allowing for equality in opportunities between the employees of the target and acquirer (Bansal 2019). For instance, the top management could positively influence the perception of distributive justice by appointing a mix of managers from both the acquired and acquiring firm (King et al., 2020; Bansal, 2019). Additionally, management needs to decide outcomes based on the needs of the organisation and employees (Seo & Hill, 2005). Seo and Hill (2005) exemplify this by arguing that acquired employees should be provided with training that aligns with the importance of their position in the new organisation, addressing any skill gaps relevant to their roles. Bansal (2019) brings up some fundamental equality and equity aspects to consider during the PMI process, these being compensation, benefits, rewards, recognition, and promotion.

Second, procedural justice is described as the fairness of procedures and methods used influencing distribution and work (Bansal, 2019; Colquitt et al., 2005; Monin et al., 2013). The PMI process is characterised by changes in procedures, especially related to hiring, training, talent management, and rewards (Bansal, 2019). By doing these changes, management influences the perception of procedural justice. If changes are ensured to be procedurally fair to employees, they tend to get a more positive attitude towards integration (Bansal, 2019). It is thus important to provide a rationale for the change to the employees (Bansal 2019), whilst ensuring these procedures are accurate, objective, and unbiased (Seo & Hill, 2005). Additionally, including suggestions from employees in the procedures could further improve the perception of procedural justice (Bansal, 2019). Furthermore, enabling equal partaking of employees from both the acquired and acquiring firm in important decision-making can increase the perception of procedural justice. For instance, letting employees engage equally in decisions regarding procedures related to employee displacement (Seo & Hill, 2005). Finally, the connection between procedural and distributive justice is clear, procedural justice in decision methods generally results in a more positive perception of distributive justice (Bansal, 2019).

Third and final, interactional justice is described as the fairness of treatment and communication between organisational employees and decision-makers (Bansal, 2019; Colquitt et al., 2005; Monin et al., 2013). Managers can positively influence the perception of interactional justice by being honest and transparent in communication, especially communication directed from the acquiring firm to the acquired firm (Bansal, 2019). Continuing on the example of displacing employees during the PMI process, discussed in the other dimensions of justice, literature shows that the treatment of surviving and displaced employees is instrumental for the perception of interactional justice (Seo & Hill, 2005). In particular, Seo and Hill (2005) discuss the importance of handling displaced employees with respect, giving adequate clarification for the need for change, and admitting to the difficulties employees face.

All these aspects of justice are interlinked and of interest to the PMI process (Monin et al., 2013). However, some literature argues that the most influential is the distributive aspect of justice since it has the greatest influence on employees' psychological outcomes (Bansal, 2019; Chen McCain et al., 2010).

Additional complexity of justice is added by considering uncertainty (Bansal, 2019; Graebner et al., 2017; Melkonian et al. (2011)). For instance, Melkonian, et al. (2011) found that in situations where employees do not have access to adequate information on distributive and procedural justice, they tend to rely on temporary heuristics to reduce uncertainty. For instance, they may scrutinise the cooperative behaviours of authority figures regarding M&A matters. Additionally, employees who are acquired through M&A often speculate that they are not given complete clarity regarding their job roles, compensation, and performance appraisal systems within the acquired company (Bansal, 2019). Justice literature argues that uncertainties negatively influence the willingness to collaborate (Lind, 2001), which can negatively affect organisational productivity and even result in M&A failure (Bansal, 2019).

To manage the perception of justice and uncertainties among employees, literature suggests several interventions, the most prominent being top-down communication which provides accurate, adequate, and timely information concerning employees' jobs (Seo & Hill, 2005). Gomes et al. (2013) concur that PMI top-down communication is critical for the success of mergers and adds that communications also need to convey the purpose of the merger and integration. Communication can be efficiently implemented in many ways. For example, Schroeder (2012) found that informal communication from managers or other staff could be as influential as formal communication, whilst being less easily controlled. This resulted in the need for the dissemination of as much information as possible about the PMI process plans (Schroeder, 2012). However, Gomes et al. (2013) found that overcommunication also has its downsides. They discovered that managers need to receive communication that is somewhat vague and ambiguous to enable flexibility towards the changing circumstances, which contradicts the findings of Schroeder (2012) and Seo & Hill (2005).

As seen, communicating incorrectly can threaten the commitment required for a successful PMI process. Consequently, Papadakis (2005) suggest that a systematic effort is vital when managing communication and is argued to be one of the most influential factors in the PMI process. Such systematic effort is proposed to be a communication programme which should consider aspects such as honesty, consistency, frequency, and management reliability (Papadakis, 2005). Some literature implies that the communication programme should be designed in the pre-merger phase (Gall, 1991). However, Papadakis (2005) concludes that the timing of the communication programme does not result in different outcomes.

Finally, literature has found a correlation between culture integration and employees' perception of justice (Bansal, 2019). Bansal (2019) found that successfully managed cultural integration is one of the most influential factors affecting the perception of justice, which exemplifies the interconnectedness of the factors in this thesis.

2.3.4 Trust

The cross-literature review by Rousseau et al. (1998, p. 395) concluded that the widely held definition of trust is the “psychological state comprising the intention to accept vulnerability based upon positive expectation of the intentions or behaviour of another”. Graebner et al. (2017, p. 41) have a more managerial point of view and define trust as the “willingness of a person, group, or organisation to rely on another party’s actions in situations involving opportunism or risk”. On the contrary, distrust is defined as having a negative expectation of another party’s actions in situations involving opportunism or risk (Sitkin & Roth, 1993; Stahl et al., 2011). As seen in the definitions, the requirement of a presence of risk is detrimental to the relevance of trust, meaning that trust is irrelevant in the absence of risk (Rousseau et al., 1998; Stahl et al., 2011).

Furthermore, literature has found that the uncertainties arising after an announcement of a M&A lay the foundation for distrust (Stahl et al., 2011), which often continues throughout the whole PMI process (Stahl & Sitkin, 2005; Graebner et al., 2017). Distrust arises because the situation is unpredictable from the employees’ point of view, information is easy to misinterpret, and employees may feel vulnerable (Stahl et al., 2011). This is important since distrust has been found to be related to a variety of problems (Graebner et al., 2017), which can undermine the realisation of synergies (Stahl et al., 2011). Conversely, trust has been found to have a positive effect on employees’ attitudes and behaviours, enabling capability transfer, resource sharing, and learning, in turn positively affecting the realisation of synergies (Stahl et al., 2011). In short, trust has a positive impact on the success of integration efforts (Graebner et al., 2017).

In addition, Stahl et al.’s (2011) study on factors influencing trust from acquired firm to the acquirers’ top management found that integration process variables, such as acquirer multiculturalism, quality of communication, and perceived employee benefits, had a major impact on trust and the outcome of the acquisition. For example, failing to communicate adequately and timely can result in the spread of anxiety among employees through unfounded rumours and uncertainties (Papadakis, 2005; Schroeder, 2012). This, in turn, can lead to the creation of distrust and negative attitudes towards the M&A transaction amongst employees and ultimately lead to the failure of the M&A transaction (Papadakis, 2005). Additionally, relationship history and interfirm distance were also investigated but no clear connection between these variables and trust was found. Stahl et al. (2011) thereby concluded that findings directly imply that the acquirer’s integration process strategy affects the acquired firm’s employees’ trust towards top management of the acquiring firm, further motivating the need for trust to be considered in the PMI process.

Moreover, literature has identified five dimensions influencing trust from the acquired firm’s employees to the acquirer’s management, these being perceived ability, benevolence, integrity, openness, and value congruence (Mayer et al., 1995; Stahl et al., 2011), seen in figure 2.9.

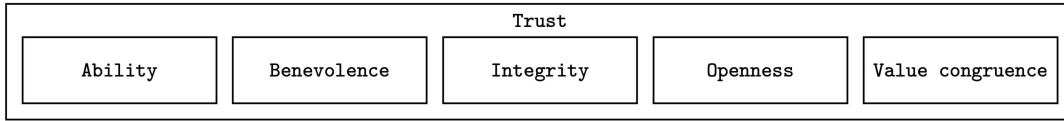


Figure 2.9: Trust’s five dimensions.

First, ability is described as the skills, competencies, and characteristics needed to be possessed to enable trust (Mayer et al., 1995). For instance, the perceived competence of top management to make decisions within one area can give a perception of ability and thus result in an increase in trust. On the contrary, top management might be perceived as lacking competence within another area resulting in a decrease in trust. Mayer et al. (1995) argue that this shows the domain specificity of the ability dimension.

Second, benevolence is described as the extent one party believes that another party want to do good for the former (Mayer et al., 1995), not pursuing opportunistic behaviour and instead maximising joint outcomes (Stahl et al., 2011). Benevolence is, according to Väisänen et al. (2021), the most difficult dimension of trust to assess in a new relationship. Whitener et al. (1998) state that managers can increase the perception of the benevolence dimension by not exploiting employees for their benefit, protecting employees’ interests, and being thoughtful of employees’ needs.

Third, integrity is described as the expectation of the behaviour of another party, regarding reliability, dependability, and consistency (Mayer et al., 1995; Stahl et al., 2011). A firm’s employees perceive the consistency of management’s words and actions which they construct their perception of integrity based on (Whitener et al., 1998). In particular, they observe the credibility of communication and the alignment of communication and actions (Mayer et al., 1995). Schweiger et al. (1993) emphasise the importance of validating communication through actions and Gomes et al. (2013) emphasise the importance for managers to only give promises they intend to fulfil. Given the ambiguity that words and actions can entail, not doing so could lead to increased uncertainties and insecurities which ultimately results in decreased synergy realisation (Schweiger et al., 1993; Gomes et al., 2013).

Fourth, openness is described as the extent one party freely shares thoughts, feelings, and information with another party (Stahl et al., 2011). Not openly communicating can negatively influence trust (Whitener et al., 1998).

Fifth, value congruence is described as the “compatibility of an employee’s beliefs and values with the organisation cultural values” by Sitkin and Roth (1993). The perception of value congruence is enhanced by shared norms, values, and goals (Stahl et al., 2011).

Bridging the previously discussed literature, Stahl et al. (2011) found that integration process variables had a profound influence on the five fundamental dimensions of trust during the PMI process. In turn, trust influences the sociocultural integration outcomes, ultimately having an impact on the success of integration and post-merger

performance (Graebner et al., 2017; Stahl et al., 2011). Showcasing the importance of considering trust in the PMI process.

To conclude, Stahl et al. (2011) point to the managerial aspect and state that managers better address challenges related to trust by carefully planning and managing the PMI process than selecting targets based on trust in the pre-merger phase. They exemplify this by arguing that trying to increase the integration speed, not imposing the acquirer's culture on the acquired firm, being mindful of communication, and providing incentives are better tools to influence trust and thus contribute to the success of the PMI process.

Regarding interconnectedness with other factors, trust is more connected to the integration approach than the pre-merger phase (Stahl et al., 2011). Trust is heavily influenced by culture, communication, and interaction, amongst others (Graebner et al., 2017).

3

Research method

3.1 Methodological approach

This thesis aims to produce contextual knowledge about the post-merger integration process at Volvo, to generate an understanding of important factors from the participants' view. Thus, according to Bell et al. (2019) and McCombes and George (2023), this entails a qualitative approach which investigates the subjective view of participants and has interpretivism and epistemological considerations. Furthermore, employing abductive reasoning allows for the encountering of empirical phenomena which then are attempted to be explained by literature (Bell et al., 2019). This enables the researchers to be open to surprising insights, avoiding excessive emphasis on confirming preunderstandings, which is critical for the results of the study (Alvesson & Kärreman, 2017).

3.2 Literature review method

The literature review was conducted with the aim to map completed research within the topic, using scientific research and textbooks. Key search words were tracked and logged in Microsoft Excel, and Zotero was used to collect, organise, annotate, and manage literature sources. As found, Graebner et al. (2017) and Bodner and Capron (2018) have conducted eminent and extensive literature reviews convening historical literature, creating frameworks, and setting standards on how to describe the research area. The literature review of this thesis thus took a stance in these reviews, as they also have been the foundation for much of the following research.

Furthermore, the literature on M&A and the post-merger integration process did not comply with the legal distinction of merger and acquisition. It was discovered that mergers and acquisitions were used interchangeably. This further resulted in the use of the post-merger integration process as a collectively used name for both acquisitions and merger integration. These forms of labelling were also discussed in literature (Graebner, 2017; Schreuder, 2013; Schmidt, 2013). Nevertheless, during the literature review in this thesis, the context of the research was considered. More specifically, considering the representability of research on legal mergers and large acquisitions.

3.3 Data collection method

Furthermore, case studies are good for understanding the uniqueness and complexities of cases (Bell et al., 2019). Thus, given the uniqueness and complexity of M&A integration processes (Bodner & Capron, 2018), a case study design was preferable. Additionally, it is particularly good for examining and understanding a process (Morald, 1992), which we defined post-merger integration to be. Looking at two case studies, thus utilising a multiple-case study design, allowing for identifying and distinguishing unique findings from each case in relation to their contexts (Bell et al., 2019), whilst also better exploring general phenomena (Stake, 1995). This was necessary to fulfil the goal of identifying post-merger integration factors for usage in future integration processes.

In general, case studies have a longitudinal element (Bell et al., 2019). However, due to time limitations forced by the degree programme, data was required to be collected in a cross-sectional time horizon. Consequently, historical cases were researched to gain longitudinal insights into the post-merger integration processes. Furthermore, the goal of the thesis implied a need for representative case types (Yin, 2018), that is, exploring cases that exemplify the factors influencing post-merger integrations. In addition, cases should be picked based on the possibility to learn (Stake, 1995), choosing the right cases which are expected to result in the best learnings is thus vital according to Bell et al. (2019). Thus, the selection of cases was conducted through discussions with Volvo. More specifically, Volvo presented a range of precedent acquisitions and a short introduction to each. Additional research for each proposed acquisition was conducted to get a more accurate and deeper understanding of each case. Finally, the suitability of each case was evaluated, and two cases were selected that best answered the thesis' research questions. The selection considered multiple variables that were important in this study, including access to management, available information, time of acquisition, possibility to learn, and representativity of the cases for future acquisitions. The chosen cases were both acquired within the last 10-year period and there were good possibilities to contact top management. Additionally, the cases' acquisition structures, low level of integration and small and medium-sized enterprises (SME), were representative of Volvo's general acquisition structure. Thus, enabling for application of learnings to future acquisitions by Volvo. Conversely, one failed acquisition was disregarded since the acquired firm had been shut down due to insufficient performance. This led to restrictions in access to target management and employees, resulting in an inability to gather multiple subjective views.

The empirical data was gathered through multiple one-hour-long semi-structured interviews with open-ended questions (see Appendix A and Appendix B), which is the preferable method when conducting multiple case studies (Bell et al., 2019). This was conducted by designing an interview guide in advance whilst also enabling flexibility and adaptation based on interviewees' responses (Gillham, 2008). The interview guide should, and did, balance the need for answering stated research questions and allowing for the finding of unexpected and novel themes (Bell et al., 2019). Additionally, it also considered the possibility for participants to express

their subjective views, discussed in more detail in relation to the sampling strategy below. Most of the questions were followed with follow-up questions depending on the respondents' answers. Thus, a few of the questions in Appendix A and Appendix B may be comprehended as a bit closed but laid the foundation for more open follow-up questions. Furthermore, interview questions were formulated based on the frameworks and information found through the literature review, to validate findings. In addition, interview questions were grouped into subjects and marked according to importance, to better manage sudden time constraints and ensure a certain level of continuous flow of topic areas (Bell et al., 2019). Finally, interviews aimed to be conducted physically, however, one interview was conducted digitally over Microsoft Teams because of the geographical distance. Physical interviews were preferable since verbal cues and body language are easier to identify in person (James & Busher, 2009).

Interviewees were purposively sampled since cases were selected to best represent the population, thus requiring formal sampling (Bell et al., 2019). Consequently, interviewees were selected based on their type of involvement in the specific case and knowledge of the case's post-merger integration process. Thus, the initial selection of interviewees was made in collaboration with Volvo's corporate finance department. As they have been the pre-acquisition process owner, they have a good understanding of the involvement among employees at Volvo. They have therefore the capability to identify potential interviewees. A sequential approach was used in addition to collaborating with Volvo's corporate finance department, to find potential interviewees. Furthermore, the subjective view and experiences of participants necessitated the need for conducting interviews with different people, regarding seniority and role. For instance, interviewing both the CEO at the acquired form, the responsible person at Volvo, and employees resulted in valuable insights from different perspectives. Finally, interviews were conducted until saturation was deemed to have been achieved whilst considering time limitations imposed by the degree programme, ensuring that each factor was understood correctly and with enough certainty (Bell et al., 2019). The final selection of interviewees and relevant information could be seen in Appendix C.

3.4 Data analysis method

A thematic analysis was the preferred data analysis method in this thesis. Analysing qualitative data is complex, but the complexity of the qualitative data could be understood through an abductive analysis of empirical and literature findings theme-wise (Bell et al., 2019). To accomplish this recording was taken during the interviews which were later transcribed, through available software. The transcriptions were the foundation for data analysis whilst they also strengthened the validity of the findings. Transcribed interviews were then coded into themes in Microsoft Excel, themes aligning with the literature review. This was done to make sense of the information gathered throughout the interviews. The coded data were then abductively analysed with literature, theme-wise. The chosen methodology helped to identify factors influencing the post-merger integration process at Volvo, hence, best answering the stated research questions.

3.5 Anonymisation

The acquired companies' and interviewees' identities have been anonymised in agreement with Volvo, to protect their confidentiality. The company names are changed with pseudonyms and the interviewees are referred to their position within the organisation. All participants were informed of these conditions before the start of the interview. The anonymisation was necessary to avoid publishing or sharing sensitive, specific information related to Volvo.

3.6 Validity and replicability

The internal validity of this thesis was strengthened by interviewing multiple participants with different responsibilities and seniorities, as discussed earlier. This triangulation both confirms findings and allows for different, subjective, perspectives of the same situation, thus strengthening internal validity (Pauwels & Matthyssens, 2004).

The external validity of case studies is a topic of great discussion (Bell et al., 2019). Some argue that cases are hard to generalise (Morald, 1992). However, Flyvbjerg (2006, p. 224) argues that cases create "concrete, context-dependent knowledge" which he believes is the only thing social science can generate reliably. Nevertheless, most literature agrees that case studies aim to gain a deep understanding of the case's complexity (Bell et al., 2019). Additionally, as mentioned, utilising a multiple-case study design allows for an understanding of these complexities (Bell et al., 2019), whilst also exploring general phenomena (Stake, 1995). Thereby, strengthening external validity compared to using a single-case study design. Nonetheless, the research might lack wider generalisation.

Replicability was strengthened by the detailed documentation of the research method and process in this section (Bell et al., 2019).

3.7 Method limitations

Although the carefully selected research method, there are some limitations. Time limitations may have inflicted a lower number of interviews to be carried out. This could have a negative effect on validity if true saturation was not reached (Bell et al., 2019). Additionally, time limitations forced the research of precedent post-merger integration which may have influenced findings compared to investigating the process first-hand.

Furthermore, having conducted semi-structured interviews gave insights and findings that are hard to generalise. However, semi-structured interviews have the benefit that it allows for a better understanding of interviewees' perceptions (McCombes & George, 2023), which is necessary when dealing with a complex process (Bell et al., 2019; Bodner & Capron, 2018). Similarly, case studies are not optimal for

generalisation, nevertheless, needed for a thorough understanding of the complexities, as previously mentioned when discussing external validity (Bell et al., 2019; Flyvbjerg, 2006; Morald, 1992).

Finally, this study is limited to SME targets. Larger acquisitions are more complex, and Volvo often uses external strategic advice for these integrations. Additionally, Volvo conducts smaller acquisitions more frequently and acquisitions of large targets have thus been delimited to being outside the scope of this study.

4

Empirical results

4.1 Case introductions

4.1.1 Hive

The first company will be referred to as Hive throughout the thesis. Hive is a Swedish manufacturer of system products that complement Volvo's current product line and are primarily sold independently. The companies have pre-acquisition had a customer-supplier relationship. Volvo acquired a majority stake in the company, aiming to increase towards full ownership over time. The intentions were to take a step towards becoming a full system provider. Since the acquisition, Volvo has managed the company at arm's length, allowing the company to act independently while its activities have been governed through representatives on the company's board of directors (BoD). Volvo deemed that the acquisition has been successful in regard to the financial objectives. An overview of the respondents in the case of Hive is presented in table 4.1 , a subset of the full table presented in Appendix C.

Reference	Role
Founder	Founder of Hive
Volvo representative	President Business Segment Unit at Volvo Subsidiary & Chairman at Hive
Employee	Mechanical Engineer
Former CEO	Previous CEO at Hive & President Business Segment Unit at Volvo subsidiary

Table 4.1: Interviewees and their references at Hive.

4.1.2 Dawn

The second company will be referred to as Dawn throughout the thesis. Dawn is a Central European manufacturer and engineering company focused on niche products and customised solutions, improving Volvo's current capabilities. The companies have previously had a long-lasting customer-supplier relationship. Volvo acquired a majority stake in the company quite recently, aiming to increase towards full ownership over time. The intentions were to complement Volvo's current product offering. Since the acquisition, Volvo has managed the company at arm's length, allowing the company to act independently while its activities have been overseen by

representatives on the company’s BoD. Volvo deemed that the acquisition has been successful in regard to the financial objectives but believed that there was potential for strategic improvements and synergy realisation. An overview of the respondents in the case of Dawn is presented in table 4.2, a subset of the full table presented in Appendix C.

Reference	Role
CEO	CEO of Dawn
Volvo representative	Vice President Business Segment at Volvo Group

Table 4.2: Interviewees and their references at Dawn.

4.2 Strategic integration

4.2.1 Communication and interaction

4.2.1.1 Hive

Respondents noted that there were some operational points of interaction between Hive and Volvo. There were collaborations in HR, Hive was allowed to utilise Volvo’s test facilities, Christmas parties, and group-level training programmes were used. However, due to the independent structure chosen, interaction points were limited in number and substance. Interestingly enough, whilst respondents agreed that the relationship between Volvo and Hive had continued to liken a customer-supplier relationship, the founder even argued that the pre-acquisition relationship was in some ways a deeper operational collaboration. The founder argued that this was because they have, post-acquisition, been uncertain about knowing how to behave towards one another.

“The customer-supplier relationship was a deeper [operational] collaboration. I think both companies have difficulty knowing how to behave to each other after the acquisition. ‘Are we friends now?’ ‘No, it is an arms-length distance.’”

– Founder

Furthermore, respondents expressed varying perspectives on the effectiveness of interfirm communication, particularly in finding suitable contacts at Volvo for collaboration. The founder and the CEO noted instances where the firm has identified potential areas for collaboration but struggled to connect with the appropriate individuals at Volvo, which led them to pursue projects independently. In contrast, the employee attributed communication challenges to the time it takes to receive help rather than difficulties in communicating with Volvo. To address these challenges, the respondents proposed a moderator to facilitate discussions and identify the appropriate contacts across both organisations. It was agreed that such a moderator must understand domain expertise and have a good understanding of Volvo as an organisation to find relevant persons. Additionally, the employee suggested the value

of forums for bringing together individuals from both firms, which can promote collaboration and help overcome communication barriers.

“I think there needs to be a moderator between the companies. There are plenty of ideas here. But we can’t just push them because the recipients of these ideas already have a lot of internal pressure on ideas. [...] When we look at Volvo, we just think, ‘Ugh, we don’t have the energy to bring them along because it becomes too heavy’. There’s a big gap there and we need an intermediary. Someone who moderates that difference and has the authority or funding to do it.”

– Founder

“To make it work, I believe you need to find these pockets of innovators within Volvo because they exist. But then you won’t find them in the organisational chart, you really need to have a feel for it. Who are the ones we talk to when starting such small side projects that can bubble up?”

– Former CEO

“I think it’s difficult when it comes to finding a moderator. You would need someone who understands the domain expertise. What are the areas that should be collaborated on, and then who are the ones that have the ability to do that?”

– Former CEO

“... maybe there is a lack of such forums where you can discuss. [...] It is easier to get started with collaboration if you have talked to them before and got engaged in it.”

– Employee

Moreover, respondents did, however, believe that enforcing operational collaborations would be harmful. They believed it would be better if operational collaboration would naturally emerge, mutually beneficial. Fearing that it might be perceived as corporate outplays at Hive.

“I believe that companies operate much better with this arm’s length principle, and collaborations only occur when it is mutually beneficial because then it becomes fair, there are positive driving forces in it.”

– Volvo representative

Finally, respondents did also admit that it was getting easier to collaborate as the acquired firm grows. Respondents believed that this was a result of communication at Hive becoming more structured as they grow, thus becoming more similar to the way Volvo communicates. This trend was expected by respondents to continue, believing that it will become increasingly easier to collaborate with Volvo going forward.

“As they grow, we sort of catch up with each other and start speaking the same language.”

– Volvo representative

4.2.1.2 Dawn

Respondents said that there were a few operational points of interaction between Dawn and Volvo. For instance, Dawn was allowed to test their products at Volvo's test facilities, which were not available to outsiders, and Volvo tailored its supplier-customer interface for Dawn. The CEO mentioned that they are currently building an improved customer-supplier interface between the companies. Nevertheless, interaction points were limited due to the independent structure.

Furthermore, both respondents from Volvo and Dawn claim that they try to manage the interfirm communication to not overwhelm the rest of the organisation. The Volvo representative noted that Dawn is not equipped to facilitate the additional work that comes with increased communication and interaction.

“If we were to constantly contact them and ask them, how did you think here and what did you do here, then they would never have time to make any products or any technological developments [...] they would have to multiply their staffing and just answer our questions.”

– Volvo representative

To manage this the Volvo representative expressed the need for intermediaries, both in a strategic and a technical field. In fact, the respondents described themselves as coordinators of communication and activities, funnelling information between Volvo and Hive, aiming to make collaborations between the firms more efficient. Additionally, the CEO also believed that Volvo was not equipped to handle unconstrained communication from Hive to Volvo as the communication would seem disorganised from Volvo's point of view. Despite that, they acknowledged that there are some collaborations and communications in which they do not take part.

“You know, I said before that I'm somewhat managing a little bit the interaction with Volvo. That's true but I'm not in every meaning. Of course, we have working groups around engineering where I don't participate in the technical meetings.”

– CEO

“Then I naturally continued as a coordinator and thus I became this funnel. What should we do, how should we communicate and not, and how will we make sure our engineers do not force in.”

– Volvo representative

“Because we cannot allow everyone to talk to Volvo. It would be a disaster if our people tried to contact Volvo a little more because from their perspective we would seem very disorganised in the way we communicate.”

– CEO

4.2.2 Alignment and standardisation

4.2.2.1 Hive

The study's respondents explained that the integration depth between Volvo and Hive is limited, with the two organisations operating separately with an arm's length distance. While certain operational touchpoints exist and some of Volvo's administrative functions have been involved in Hive, the overall perception is that the firms are distinct entities. Volvo's approach to the integration is aimed at maximising the benefits of both companies by allowing Hive to expand their business independently instead of integrating the technology into Volvo's organisation.

"We want to let Hive run as strongly as possible in its own business, and then gradually find the opportunities for integration."

– Volvo representative

While the two firms remain largely separate, some standardisation of practices has occurred between Volvo and Hive, particularly in areas such as union agreements, code of conduct, and work methodology where Hive have taken part of Volvo's routines and adapted them into their organisation. These standardisations have taken different forms, including practices offered by Volvo to Hive, those imposed by Volvo, and those requested by Hive.

"With the integration to Volvo, their collective agreement with all its benefits now applies, which brings in a lot of advantages."

– Founder

"There is nothing to negotiate regarding export control and what you legally can or cannot sell in military contexts, so those aspects were very clear-cut and just had to be implemented."

– Former CEO

The respondents provided various reasons to why Hive was not integrated into Volvo, reflecting differing perspectives on the matter. These reasons were associated with market dynamics as Hive's products are within a different market segment, the complexity of the products, and that allocating resources to integration hinder would financial growth of Hive.

"Hive's sweet spot is really within a different market segment. We are in a market where they are not so strong. And they are in a market where we are not so strong."

– Founder

"I believe that Volvo, as an organisational structure, would not been able to handle the complexity of those products in a global context. It is so specialised both in terms of customer experience and technology."

– Former CEO

Volvo emphasised that their decision to keep Hive as a separate entity is aimed at maximising their potential development. Respondents highlighted that integrating Hive into Volvo would have been detrimental, as the larger company's processes are not well-suited for a smaller organisation that does not have the resources to manage them. While Hive remains independent, it may still be subject to new directives that affect the entire enterprise. Nonetheless, Volvo representatives have expressed a desire to support Hive's continued independence as much as possible.

Respondents also offered more general insights into their perceptions of the level of integration depth. Integrating a firm and its products into Volvo can be a costly and risky process. Previous acquisitions have shown that integration requires that the company's production and routines are implemented into Volvo's processes, which both takes a lot of time and resources. Such integration can therefore potentially deteriorate the expected value of the acquired firm. By using the arm's-length principle, however, Volvo can acquire firms and help them grow in a low-risk and financially effective way.

4.2.2.2 Dawn

Regarding the integration depth between Volvo and Dawn, the respondents agreed that the two organisations are distinct entities and managed at arm's length. While there are some aspects of the operational collaboration that go beyond a typical supplier-customer relationship, there is no integration of functional areas.

"The goal was for them to be their own company and for us to have some collaborations, but they would never be integrated. [...] We would learn from each other and, of course, we would help the small company."

– Volvo representative

"There are some operational touchpoints. [...] But in general, how the companies are governed is to a very, very large extent through the BoD."

– CEO

In addition, there are some areas where standardisation of practices has been established between Volvo and Dawn, particularly with respect to technological solutions.

"I have been working to coordinate their activities with the rest of the Volvo group. [...] What we do a lot is benchmarking and comparing solutions."

– Volvo representative

The respondents identified two main reasons why Dawn was not integrated into Volvo. First, Dawn wanted to maintain its agility as a niche player and integrating it into Volvo's administrative systems could make it too slow. Second, the technological solutions and operational competencies of each firm differed significantly, making integration impractical and decreasing the potential synergies.

“Our strategy is to be a niche player and need to operate outside of Volvo to remain our agility. [...] This was an extremely important point for us because we didn’t want to see our company disappear in a black hole.”

– CEO

“I usually say that there is no point in trying to take their solutions into our systems to help. Because before we get that system in place, they have already changed the solution, updated it, or made it better.”

– Volvo representative

4.2.3 Structural integration

4.2.3.1 Hive

According to respondents, Volvo’s channel to govern Hive is through the BoD. The management of Hive has a great degree of freedom to operate as sees fit but is monitored by the BoD. The BoD is perceived as disconnected to Volvo, rather than operating as an extension of the organisational line. Volvo makes sure that Hive is equipped with the right people to address the challenges they are currently facing in their growth journey.

“Volvo steers as an industrial company, the BoD basically ask management ‘What can you do? Make a plan and test it’.”

– Founder

“My view is that companies control themselves best, with free rein. It is then our job to follow along that development, strengthening and assisting.”

– Volvo representative

Despite allowing Hive a significant degree of strategic autonomy, Volvo retains the mandate to enforce its agenda through its majority representation on the board. The board’s composition also ensures that Volvo’s interests are highly influential in Hive’s strategic decision-making.

“There was a continuous strategic dialogue, but it functions like any other company governance. It’s the board’s responsibility to approve the company’s strategy.”

– Former CEO

“But this ‘at arm’s length’ approach doesn’t mean that we leave them completely on their own. We like this classic corporate governance approach, where the board is responsible.”

– Volvo representative

In addition to Volvo representatives, the Hive BoD also includes the founders as minority shareholders. While Volvo holds the majority stake and retains the power to enforce decisions, the presence of Hive representatives on the board provides

a second opinion and protects the company's interests. One respondent noted that this was especially crucial in the initial stages of the acquisition, but that Hive is now more confident that Volvo will continue to allow them to operate autonomously.

“When you have co-founders in the company who are as engaged as they were, that is a huge strength. [...] When you have these two minority shareholders, it becomes extra protection.”

– Former CEO

“Hive has reached a point where it is not as dependent on them anymore. Volvo has such a clear direction in how they want to steer the company, with an arm's length distance and respect for the independence.”

– Former CEO

The organisational structure between Volvo and Hive has not resulted in any conflicts or stress, according to the respondents. The owners of Hive considered the ability to collaborate and communicate with Volvo as an important factor when looking for an acquirer, which they believe has decreased conflict. However, there are still challenges in terms of how the two companies should collaborate. Given that Hive operates as a standalone company while still being financially integrated with Volvo, they find difficulties in understanding how to relate to each other.

“We could have gotten more money from an American company. But when you do business, you need to know who you have on the other side, and we knew each other before, so we decided to go with them.”

– Founder

When examining the impact of the arms-length principle on collaboration between Volvo and Hive, Hive's respondents provided two perspectives that hinder collaboration. First, as Hive operates as an independent company, Volvo encourages them to pursue ideas independently, even though Hive believes that they can create value together. Second, if Volvo were to approach Hive with a strategic decision or project, all respondents agreed that it would feel coerced and probably not be appreciated. The respondents claimed that for a Volvo initiative to be positively received, it would have to revolve around something that aligns with what Hive is already doing. However, all respondents at Hive expressed a willingness to achieve collaboration and customer value together, despite operating as separate companies.

“I tried to point out whether these are actually business areas where we can create customer value together. They say, ‘yes, we like that, can't you fix it?’”

– Founder

“I believe that we might have reacted differently if Volvo had taken a more active role. However, I think there could have been more synergies. [...] Having someone here or collaborating in some way would be invaluable.”

– Employee

When considering the general perception of autonomy, the respondents had different opinions on the extent to which Volvo should interfere with the acquisition. The Volvo representative argued that the best way to make Hive equipped for development is to not interfere by enforcing slow processes as well as to recruit suitable management. However, others believe that Volvo should take more control of the organisation and focus on maximising growth.

“A small company needs to build the structures and processes that are necessary in the phase where it has grown to a certain size, and it needs to maintain the speed that is expected for growth.”

– Former CEO

“If you buy a company like this, maybe you should get more involved and take more control of the company. [...] Make sure that we investigate whether we have the incentives in place to grow it in the best way.”

– Founder

When discussing how Volvo manages the acquisition, the representative emphasised the importance of having someone with accountability towards acquisition present throughout the process. In the case of Hive, the representative was involved before the acquisition and since they later took the role as Chairman in the BoD, fulfilled the role as a sponsor towards the acquisition. When considering how Volvo manages the acquisition, the representative emphasised the importance of having someone with accountability towards acquisition present throughout the process. In the case of Hive, the representative was involved before the acquisition and since they later took the role as Chairman in the BoD, fulfilled the role as a sponsor towards the acquisition.

“You probably want someone, like me, that feels a responsibility for the company from negotiations to acquisition and governance.”

– Volvo representative

“I strongly believe in clear accountability. That someone will have a responsibility for the whole picture and to make sure the acquisition is performing well. If it doesn’t, then there is also a natural responsibility.”

– Volvo representative

4.2.3.2 Dawn

According to respondents, Volvo governs Dawn through the BoD. The CEO of Dawn enjoys a significant level of autonomy in operating the company and driving its profitability while being monitored by the board. Even though Volvo has enforced a certain set of requirements, Dawn is still able to operate independently. The respondent at Dawn understands that the new ownership changes their possibility to take their own strategic decision but also recognises that it comes with an opportunity to utilise Volvo and its capabilities.

“The goal was for them to be their own company and for us to have certain collaborations. [...] It was an arms-length distance, and they were to have their own profitability.”

– Volvo representative

“This is my high estimation in this team as well from Volvo that they have noticed and recognised and respected that the value of Dawn is not being increased when taking the company too close to Volvo.”

– CEO

Dawn engaged in extensive discussions with Volvo before the acquisition to protect their interests. This was accomplished through various means, including the written agreements and governance structures regarding the management of the acquisition, as well as the retention of minority shareholders which make ensure that Dive’s opinion is reflected and protected in strategic discussions.

Based on the responses from the interviewees, it appears that the organisational structure between Dawn and Volvo has not resulted in any significant conflicts or stress. The two companies have collaborated on a technical level, specifically in terms of quality assurance and discussions on their different technological solution. However, on respondent noted that there are some challenges in terms of strategic collaboration, as Dawn is unable to participate in Volvo’s strategic decision-making while Volvo can oversee and influence Dawn’s strategies.

“‘Ok, why do you not just tell us?’ Because we can sign any NDA and you could have any penalty for it because we are not going to use it. However, it’s important for our product strategy. This was a bit more painful, especially at the beginning.”

– CEO

The respondent from Dawn clarified that they understood that an acquisition by Volvo affect the organisation and the CEO conducted several exercises with the management team to help them understand how the loss of autonomy would affect them. However, the respondent also asserted that the management already had made the first step by letting go and hiring the CEO and therefore bringing someone in with different opinions and ideas. Thus, decreasing the risk of issues when the company was sold to Volvo.

“We did this exercise internally with the shareholders at the time, all individuals we were asking ourselves ‘What do we want to do with the company?’ and we concluded that Volvo would be a perfect match.”

– CEO

“The two company founders already did the big step when they hired me. [...] Someone who have their own opinion and direction. They accepted that and were happy to be supported in the evolution of the company.”

– CEO

When considering how Volvo manages the acquisition, the representative explained that they were involved in the discussions early on and since then have worked closely with Dawn, both before and after the acquisition.

4.2.4 Reconfiguration and renewal

4.2.4.1 Hive

When looking at the reconfiguration of resources, Hive has undergone two CEO transitions following the acquisitions, both of whom were recruited from Volvo despite attempts to identify external candidates. The respondents agree that the responsibility to identify a suitable CEO for Hive lies with Volvo. Considering that the needs of the firm evolve as it grows, the respondents agree that the replacement of CEOs are a natural effect.

“That person is very good at one thing, but you cannot take it to the next level. You need to replace CEOs at regular intervals, and Volvo as the main owner should identify it.”

– Founder

“The aim is to find the best person for the job, as in a normal CEO recruitment process. As the chairman, I am responsible for recruiting the CEO.”

– Volvo representative

Regarding the reconfiguration of resources between the firms through internal recruitment, the respondents reported the existence of processes which is designed to help talent from Hive transition to Volvo and create more opportunities. However, they also noted that the individuals that have moved from Hive to Volvo have done so through internal job advertisements, rather than the formal talent identification process.

“We have investigated a bit if it is possible to transition between the companies when there are talented individuals who want to develop, but it has never worked out.”

– Founder

“Career opportunities are somewhat limited since Hive is a small company. In our talent identification process, we identified people who are capable. [...] However, people haven’t really moved in that format.”

– Former CEO

Considering the reconfiguration of R&D resources, Hive has been able to utilise Volvo’s testing facilities. However, this opportunity has not been used more than a few times.

When considering knowledge transfer and recombination, the respondents expressed varying perceptions regarding the potential for knowledge transfer of technical capa-

bilities between the two firms. Despite noting the absence of a structured process, the respondent from Volvo believes that the transfer of knowledge is adequate. Furthermore, they expressed confidence in their ability to assist Hive if needed. In contrast, respondents from Hive see untapped opportunities for greater utilisation of technological knowledge between the firms.

“I might have wished for more technology and resources, with talented individuals skilled in advanced areas such as heavy mathematics or advanced software.”

– Founder

“I believe that they know who to call. But if they were to say that we need an expert in this area, then we are there to provide support.”

– Volvo representative

In contrast, both companies value the transfer of managerial capabilities and industrial manufacturing knowledge from Volvo. They appreciate the contributions made by the BoD, as well as the appointment of CEOs with relevant knowledge and experience on how to build a large industrial organisation, which have helped Hive by for example enabling them to build robust quality systems.

“If you look at the profile of the new CEO at Hive, this person comes from industrial systems. [...] It’s a big industrial company that we’re building, and we need that type of expertise.”

– Volvo representative

“There was a significant industrial knowledge that Hive learned through Volvo’s industrialisation phase, which they wouldn’t have had a chance to accomplish without Volvo.”

– Former CEO

4.2.4.2 Dawn

When looking at the reconfiguration of resources, the respondent from Volvo highlighted that there had not been any reason to consider a change in management. As a result of their earlier experiences, the current CEO of Dawn already possess the capabilities that are needed to help the organisation grow.

“The CEO, in my opinion, is very, very skilled and engaged, and it has always been very, very easy to collaborate with Dawn. Throughout, there have been good discussions.”

– Volvo representative

The respondent at Dawn concluded that there are no structures for internal recruitment between the two organisations and that no one has moved from one firm to the other. However, the firm is willing to help if anyone would want to move between the organisations.

“So far, we haven’t really institutionalised it, we are open of course. If ever somebody wants to move or to Volvo or somebody from Volvo with us. It’s definitely possible, but it’s not like a structured approach.”

– CEO

The respondent from Volvo asserts that the two companies’ technological solutions differ vastly and that there has not been any reason to reconfigure R&D resources. However, Dawn has been able to use Volvo’s testing facilities on their products one time.

“Technically, the solutions look very different on our products. [...] I imagine it would have been more relevant if we had the same process as Dawn, that we would have developed some common technical solution.”

– Volvo representative

“We can only learn from them, we had the opportunity to send one of our products on the factory test track of Volvo, which you never access as an outside the organisation.”

– CEO

When considering knowledge transfer and recombination, the respondent from Dawn asserts that the transfer of technical capabilities between the two firms has surpassed their initial expectations. Dawn has identified areas where they can benefit from Volvo’s expertise and has actively sought assistance from Volvo, particularly in the area of quality assurance.

“We have called Volvo for help because we know their expertise and their strength. We know our limits and that’s why we call them and for example ask if they can do a quality check like they do it in their factory.”

– CEO

Before the acquisition, Dawn sought an investor primarily for strategic advice. According to the respondent, the transfer of knowledge from Volvo regarding managerial capabilities and industrial organisation has thus far been more than sufficient. Volvo has provided valuable insights on constructing a larger and more complex organisation, as well as legal requirements for managing growing operations.

“’Can we set an organisation that is able to cope with various different products in different markets and in different languages?’ No, it’s difficult. So, Volvo is helping us. We were pushing them and asking for help.”

– CEO

“For example, there are new legal requirements and we have people who only work with those legal requirements. [...] We can inform Dawn about which laws are coming.”

– Volvo representative

4.3 Sociocultural integration

4.3.1 Culture

4.3.1.1 Hive

According to the respondents, it was found that both organisations share an innovative culture and hold a similar perception of the industry. However, notable differences were identified in the way the organisations operate. Respondents from both organisations highlighted two main contrasting aspects. Firstly, Hive was perceived to have a higher ownership mentality, owing to its history as an entrepreneurial company, whereas Volvo was perceived to have a higher ownership mentality towards its function.

“The culture comes from the fact that we have created a lot out of very little, typically for an entrepreneurial company. There is a fundamental culture of innovation, and we work for each other.”

– Founder

“Hive takes great pride in getting things done and has a strong ownership mentality. [...] In contrast, Volvo is much more governed by processes and guidelines for designated suppliers. There is a big difference.”

– Former CEO

The second aspect identified was the speed of operations, where both organisations acknowledged that Hive operates much faster and has a shorter decision-making process. All respondents agreed that the speed difference was due to the difference in size, where Volvo’s higher hierarchy and complex organisational structure contribute to slower operations. It is worth noting that the respondents pointed out that even Hive, as it grows, experiences a reduction in speed and agility.

“Culturally, Volvo, I think, is used to things moving much slower. Every process has its owner, and you go through the process. [...] So there’s a big cultural difference.”

– Founder

“So, we have reached a certain size and scale that makes us a more complex organisation. So, whether we wanted it or not, we have a culture that is influenced by it.”

– Volvo representative

Regarding changes in the culture at Hive since the acquisition, respondents believe that the company has changed significantly, but not necessarily as a result of being owned by Volvo. Instead, the changes are seen as an essential part of their growth journey, where quality assurance and structured processes are becoming increasingly important. However, respondents also emphasised that despite the changes, the way people treat each other at Hive has remained the same, which is attributed more to the people within the organisation than to the structures it is built upon.

“I would say that they are two different companies from when I started to when I left. [...] Hive has learnt that we can’t continue working in a way where 7 people always knew everything in the whole company.”

– Former CEO

“I think the culture changes when a company becomes larger and moves further away from the people who were there when the company was small.”

– Employee

Regarding Volvo’s perception of Hive’s cultural change, respondents were clear that Volvo wanted Hive to develop a culture that would improve their organisation the most. To achieve this, Volvo actively encouraged Hive to work with their own culture while also making sure to not interfere and affect them too much with their culture and processes.

“From the boards, we provide a very clear mandate for the company to develop its own culture. [...] They should develop a culture that maximises the value of the company because then everyone will be happier.”

– Volvo representative

“Earlier that year, the company had conducted its first employee survey in the history of the company and it revealed that many employees were not happy. The management team were surprised by this, as they had not previously been aware of this dissatisfaction.”

– Former CEO

However, respondents also noted that Volvo is monitoring whether Hive and Volvo are working towards the same cultural direction. Additionally, they claim that Volvo would interfere and set clear boundaries if Hive steers in a direction that is not aligned with Volvo’s values.

“We would be very quick to speak up if we saw that it was heading in the wrong direction. If they were developing a product that didn’t align with our environmental plans or our strategies for how to treat people, customers, or the environment.”

– Volvo representative

Respondents noted that the cultural differences between Volvo and Hive have inhibited their ability to collaborate, even though there is a willingness to find ways to create value together. The main issue is the different speeds at which the organisations operate, where Hive often cannot wait a few weeks to get help. However, respondents also mentioned the different attitudes towards risk as a contributing factor. Hive is positive to risk as they consider it to be associated with opportunities, whereas Volvo seeks to minimise it.

“We are more flexible, so to speak. [...] It’s much easier to do things ourselves or engage our own channels than to use theirs. I think they do the same thing.”

– Founder

“But it’s also a mentality issue. Hive is an entrepreneur-driven company, which means that they are triggered by taking risks, as with risk comes opportunity. Whereas in a large company like Volvo, the whole chain of command is trained to eliminate risk at all costs.”

– Former CEO

An example of this dynamic is the test facilities that Volvo obtains, and which Hive could use to test their new products. Hive tried to use this opportunity in the beginning but has since transitioned its testing activities to its own testing fleet. Respondents had different perspectives on the reason behind this development and believed that it was due to aspects such as speed, convenience, cost, and priority.

Cultural differences have not resulted in conflicts but rather an inability to work together, according to the respondents. They agree that this is because the organisations are separate entities and therefore do not have to collaborate. Problems do emerge from the fact that they operate differently, but Hive representatives assert that these have been managed through the board and therefore have not developed into any issues.

“We have been two separate companies, so we have never really had that problem. We have never had to struggle with it. [...] It’s just that we are so far apart that it’s hard to reach.”

– Founder

“Problems arise all the time. And that’s what I think Volvo handles so well, that they understand that this issue exists and needs to be managed. People can’t always understand each other when they speak.”

– Former CEO

Volvo did not perform a cultural due diligence before acquiring Hive. Although they have used a tool for this in other situations, they believed that their prior relationship with the founders and the company was sufficient to understand the cultural aspects of the firm.

“In this case, we knew Hive quite well, both the CEO and the founder. So, there were relationships with the company, and we knew the culture quite well. But we did not conduct a structured study.”

– Volvo representative

Volvo has chosen to manage the cultural differences by allowing Hive to develop their own culture. They do not want to impose their processes on Hive, as they understand that Hive may not be able to implement them. Instead, the focus is on

maintaining an arms-length distance and managing and supporting Hive in their own journey. However, the respondents from Hive all agree that the low degree of interference from Volvo also inhibits the possibility of collaboration and that Volvo's attention to Hive is decreasing as the firm is growing independently. In contrast, Volvo believes that the process of finding common ground should not be forced and that collaboration should occur naturally.

"It's important that we don't bring our processes into it. Our processes are often developed based on our organisation. [...] So, if we say to Hive, 'Now you need to do things the way we do', they would be unprofitable in three days."

– Volvo representative

"Hive needs to take care of its tools, processes, and structures to be able to grow. Then it's a bit of a shame in the end that we couldn't do certain things together without it becoming so complicated."

– Former CEO

4.3.1.2 Dawn

Dawn presents itself as an agile company that intends to lead the way in technology and foster an open-door culture. Conversely, Volvo is viewed as more robust and process-oriented. Despite these contrasting organisational cultures, the respondent at Dawn asserts that the companies had a good cultural fit.

"We have an extremely short decision-making process. We have an extreme culture of all open doors."

– CEO

"I think there was a very good cultural fit as well. We already had a very, very good impression of Volvo from a cultural point of view. It was a kind of a natural fit from the beginning."

– CEO

The respondents from both companies acknowledge that operating in different areas may have an impact on organisational culture. However, they agree that despite this, the two countries share many similarities in terms of national culture and that this has not affected their collaboration. Dawn recognises that differences do exist between the companies but contends that these are more a result of size than nationality.

"They are quite similar to us, I think. I believe it would have been different and perhaps more difficult to work with a Latin American company, for example, where there are very different norms."

– Volvo representative

"I mean, we are certainly much less political in our company. But again. I've been working in this large company before and it was political too. So it's not in nationality. It's about being large or small."

– CEO

When asked about how the culture at Dawn has changed since the acquisition, the respondent from the company asserts that it has not changed very much. They explain that Dawn had already made the transition from a small entrepreneurial company to being more structured and organised, and therefore has not experienced significant cultural changes as a result of growth. Additionally, the respondent asserts that the acquisition by Volvo has not changed the company culture and that the intention was to help Dawn maintain its agility and innovation-focused culture.

“Everybody can say, ‘This is disturbing me’, or ‘We can improve that’. So we still have an extremely short decision-making process.” – CEO

“Volvo will have a strategical impact and Volvo will help us in a professional way, but we will remain Dawn and with kind of a very high level of independence’.” – CEO

While the cultural differences between Volvo and Dawn have not resulted in any conflicts, they do affect their ability to collaborate effectively. Both organisations share similar goals, but there are differences in terms of organisational speed and product maturity that impact their collaboration.

“I mean this is natural, you know that most likely, we believe they’re too slow and they believe we are too quick. [...] Sometimes we think why does it take so long?” – CEO

Volvo did not conduct a formal cultural due diligence prior to the acquisition of Dawn. However, the company did consider cultural factors, such as communication and collaboration, as part of its overall analysis of Dawn. As a result, Volvo believes that they have included an indirect assessment of Dawn’s cultural fit with the company.

“I believe we did not conduct a proper analysis, but the fact is that it was easy to discuss and collaborate with Dawn, helped throughout the process and continues to help us.” – Volvo representative

Even though Dawn operates independently from Volvo, the company has taken proactive steps to enhance their cultural understanding of their new owners. After the acquisition, Dawn extended an invitation to Volvo to facilitate cultural learning between the firms. The initiative was not mandated by Volvo as they were keen to preserve Dawn’s agility and entrepreneurial spirit. However, respondents noted that the collaboration had a positive impact on the understanding of each other’s culture.

“We invited some Volvo representatives to stand in front of our people and explain how they work. Not strategic stuff, more like cultural things. How does the Swedish work? And what is the company culture to a certain extent in Volvo.” – CEO

“For us, it was also important that the employees didn’t think, ‘We are not this small creative company anymore’. Then we would have lost what we wanted with Dawn. So, the CEO worked a lot on this, but really without us telling them to.”

– Volvo representative

4.3.2 Identity

4.3.2.1 Hive

Before the acquisition, according to respondents, employees at Hive perceived themselves as members of a small, innovative, high-tech, quality, entrepreneurial company, being the market leader within their niche. Additionally, employees saw themselves as being creators of cool and innovative products that are interpreted by others as quality and innovation. Employees strongly identified with Hive, having a sense of pride in their corporate branding.

“Our DNA is innovation, that is how everyone sees us. And that is something one identifies with as an employee, that we do cool, sexy work which is innovative and high-tech.”

– Founder

“We have a rather cool product.”

– Employee

Upon acquisition, respondents agreed that there was no goal to make Hive’s employees identify with Volvo. Volvo has passively governed the direction of identity by not intervening. They have also had the intention of trying to keep Hive’s organisational identity amongst Hive’s employees by letting Hive progress its own identity.

“There has never been a goal to identify with Volvo.”

– Former CEO

“...you could either try to influence or you could govern. [...] We in the BoD have governed that work [...], but not tried to steer it in any way.”

– Volvo representative

“...we see ourselves, almost, more as a capitalist, as a private equity company. That is a model I really believe more in than incorporating and taking over with our processes.”

– Volvo representative

Nevertheless, Volvo has neither actively pursued preventing the assimilation of Hive’s identity.

“We have also had some joint activities, we are always invited to Volvo’s Christmas parties and stuff like that, so we are always welcomed in that way. There has not been like, ‘Keep away damn it!’”

– Former CEO

As stated in previous sections, Volvo’s acquisition of Hive was communicated as them

becoming a majority owner but without any integration, they remained their own company. Regarding the potential change in organisational identity, respondents agreed that both current employees and newly hired employees continue to see themselves as part of Hive, not Volvo.

“Hive identifies as Hive and Volvo is the majority owner, that’s it. No one of our sellers or R&D employees say that we are in fact Volvo, everyone has the identity Hive.”

– Founder

“Employees identify themselves with Hive [not Volvo]. I believe Hive have taken extreme care of their brand.”

– Former CEO

“...[employees], not even new hires feel like that they are part of Volvo. It is not visible anywhere. And I believe that that is something good.”

– Employee

Respondents agreed that the Hive corporate brand was, and continues to be, strong. However, the ownership of Volvo is perceived to further strengthen the brand and image of Hive. There was also an exclusive branding made for Volvo, but it seemed to not interfere with the identity of Hive. Nonetheless, forcing additional corporate branding upon Hive is believed to create the need for a complete merger, according to the employee.

“...and that [Hive] brand is strong. So, I feel like you do not need to put the Volvo logo on it.”

– Employee

“Volvo’s ownership has been a strength for Hive brand-wise. In some cases, being able to say that ‘We are Hive’ and in others ‘We are Hive, a part of Volvo Group’. It gives a sense of security and confidence to some of the very large players...”

– Former CEO

“We have put the Volvo label on their range. We hear about them, they say they have Hive on their vehicles, although it is labelled Volvo. [...] But if they had taken more control and forced us to use their logo on everything, it would have been hurtful I believe. If you did something like that, then you really should merge [the firms].”

– Employee

After the acquisition, Hive adopted a new corporate value ‘the Hive way’. Volvo had previously had a similar corporate value being ‘the Volvo way’. Respondents agreed that ‘the Hive way’ is based upon ‘the Volvo way’ but argued it has a different meaning. Describing that it was not Volvo who pushed for the change nor the emulation of Volvo’s corporate values but instead selected by Hive independently, with external support. They also argued that the conception of the connection between the two is non-existent and that employees are unaware of the connection.

Nevertheless, the corporate value is originally taken from Volvo, by the former CEO, who has previous work experience at Volvo.

“We have not said to them that they should take ‘the Volvo way’ and adjust it to fit them.”

– Volvo representative

“We adapted ‘the Volvo way’. Very good, it was so long time ago that no one remembers. [...] It is only me and you that know, no one else. Although, in terms of content, it had nothing to do with ‘the Volvo way’, we took the name with pleasure.”

– Former CEO

4.3.2.2 Dawn

Before the acquisition, according to respondents, employees at Dawn perceived themselves as members of an agile, fast engineering company, being the technology leader within their niche. Interpreted by others as being dynamic and quick innovators.

“We are good in fast engineering, being a technology leader. Expands the limits of the possible. [...] People they know that we are pioneers, our employees, they know that we are pioneers.”

– CEO

Upon acquisition, respondents agreed that there has not been any clear plan to make Dawn’s employees identify with Volvo. The goal was that Dawn would be independent with some collaborations, but never integrated. Volvo even expressed that they wanted Dawn employees to keep their identification with Dawn, the feeling of the small, creative, innovative company. Contrary, Volvo put no focus on how it was perceived by their employees.

“There has been no plan to manage the identity of Dawn. [...] Volvo will professionally help us, but we will remain Dawn and with a high level of independence.”

– CEO

“That plan [to manage the identity] existed. I and a director at corporate finance talked a lot about it, we pushed a lot on it in our decisions.”

– Volvo representative

“We did not really care about what our employees would think. [...] For us it was important to avoid the perception amongst employees [at Dawn] to think ‘Damn it, we have become a large corporate, we are no longer this small, creative company’.”

– Volvo representative

However, there seemed to be a willingness at Dawn to identify with Volvo. As the CEO said, Dawn wanted to be complementary to Volvo, to fulfil a certain function for the group.

“We said from the beginning, we want to be AMG for Mercedes-Benz. We want to maybe be the performance leader in a certain segment, we want to be the flexibility leader to a certain extent, we want to provide services and products that are really out of range, which they never will be in.”

– CEO

Nevertheless, Volvo’s acquisition of Dawn was communicated as Dawn becoming a part of the Volvo Group but remaining independent. Regarding the potential change in organisational identity, respondents believed that employees see themselves as part of mainly Dawn and partly Volvo. Having a sense of pride in being a member of Volvo, filling a unique purpose in the group. It was also perceived that employees understood that this was the next stage in their organisational journey.

“...we gathered our people together and said ‘OK, we are very proud to announce that we are part of the Volvo group now’. Today, as well if you see our presentation, we call it a member of the Volvo Group.”

– CEO

“Employees identify with Dawn, certainly. But I would say it is 70 per cent Dawn and 30 per cent that I would link to a feeling of pride being part of this large, well-known, and well-appreciated brand of Volvo.”

– CEO

“It is not only the minority shareholders but the whole management team and all employees that are extremely proud to be part of Volvo.”

– CEO

“There was no hiccup whatsoever because we underlined from the very beginning that this will be the next step and back very next important step in the journey to professionalise our company.”

– CEO

Moreover, employees at Volvo seemed to lack mutual sharing of organisational identities as a respondent on Volvo’s side mentioned that there are occurrences of the not-invented-here syndrome at Volvo. An occurrence hindering some collaboration between the firms. According to the Volvo representative, this stems from engineers at Volvo choosing a technical solution they truly believe in and consequently becoming locked in.

“...and a lot of not-invented-here mentality. It starts to pass; it takes some time, but it starts to pass. Yet, I believe it to be a clear attitude from our side, among our engineers and such.”

– Volvo representative

Finally, in association with the acquisition, Dawn distributed t-shirts labelled ‘Part of the Volvo family’. This initiative was made by Dawn, seemingly without any involvement from Volvo.

“We made plenty of T-shirts that said, ‘Part of the Volvo family’, which we distributed. We invited some Volvo representatives to stand in front of our people and explain what they want to do. I mean not strategic stuff, more like cultural things.”

– CEO

“No, the t-shirts were not a Volvo initiative, not what I am aware of.”

– Volvo representative

4.3.3 Justice

4.3.3.1 Hive

Hive has had two changes in CEO since the acquisition. The first change was about three years post-acquisition and the second after three additional years. Respondents agreed that it is Volvo’s responsibility, as a majority owner, to identify this need. More specifically, the responsibility to find and recruit a new CEO was ultimately on the chairman. The motivation for the first change of CEO was based on the need to become less dependent on a few individuals and build a little more structure and organisation. Which all respondents agreed was necessary.

“CEOs naturally need to be replaced ever so often and it is Volvo’s responsibility, as majority owners, to identify that need.”

– Founder

“It is me, as chairman, that is responsible to recruit a new CEO, and I was driving that process.”

– Volvo representative

“The chairman at the time told me that Hive is on a growth journey, and they need to build a little more structure within the company.”

– Former CEO

The second change in CEO was a result of the first CEO’s decision to pursue career advancement after a managerial position became available at Volvo. Consequently, it was then again up to the chairman to recruit a new CEO.

“That recruitment [of the CEO back to Volvo] was fair. A position opened when a manager retired at Volvo. [...] The CEO won the recruitment process.”

– Volvo representative

The Volvo representative believed that some assume that Volvo takes advantage of the CEO position, using it for their employees’ individual development and for them to then return to Volvo. However, the Volvo representative underlined that the objective of the acquisition was to generate value, it is thus important to select a CEO who best could accomplish that. To ensure it would not become too much of an internal question, an external recruitment agency was brought in to aid the processes. Both external and internal candidates were considered as finalists at both

times. Nevertheless, the internal candidate was chosen, argued by Volvo to be based on their qualifications rather than their affiliation with Volvo. Volvo emphasised that both recruitment processes were fair and were conducted to find the best CEO for Hive, prioritising the company's development over individual development.

"People always draw conclusions regardless, 'You already knew who it was'. No, we did not. We did a real recruitment." – Volvo representative

"It was a legitimate recruitment process. Yes, there was an informal part. The chairman and I knew each other, so I asked what they thought about the match. [...] It was then a recruitment process aligned with Volvo standards for a manager position."
– Former CEO

However, as anticipated by the Volvo representative, respondents had different perceptions of the CEO constellation and appointment. First, the founder questioned the premises of the position having the job securities of an ordinary line manager or a normal CEO position without job securities. Second, the founder also questioned if the recruitment process was truly fair. In sum, the founder believed that the CEO position to some degree likened a trainee programme where Volvo sent their talents for educational purposes.

"For a private equity company, the actual business idea is to push the CEO so that they deliver. We now have a CEO structure that is, to be blunt, like a trainee programme. This company is a trainee programme for Volvo talents. Great people. However, the CEO role is such that you get your compensation and have no employment protection. 'Here are the keys, gas, and brake, go crazy'. We don't have that kind of structure in place in this constellation."
– Founder

Nonetheless, the Volvo representative believed it to be a completely normal CEO position. Emphasising that the person that takes such a CEO contract has a normal CEO contract without job security. The Volvo representative also emphasised that they want the CEO to feel like they have the highest responsibility and that they do not have a position that is just a part of the hierarchy in the larger Volvo.

"It's not the traditional job security that you have in a big company, that person doesn't have that. I want the person who becomes CEO to also feel that way. [...] It's not a position that is just a part of the hierarchy in the larger Volvo anymore."
– Volvo representative

Furthermore, the Volvo representative admitted, whilst wanting to avoid the feeling of them taking advantage of the CEO position, they have also taken a risk because they have hired someone who has been a colleague of Volvo at both times. The Volvo representative argued Volvo want Hive to feel like they are getting the best leader for their business.

“I want them to feel that they are getting the best leader for this business. After all, this person will be their boss. They will not just be there on a trainee programme for a few years but will be someone who will develop the business, take care of their employees and the company’s well-being.”

– Volvo representative

Regardless, employees did not perceive the change in CEO, and motivation thereof, as strange.

“The changes in CEOs have not been perceived as something strange really. I guess they are here to build the business and benefit from what they know. Thereafter I assume that they have a desire to do something else, as we employees also do.”

– Employee

“I do not believe that the change of CEOs have been unmotivated.”

– Employee

Other than that, it seemed to remain largely unchanged. There were no employees who either quit or were displaced in the wake of the acquisition. In addition, Dawn has remained self-control over management and there has not been any change of management imposed by Volvo, besides the CEO, due to the acquisition. The Former CEO concluded that Volvo should govern Hive through the BoD instead of trying to manage operationally through internal relocation of employees.

“It is not about going in operationally and having a production manager from Volvo to tell Hive how to do their product, I don’t believe in that.”

– Former CEO

Furthermore, Hive is reportedly disconnected from Volvo when it comes to employee benefits. Which, according to the former CEO sometimes has created confusion. However, some adjustments have been made in the wake of the acquisition according to the founder, for instance, the reduction of working hours, negotiated between the union and Volvo. Overall, employees seem to believe the changes have made it better and more equal. However, increased equality has come with the cost of less room to negotiate salaries according to an employee.

“Sometimes there can also be a certain type of confusion where one expects Hive to have the same types of employee benefits and other things as Volvo. But it’s not like that, it’s completely disconnected.”

– Former CEO

“My experience is that these agreements have made it better and more equal. But I don’t know if they have equal pay requirements and stuff like that.”

– Employee

“I think it [the changes] was received quite well. However, nobody was very worried [about stability] before either.”

– Employee

Regarding employees’ possibilities to influence the post-acquisition process, respondents believed that if there were any suggestions or opinions amongst employees these would reach top management. They had a platform for proposals, not designed for the acquisition but in place for general proposals. Additionally, respondents underlined that a sort of dedicated system for gathering employee opinions was not needed due to the acquisition format.

“Absolutely, employees’ opinions [related to the acquisition] reached me.”

– Former CEO

“We have a suggestion forum. [...] We would investigate it, make a proposal, and then it can proceed from there.”

– Employee

Respondents agreed that communication has been transparent and on a sufficient level, both between top management and employees as well as between Volvo and Hive. Furthermore, there has not been any communication programme in place. Instead, top management and Volvo have on occasion sat down beforehand and discussed the information that should be conveyed. Finally, the Volvo representative notes that the company have outgrown itself and needs new internal communication structures. Describing that they no longer can come together in the break room but instead need to develop internal communication.

“If bigger decisions are made you appreciate if it is communicated. At least it has never happened that we have been unaware of any decision.”

– Employee

“...they need to work much more structured with their internal communication. I think they have outgrown themselves a bit. When you suddenly cannot just naturally gather in the break room [...] then you must mature your way of communicating.”

– Volvo representative

Finally, there was a belief that Volvo should exercise more control among respondents working at Hive. They believe that there could be additional benefits to be realised. The founder felt that Volvo did not prioritise Hive enough since they have been doing good enough. The founder argued that it could have gone better if there had been more engagement from Volvo and if they would have taken more control. Nevertheless, the Volvo representative believed that companies control themselves the best. Thus, disagreeing with the respondents at Hive. Describing it as Volvo is passive by choice, letting Hive develop themselves as they see fit and Volvo follows along that development, strengthening and assisting. Adding that they govern through the BoD and as long as they see Hive moving within the right area and broadening Volvo’s business they do not interfere.

“Volvo should follow up so enough resources are allocated for optimal growth, not just good enough.”

– Founder

“As long as they move within the right area and we see that it broadens our business, then we very much just cheer them on. It may be interesting to hear when you talk to the founder, sometimes I think the company feel like we are governing too little.”

– Volvo representative

4.3.3.2 Dawn

Regarding strategic collaboration, the CEO raised a challenge where Dawn was unable to obtain information regarding Volvo’s product strategy whilst Volvo had full insight into Dawn’s product strategy. Although not direct competitors, the departments have some overlap in customer value propositions. Consequently, Dawn wanted to be aware of Volvo’s product strategy to better adapt their product strategy accordingly. Information that the Volvo representative said they do not share if it involves patents or future solutions. As a consequence, the CEO worried about infringing too much on Volvo’s product strategy and taking the wrong decisions.

“This was really something we had some difficulties with. I fully understand why but at a certain point in time, we said, ‘Ok, why do you not just tell us?’. Because we can sign any NDA and have any penalty for it because we are not going to use it. However, it’s important for our product strategy. This was a bit painful, especially at the beginning.”

– CEO

“We have discussions about it [strategic intent] if we see that there is a benefit for Dawn or if their future intersects with ours. But not if there are patents, we are keen on protecting our patents. [...] I do not think it necessarily needs to affect one or the other to make new decisions.”

– Volvo representative

“We do not talk about our future. We do not talk about our future solutions in general unless it is a very special case. But if it is something that is already on the market, then we can talk about it.”

– Volvo representative

Furthermore, respondents agreed that there were no employees who either quit or were displaced in the wake of the acquisition. In addition, Dawn has remained self-control over management and there has not been any change in management due to the acquisition. Finally, Dawn continues to be disconnected from Volvo when it comes to employee benefits. As there were, reportedly, no adjustments to employee benefits upon the acquisition.

Regarding employees’ possibilities to influence the post-acquisition process, the CEO believes that the flat organisation and open-door culture help to facilitate an

environment where employees' opinions and suggestions are heard. Additionally, Dawn has a ticket system in place where employees can raise concerns if needed.

"...we have, for example, some tickets that employees can raise. Everybody can say, 'This is disturbing me, we can improve that', and so on. We have an extremely short decision-making process. We have an extreme culture of all open doors."

– CEO

Respondents agreed that communication has been mostly transparent, consistent, and on a sufficient level between Volvo and Dawn.

"The communication from Volvo has mostly been transparent and consistent."

– CEO

"We were able to communicate with each other. It is a bit silly to get married if you cannot communicate. Then it needs to be some hidden reasons for doing so, like wanting to own the patents and then shutting down the company."

– Volvo representative

Finally, the CEO liked the low level of interference by Volvo. Expressing that it has contributed to the continuation of their agility, being of central value for Dawn.

"They have really understood that our agility is of value, and they have not interfered that much. They leave us really a maximum level of freedom, which is totally appreciated. Of course, it is quite easy for us because the impact is not so huge."

– CEO

4.3.4 Trust

4.3.4.1 Hive

The acquisition of Hive by Volvo was communicated as Volvo becoming a majority owner without any integration. Nevertheless, there were initial false beliefs amongst some of the employees at Hive that the acquisition would lead to layoffs. Beliefs such as that Volvo would take over sales leading to that the sales department would be laid off. However, these beliefs were allegedly diminished through clear, transparent top-down communication.

"Someone who does not like change tries to find risks in it. Like, now they will replace our employees with Volvo people and so on. To solve that you can communicate very clearly. It is this respect for people, being open and informing a lot."

– Founder

"There was no-one which have been laid off like that, not to my knowledge."

– Employee

Regarding retaining founders as minority shareholders, the former CEO believes that the continued involvement of founders as minority owners has had a positive impact on Hive. The founders keep Volvo from doing whatever they want, acting as additional protection against corporate moves. Additionally, they openly express their opinions as they have personal investments. However, it is noted that Volvo still owns 80 per cent and consequently could force something if they wanted, despite reluctance from minority owners. Regardless, the overall belief was that there was security in keeping founders as minority owners.

“...when you have two minority shareholders, you cannot do whatever you want. It becomes an extra protection against corporate moves that sometimes happen. [...] You always have someone who has skin in the game to say exactly what they are thinking since it is their money.”

– Former CEO

“...it felt like the founder was careful to keep Hive as it was. But of course, you always wonder how things will turn out.”

– Employee

“At the beginning, Hive probably saw the big company as more of a threat. They might have thought, ‘Okay, now they’re coming with their big processes and everything’.”

– Volvo representative

The former CEO presently believes that Hive has reached a sufficient size where the company is less dependent on founders, having less need of being safeguarded from Volvo. Motivated by that the arm’s length and independence approach is consolidated as long as Hive proves themselves to be more agile and profitable than Volvo.

“I feel that there is no need for minority shareholders to safeguard that. I think that it runs so deep that as long as they have that edge and that they show that they are faster and more profitable than Volvo, then I think they get to drive it on their own terms.”

– Former CEO

4.3.4.2 Dawn

When it comes to aligning intentions, the CEO expressed that there always is a kind of threat that an acquirer might prioritise their interests. To address this, considerable time was spent on ensuring alignment between Volvo’s intentions and Dawn’s aspirations, involving the implementation of contracts controlling governance and intentions. The CEO strongly believes that the current standing is not a coincidence, emphasising the importance of thoughtful negotiations.

“So, it is not a coincidence that we stand where we stand, it has been the result of negotiations. [...] This was an extremely important point for us because we didn’t want to see our company disappear in a black hole.”

– CEO

“I have to say that so far Volvo has managed extremely well in keeping our agility in keeping our freedom.”

– CEO

However, it is not only contracts that have contributed to the success of the acquisition. The CEO believed that the key success factor to a successful acquisition is the human factor, building trust and improving cooperation. Something the CEO believes to be an essential aspect of this acquisition. The Volvo representative has over time had a continuously active role in the acquisition, both in the pre-acquisition and post-acquisition phase. Being the operational linkage between the two organisations.

“If I had to phrase the success factor to an acquisition then it is the human factor. It is the people who are acting. Had there been somebody different involved, the picture could look completely different. It is all about trust. It is all about how people work together.”

– CEO

“I have had a great deal of contact with Dawn, all the way.”

– Volvo representative

Regarding keeping minority shareholders, the CEO believes that Volvo has gained a say in decision-making, which is seen as a positive contribution. However, the CEO emphasises that the minority shareholders help to govern and protect against corporate actions and are protected by the shareholder agreement. It is however acknowledged that Volvo, as the majority owner, could push for change if deemed needed. Nevertheless, the CEO believes that the current arrangement works well and that there have not been any issues so far.

“We have the shareholders agreement that is governing and as well protecting our minority rights, of course. [...] We have a board that is consisting of five people, three of them are Volvo and two of them are Dawn minority shareholder representatives.”

– CEO

5

Analysis

5.1 Analysis introduction

The following analysis primarily examines challenges encountered in order to best answer the stated research questions, that is, to discover learnings from Volvo's precedent post-merger integration processes. It is thus important to acknowledge that the analysis may portray a somewhat negative perception of the acquisitions whilst all respondents have expressed that the acquisitions have been good in general.

5.2 Strategic integration

5.2.1 Communication and interaction

There has been a limited number of operational contact points between the acquisitions and Volvo, as a consequence of the arm's length approach. Notable instances of operational contact points were identified in the areas of HR, R&D facilities, joint seasonal celebrations, training programmes, and tailored customer-supplier interfaces. The lack of interfirm communication and interaction would according to Graebner et al. (2017) hamper knowledge transfer, value creation, and synergy realisation. However, respondents believed there to be a risk with interfirm communication in these kinds of acquisitions. As Volvo is a huge company, compared to the acquired firms, respondents had concerns that Volvo could easily overwhelm them with inquiries. Subsequently creating a too high workload for the small, acquired firm to handle. Thereby somewhat contradicting the literature's suggestions to increase communication and interaction to improve organisational performance. Findings instead suggest that the amount of interfirm interaction and communication needs to be managed and coordinated in some way. Strengthened by Kazumi (2014) who points out that it is especially important to choose a suitable coordination mechanism between the acquired and the acquiring firm when they are managed at an arm's length distance.

Furthermore, it was reported at Hive that post-acquisition operational collaboration had decreased compared to the operational collaboration during the customer-supplier relationship before the acquisition. Challenges of operational collaboration which were brought to attention were obstacles in connecting with appropriate individuals at Volvo, communication barriers, and uncertainties about how to act towards each other because of the acquisition. Respondents, themselves, also suggested

solutions such as creating forums or appointing a moderator to facilitate interfirm communication. Conversely, post-acquisition operational collaboration at Dawn was deemed to have been satisfactory. Which in fact were attributed to having an operational intermediary at Volvo, facilitating interfirm discussions and identifying appropriate contacts across both organisations. Similar to what was suggested by Hive respondents.

Overall, an operational intermediary seemed to be a specifically good tool for fostering interfirm operational collaboration in these kinds of acquisitions. As the acquired firms were small, with a low number of employees, and the operational contact points were few, a moderator would be able to manage interfirm communication and interaction. Being successful in doing so should according to literature positively influence operational coordination and consequently knowledge transfer, value creation, and synergy realisation. However, the intermediary must possess knowledge about Volvo's organisation to successfully be able to identify appropriate contacts for the acquired firm.

Additionally, the intermediary's level of decision power needs to be evaluated. As discussed in literature, letting the intermediary have no decision-power in operational collaborations could lead to endless discussions (Kroon et al., 2022) but could also lead to positive interactions and give a feeling of ownership (Castañer & Karim, 2013). This view is shared by the Volvo representative for Hive, believing that operational collaborations should emerge naturally by a mutual benefit to avoid the feeling of it being imposed by Volvo. Arguing that collaborations could be counterproductive if both firms do not want to pursue the specific collaboration. Similarly, literature argues that letting the intermediary have decision power in operational collaborations could lead to suboptimal solutions (Moore, 2011) which, however, could be worthwhile if it avoids excessive arguing between the firms' employees (Kroon et al., 2022).

Furthermore, there is a risk that it will become too much work for the intermediary as the acquired firm grows, as both the number of employees and contact points increase. However, respondents reported that as the acquired firm grows it becomes increasingly easier to communicate and collaborate with Volvo as the differences in operational speed and complexities between the firm decreases, signalling a diminishing need for an intermediary. Consequently, appointing an intermediary upon acquisition helps facilitate operational collaboration but the intermediary becomes less and less relevant as the acquired firm grows. The need for the appointed intermediary should therefore also be evaluated over time.

In conclusion, whilst literature claims that increased communication and interaction lead to improved coordination and in turn synergy realisations, it seems to be especially important in these kinds of acquisitions to construct suitable communication channels to improve the quality of interfirm communication and interaction, factoring in not to overwhelm the acquired company. A good tool for this type of acquisition would be to allocate an operational intermediary facilitating interfirm

communication and identifying the appropriate contacts across both organisations. Appointing an intermediary upon acquisition seems to enhance operational coordination and collaboration, leading to improved knowledge transfer, value creation, and synergy realisation. Thus, Volvo needs to consider appointing an operational intermediary in future acquisitions to facilitate and foster interfirm communication and interaction. However, they also need to evaluate the level of power given to the intermediary. If they are to also make coordinative decisions or purely work to enable interfirm communication and identifying the appropriate contacts across both organisations.

5.2.2 Alignment and standardisation

Both acquisitions were managed with a similar level of integration depth, where the organisations continued to operate as independent companies. Volvo justified this approach by stating that Hive should be given the opportunity to grow independently to maximise financial returns, while Dawn should maintain its agility, allowing both companies to learn from each other. However, these reasons contradict existing literature. Cording et al. (2008) and Bauer and Matzler (2014) associate integration depth with increased stock returns and M&A performance, while Sarala and Vaara (2010) and Vaara et al. (2012) argue that higher integration depth leads to greater knowledge transfer. On the other hand, cultural similarities have been found to serve as an alternative to integration depth and counteract the negative effects of independency (Bauer & Matzler, 2014). In both cases, the cultural similarities have been high, which is further discussed in later sections, and could therefore compensate the negative effects of integration depth.

Furthermore, in both cases, Volvo claims that operational integration would do more harm than good to the acquisitions. They argue that Volvo's processes are not suitable for smaller and more agile organisations, and the technological solutions between the companies differ too much. The perspective on situations that could harm integration performance is not reflected in the literature. However, Volvo's decision to not interfere with the agility of the firms aligns with the strategic intent behind the acquisitions, which is beneficial for performance. Nevertheless, successful alignment between Volvo and both Hive and Dawn has been observed in terms of collective agreements and coordination of working methods, indicating that some level of integration is positive. Additionally, Volvo representatives have stated that further integration in the future is a possibility, if it is valuable for both organisations. Given that literature promotes integration depth to increase performance and knowledge transfer, it is suggested that increased operational integration could be advantageous for the acquisitions. One example could be to integrate administrative functions and realise operational synergies. Furthermore, the imposed processes discussed as a hinder to integration would not create additional issues since Volvo's operations already are accustomed to managing them. However, as mentioned earlier, integrating areas such as R&D and production could potentially hamper the performance by inhibiting the firms' agility and innovative capability.

Additionally, there is a financial perspective to consider when integrating the operations of an acquisition. Both cases demonstrate that their operations are very complex and integrating them into Volvo would be a challenging and costly process. Furthermore, the Volvo representative in the Hive case explained that it is often cheaper for Volvo to acquire rather than produce themselves, which likely applies to the corresponding Volvo division in the Dawn case as well. Therefore, integrating the acquisitions could not only be expensive in terms of the integration process but also increase production costs and affect profitability.

In conclusion, according to Volvo, the choice of integration depth aims to maximise the growth of the acquisitions. This partially contradicts the literature, as acquisitions are expected to improve performance and knowledge transfer through increased integration. However, within the alignment and standardisation, Volvo needs to consider and weigh the financial improvements against the costs of integration and its effects on operations. In choosing between complete operational integration or independence, Volvo seems to have made the correct decision to maintain the competitive advantages of the acquisitions. However, both the literature and the cases highlight that there is room for additional integration of functions or alignment of operations to further enhance performance.

5.2.3 Structural integration

Both acquisitions are managed with a high level of autonomy, the organisations continue to function independently and the CEOs are free to make operational decisions to improve the organisations. However, Volvo governs the acquisitions through representatives in the BoD. In regard to Angwin and Meadows' (2014) integration matrix, Volvo intends to preserve the strengths of both organisations and avoid disruptions in operations by not implementing major changes, which aligns with a preservation strategy. Volvo is well-aligned with this framework, as the preservation strategy involves maintaining the autonomy of the two organisations and allowing them to continue to operate independently, which is the model Volvo has chosen to implement.

Volvo bases this model on the perception that the acquisitions are best suited to make decisions about their future, and Volvo's role is to strengthen and assist the companies through a suitable BoD. This aligns with the perspective of Reus and Lamont (2009) and Reus et al. (2016), who claim that autonomy is correlated with higher acquisition performance. Interestingly, literature provides conflicting results regarding the suitable model of integration and autonomy where both high integration depth and high autonomy have been shown to correlate with improved acquisition performance. However, since high autonomy is generally associated with low integration depth in the acquisition of a smaller company, this would entail a counterintuitive model where the acquisition is integrated into the acquirer at the same time as the it retains the autonomy. How this could be implemented in future acquisitions is, however, unclear. This reasoning displays how the research on post-merger integration still is underdeveloped and should be used as guidelines rather than explicit truths in the decision-making process.

As part of Volvo's structural model, they have kept the previous owners as minority owners with positions on the BoD in both cases. The effect of minority shareholders is not reflected in the literature. However, representatives from both acquisitions have highlighted that it has been positive. While Volvo holds the majority stake, the presence of representatives from the acquisitions ensures that their interests are present in the strategic decisions of the firms. Additionally, receiving new owners and losing autonomy is associated with increased stress on the acquired firm (Weber et al., 1996). However, the case of Dawn brought up an interesting aspect of the organisation's ability to receive new owners and potentially lose autonomy without causing stress or conflicts. The CEO asserted that the founders had already let go of some of their autonomy by recruiting an external CEO with their own ideas prior to the acquisition. Hence, the founders were more prepared and accustomed to the idea of losing autonomy to Volvo.

To further protect the firms' interests in the case of Dawn, extensive discussions took place before the acquisition to ensure that both companies agreed on how the organisation should be governed. According to Kroon et al. (2022), this has also been beneficial since early and clear decisions are shown to be even more important than actually implementing the right decisions. The importance of early and clear decisions is reinforced by the fact that in both cases, the Volvo representatives got involved in the early stages of the process. The representatives emphasise the importance of accountability to increase the commitment towards the acquisition and ease the decision-making process. Despite both acquisitions retaining much of their autonomy, the final decision-making authority still lies with Volvo after the acquisition. The current model, however, is perceived to increase trust and commitment from the acquisitions towards Volvo, which is discussed in more detail in coming sections.

In regard to trust and commitment, there have not been any major causes of stress between Volvo and either of the organisations. These results are conflicting in comparison to the literature where Weber et al. (1996) claim that higher autonomy in domestic acquisitions has been associated with lower stress, which resonates with Hive, whilst higher autonomy in international acquisitions can cause increased stress and decreased commitment, which have not been the result in the case of Dawn. However, the importance of low levels of stress and conflicts are strengthened by Birkinshaw et al. (2000) who found that human integration is more important in the first years post-acquisition and that improved task integration is more important after a few years. This perspective is also visible in the two acquisitions. Hive, which has been owned for a longer time, have expressed a willingness to be controlled at a larger extent hoping that it would develop the organisation further. Whereas Dawn, which is a fairly new acquisition, is satisfied that the acquisition has not resulted in any stress for the organisation. Hence, Volvo could expect that a similar shift will happen to Dawn in the future, where they start to value operational improvement higher than the avoidance of stress.

Lastly, regarding the level of autonomy in the case of Hive, although Volvo's choice

of integration strategy aligns with their intentions, the founder expressed that they would have appreciated decreased autonomy if it also entailed more collaboration between the two companies. This model aligns more with a re-orientation strategy in Angwin and Meadows' (2014) integration matrix. In this model, financially healthy companies are acquired, and the organisation achieves exploitation gains by coordinating administrative structures and outward-facing functions while maintaining independent operations, production, and development functions.

In conclusion, the choice of autonomy reflects the preservation strategy in Angwin and Meadows' (2014) integration matrix, which is associated with increased acquisition performance. The model of high autonomy and retention of shareholders has resulted in low levels of stress, which partially contradicts the literature on international acquisitions where sociocultural integration is typically considered important from the start. The initial integration strategy is deemed most suitable for the acquisitions. However, Volvo needs to consider two important aspects, within the structural integration theme, when choosing the level of autonomy in future acquisitions. First, it is important to recognise the founders' preparedness to let go of their autonomy which can be analysed through their journey up until the acquisition. Second, considering how the need for autonomy and decreased stress changes after a few years, as the desire to improve collaboration increases over time which can turn the most suitable strategy from a preservation strategy to a re-orientation strategy.

5.2.4 Reconfiguration and renewal

The reconfiguration of resources in both acquisitions has been relatively low, with no personnel transfers occurring between the organisations as part of their collaboration. However, Hive has identified the potential to enable career opportunities for its employees by transferring them to Volvo but it has not been conducted yet. Notably, the only resource redeployment identified thus far has been the recruitment of new CEOs from Volvo to Hive. While the reconfiguration levels are low, this pattern aligns with the literature, as Capron et al. (1998) suggest that R&D and manufacturing resources are often moved to the acquirer, while managerial resources are relocated to the acquisition. However, Capron and Mitchell (1998) argue that post-acquisition capabilities are more effectively enhanced when resource redeployment occurs both to and from the target, which has not yet been observed in the cases.

Regarding knowledge transfer, both acquisitions have had the opportunity to access Volvo's test facilities, albeit with limited utilisation. Additionally, both Hive and Dawn express satisfaction with the transfer of knowledge from Volvo in terms of managerial capabilities and the building of industrial organisations. However, the transfer of technical knowledge differs between the two cases. Dawn has experienced a more significant transfer of technical knowledge, which can be linked to the earlier discussion on interfirm collaboration, where Dawn has also been more successful. This difference could also be attributed to the fact that Dawn and Volvo produce more similar products, making it easier to identify and transfer the desired knowledge within the organisations. Although this observation is not reflected in the literature,

it may be explained by the perceived complexity of the knowledge sought by Hive, posing challenges in their efforts to reach the desired competencies. Furthermore, these findings align with Ranft and Lord's (2002) grounded model, which suggests that greater autonomy, which is present in both cases, inhibits the transfer of technological capabilities, while effective communication facilitates it.

Regarding network reconfiguration, as mentioned in earlier sections, Hive has encountered greater difficulties in finding suitable contacts at Volvo for collaboration or advisory purposes. The mitigations of these challenges have primarily been attributed to the use of intermediaries in the case of Dawn, which facilitates contact and enables more effective communication between the firms. These issues align with the literature, as Allatta and Singh (2011) have shown that interfirm communication tends to be low immediately after an acquisition and gradually increases over time. Currently, the natural communication between the firms is limited, but the use of moderators is perceived as a good method to foster contact and facilitate communication and enable the evolution towards more organic communication over time.

In conclusion, the reconfiguration of resources has been minimal in both acquisitions, primarily involving changes in management positions at Hive. Knowledge transfer has primarily occurred in managerial aspects in both cases. However, the transfer of technical knowledge has differed between the acquisitions, likely due to their distinct needs and levels of interfirm communication. While these findings align with the existing literature, Volvo needs to consider two aspects to improve the performance of the acquisition, in regard to reconfiguration and renewal. First, bilateral resource redeployment can enhance post-acquisition capabilities rather than only moving resources to the acquisition. Second, the use of moderators in Dawn has been identified as a beneficial approach and can be used foster interfirm communication.

5.3 Sociocultural integration

5.3.1 Culture

Both acquisitions have retained their own culture, facilitated by an organisational and national cultural fit between Volvo and the acquisitions, where they share values and industry prospects. This model aligns with the separation mode of acculturation in Nahavandi and Malekzadeh's (1988) acculturation framework where the cultures remain completely independent. Looking at the acquired firms' preferred mode of acculturation, both Hive and Dawn perceive themselves as more attractive, agile, and fast-paced, which strengthens Volvo's choice as it aligns well with the separation mode. However, for the acquiring firm's preferred mode of acculturation, the framework suggests different modes when the acquisitions are in related or unrelated lines of business. Since both acquisitions could be considered to be in similar lines of business, especially Dawn which produces similar products, an integration mode rather than a separation mode would be expected, as it enables the firms to achieve operational synergies. However, the crucial aspect of the acculturation framework is recognising how perspectives on acculturation mode differ since when two firms

do not agree on the desired mode, stress occurs (Nahavandi & Malekzadeh, 1988). Considering that both Volvo and the acquisitions have agreed on the separation mode, potential stress has been avoided.

Regarding changes in the culture of the acquisitions since the acquisitions, the results differ. Hive has undergone significant changes, which are described as a result of their organisation's growth rather than Volvo's influence. On the other hand, Dawn has not experienced any significant change in culture but explains that they had already gone through cultural changes associated with growth as they transitioned from an entrepreneurial company to a more process-driven company. Volvo representatives in both cases explain that, as a result of their chosen mode of acculturation, they want to help the acquisitions maintain a culture that promotes their strengths and have encouraged them to develop their own culture. This can be exemplified by that, although it was not initiated by Volvo, Hive conducted their first employee survey and started to work on their own culture after the acquisition. By recognising these changes, it is, therefore, possible to infer that the contrast of being owned by a larger company urges the acquisition to develop and improve their culture, as they do not want to be assimilated into the acquirer. However, no similar reasoning has been found or investigated in earlier literature.

When assessing the effects of cultural differences, it can be concluded that the differences generally have not caused conflicts or stress. This aligns well with Smolders et al. (2023) and Weber et al. (1996), who claim that employee resistance and decreased commitment are due to cultural differences, which have been shown to be low in both cases. However, it partly contradicts Vaara et al. (2012), who assert that conflict is correlated with higher levels of national differences. This low degree of conflict in the international case is mainly associated with the cultural fit between the two firms but can to some extent also be attributed to the CEO of Dawn, who understands how larger companies operate and can mediate between the firms to decrease potential frustration and stress arising from different ways and speeds of working.

Despite the low levels of stress, the cases show that cultural differences have affected the organisations' ability to collaborate. Both Hive and Dawn claim that the size of Volvo makes collaboration difficult because Volvo is slower, has more complex processes, and has a different perspective on risk. This is aligned with Ranft and Lord's (2002) grounded model where the relative size and the relative performance of the acquired firm are positively associated with low degrees of integration, indicating that a significant difference in size inhibits profitable collaboration. However, respondents from both cases contend that they believe that collaboration will be easier as Hive and Dawn grow and the difference in operational speed and complexities between the firms decrease. Considering the cultural differences associated with collaboration, Volvo's decision not to integrate its functions, as discussed in the alignment and standardisation analysis, is reinforced.

Lastly, in their efforts to evaluate and manage acculturation, the Volvo respon-

dents in both cases explained that they did not conduct cultural due diligence to assess potential differences. However, both claim that they indirectly evaluated the culture in the acquisition through mutual trust and the ability to communicate, which aligns with the factors Teerikangas and Very (2012) identified to enable conflict resolution. Graebner et al. (2017) conclude that good communication therefore can reduce the potential negative effects of cultural distance. Since cultural distance has not caused conflicts in either of the cases, the cultural evaluation has therefore been successful. However, since cultural due diligence is a tool that is promoted by the literature, it may be beneficial to consider its use in future acquisitions. Regarding the sociocultural controls suggested by Larsson and Lubatkin (2001) as well as Lodorfo and Boateng (2006), Volvo did not initiate any activities themselves. However, in Dawn, the CEO tried to create cultural learning through discussions between Dawn and Volvo, which was perceived to have a positive effect and aligns with Schweiger and Goulet (2005) who found that cultural learning improved communication and attitudes toward cooperation. This showcases the CEO's desire to decrease stress and conflict associated with the acquisition.

In conclusion, the choice of acculturation mode is in line with the preferences of both Volvo and the acquisitions. Although Volvo's choice may not completely align with the framework, what is more important is that the firms agree on the suitable acculturation mode to avoid conflicts. Volvo's actions are consistent with the choice to maintain separate cultures and they have encouraged the acquisitions to develop their own culture, which has had a positive effect on the acquisitions. The cultural differences have negatively affected collaboration between the companies, but they have not caused stress or conflicts. While cultural differences were indirectly assessed and evaluated before the acquisition, they have not been actively managed by Volvo afterwards. However, the CEO of Dawn has actively managed the acculturation to decrease stress within the acquisition which is deemed successful. Hence, within the culture theme, Volvo needs to consider how well the acculturation of the acquisitions is managed by acknowledging their preferred mode of acculturation, continuing to encourage the development of their own culture, and understanding the critical role of acquired leaders to avoid stress and conflict.

5.3.2 Identity

Volvo had no intent in either of the acquisition to assimilate the firms' organisational identity into Volvo's identity. Volvo, strategically, wanted them to keep their pre-acquisition identity to avoid them losing their edge. In regard to Bouchikhi and Kimberly's (2012) identity integration matrix, Volvo intended to preserve the identities of each party whilst integrating through legacy identities. Resulting in a confederation identity approach. Consequently, as also seen, the firms have kept their autonomy and identities whilst also being guided by high-level coordination mechanisms and a low level of cross-form structures. High-level coordination has in these cases been purely through BoD for Hive and BoD and an intermediary for Dawn. This strategy is preferred, according to the literature, when an adequate level of revenue and cost synergies can be reached with a low integration depth, balanc-

ing economic calculations and psychological needs. Literature and Volvo's intent seem to be aligned so far, supporting the selection of the identity integration approach.

However, Volvo also mentioned that they have not actively prevented the assimilation of either Hive's or Dawn's identity to Volvo's identity. There have been multiple occurrences of identity assimilation activities at both Hive and Dawn, initiated internally at the acquired firms. Although, these have in large part been through symbolic tools, which according to literature are less prone to influence identities than substantive tools. At Hive, the former CEO changed a corporate value to 'the Hive way', originating from 'the Volvo way'. Although, it is noted that employees are unaware of this connection to Volvo. Additionally, Hive and Volvo have a collaboration where they put the Volvo logo on Hive's products that are sold to Volvo. The employee believed that if Volvo were to further push their logo onto Hive's products, they should also integrate the firm. Adding that it would have been hurtful if done. Nevertheless, in the case of Hive, these occurrences have not resulted in any change in organisational identity, employees continue to strongly identify with Hive. At Dawn, T-shirts were distributed to employees at the announcement of the acquisition, labelled with 'Part of the Volvo family'. Top management pushed independently for a partial identification with Volvo, aiming for employees to have pride in filling a unique function at Volvo. Consequently, in contrast to Hive, employees at Dawn identified themselves mainly with Dawn and partly with Volvo.

As discovered, Hive has followed the path of confederation identity approach whilst Dawn has had some influence on their organisational identity. However, Dawn has not been influenced by Volvo but instead actively and independently pursued to partially assimilate their own organisational identity with Volvo. The differences in desires to assimilate with Volvo most likely originate from the companies' respective situation and their view of Volvo. Hive wanted to sustain their operations with minimal interference from Volvo and had a less positive perception of Volvo, compared to Dawn. Conversely, preceding the acquisition, Dawn actively sought an investor to support the next step in their journey. Volvo was chosen based on a positive perception of Volvo and fit with Dawn's objectives. According to literature, a positive perception of the acquirer could increase the desire to assimilate their identity with the acquirers. Thus, motivating the seen difference in desire to identify with Volvo.

In sum, Volvo had similar intentions concerning organisation identity at the acquired firms, but the outcome was different. There are differences in the inclination to assimilate one's identity across acquisitions. The outcomes in these cases have been overall positive, however, future acquisitions should carefully analyse the inclination for assimilation of the identity and mitigate potential harm to the strategic intentions of the acquisition.

Furthermore, the partial assimilation of Dawn's identity is seemingly not mutual, as Volvo perceives themselves and Dawn as distinct entities. Literature describes how disparities in organisational identities can foster a we-versus-them mentality

(Bansal, 2019; Smeulders et al., 2023). This is something that most likely has occurred on Volvo's side, taking the form of not-invented-here syndrome. In turn hindering operational collaboration, especially when comparing technical solutions. This highlights that preserving legacy identities could be harmful to collaborations. Something that has been more visible in the case of Dawn than Hive. Most likely because Dawn produces, to some degree, competing products whilst Hive produces solely complementary products and has a lower degree of interfirm collaborations.

A relevant alternative could have been to force identity assimilation of the acquired firm's identities to Volvo's identity. To facilitate a such change in identity, Volvo needs to manage through both symbolic and substantive tools. Whilst the assimilation of identities would enable better collaboration, it would not have been beneficial as neither of the cases has that as their main objective. As an employee described at Hive, if they were to assimilate identities they would need to integrate, which in turn would harm the objectives with the acquisition.

Nevertheless, looking into the future, Bouchikhi and Kimberly (2012) discussed how the identity approach could change over time. In the case of Hive, indications have been seen for potential change from a confederation to an assimilation identity approach as Hive continues its growth journey and thus increasing opportunities for collaboration, as discussed in the communication and interaction analysis. However, it would not necessitate increasing the assimilation of the identities, but it could be beneficial to investigate further as the level of collaboration and number of contact points increase.

In conclusion, the intent to keep the firms' legacy identities separate aligns with the literature and seemingly has been the best choice in these cases. However, it was discovered that there are differences in inclination to assimilate identities with Volvo, having a potential to harm strategic objectives in other acquisitions. Volvo needs to consider these discrepancies, in intentions and desires, in future acquisitions. Nevertheless, future acquisitions, made with similar presumptions would in general benefit from keeping the current strategy when managing identities. A potential re-evaluation of the identity approach is however needed as the acquired firms evolve.

5.3.3 Justice

There has been a high level of perceived fairness among the acquired firms, largely attributed to the independent structure of both acquisitions. The firms were given a high level of autonomy, Volvo slightly improved employee benefits, there were no changes to management, Volvo did not perform any workforce displacements, and employees' opinions were heard. Factors frequently cited in the literature as having a negative impact on the perception of justice were absent. Literature has also discovered that the perception of justice is strongly intercorrelated with culture. As discussed earlier, there have been similarities in national cultures and no signs of cultural conflicts, all contributing positively to the perception of justice. However, there were instances where perceived unfairness arose.

One such instance was the change in CEO at Hive. Volvo and the former CEO argued that the change in CEO was rightly identified, the selection process was just, and it was a traditional CEO position with limited job security. However, the founder held a different perspective. The founder agreed that the need for the change of CEO was rightly identified but that the current constellation likened a trainee programme for Volvo talents. This was based on the perception that the new CEO came from Volvo, developed skills at Hive, and then returned to Volvo as well as having the job security of an ordinary line manager. Hence the founder was questioning the transparency and validity of communication from Volvo. Consequently, influencing the perception of all dimensions of perceived justice negatively. Fortunately, this view appeared to not be shared by employees, believing that there was nothing out of the ordinary. Nevertheless, having founders, which have continued as minority owners, perceiving injustice could problematise change, decrease synergy realisation, and generate conflicts according to literature (Bansal, 2019; Monin et al., 2013; Larsson & Finkelstein, 1999; Graebner et al., 2017).

Another instance of perceived unfairness is regarding the engagement from Volvo in Hive. Both employees and the founder believed that Volvo was too passive in their ownership. This belief originated in the notion that Volvo's engagement would only increase if Hive failed to meet its targets, implying that resources were being allocated equitably and not equally. Consequently, this negatively impacted the perception of distributive justice as they perceived unfairness in the allocation of resources. However, Volvo argued that they deliberately choose to be passive, believing it is for the best. This discrepancy of unfair steering by Volvo could potentially result in conflicts and declined willingness to collaborate, thereby decreasing synergy realisations. This discrepancy is however not shared by Dawn as they enjoy the level of freedom, described to be central to the continuation of their agility.

A final instance of perceived unfairness relates to information asymmetries concerning strategy, between Dawn and Volvo. Dawn experienced inequality in strategic collaboration stemming from Volvo not sharing their product strategy whilst also requiring them to refrain from infringing upon it. Thus, impacting the perception of interactional justice in a negative manner. Volvo, however, stated that they do not share strategic intent, especially intents involving patents and unreleased products, but could provide limited, vague insights into their plans. This situation has generated frustration and uncertainty within Dawn and could serve as the basis for additional conflicts. This situation is however not shared by Hive as it originates from Dawn and Volvo having somewhat competing products, which is not the case for Hive.

The overall positive perception of justice and satisfactory level of communication suggest that justice has, in general, been managed well. However, there have been some important instances of perception of injustice. Literature consistently suggests accurate, adequate, and timely communication to address perceptions of injustice (Seo & Hill, 2005; Gomes et al., 2013; Schroeder, 2012). First, in the case of changes in CEOs, proving fairness in the procedural selection of CEOs and providing clear information on the distributive characteristics of the CEO constellation would most

likely improve the overall perception of justice. Second, in the case of engagement from Volvo, communicating the motives and procedures for their decision to be passive could improve the overall perception of justice. Literature suggests that a greater understanding of procedural aspects, consequently procedural justice, often leads to a more positive perception of distributive justice, regardless of whether changes in distributive justice occur. Third, in the case of strategic collaboration, Volvo should carefully evaluate the potential benefits of increased strategic collaboration. While they may choose not to share their product strategy based on valid reasons, they need to ensure that this decision does not in fact unintentionally generate additional conflicts. Overall, addressing these instances of perceived unfairness and managing the associated challenges are essential to ensure a positive relationship between the acquired firms and Volvo.

In conclusion, the perceived fairness among the acquired firms has been positive. However, there were instances where perceived unfairness emerged, such as the change in CEO at Hive, the perceived passive engagement from Volvo at Hive, and inequality in strategic awareness at Dawn. Volvo needs to identify and manage occurrences where perceived unfairness emerges, either by evaluating potential changes or appropriately communicating to avoid potential conflicts. Communication should consider the three dimensions of justice perception and its interconnectedness.

5.3.4 Trust

In general, a high level of trust has been observed at each acquired firm. Literature has discovered that trust is strongly intercorrelated with culture and communication. As discussed earlier, there have been similarities in national cultures, no signs of cultural conflicts, and satisfactory communication, all contributing positively to the establishment of trust. A closer examination of trust reveals a positive perception of the ability dimension of trust of Volvo, attributed to Volvo being a perfect match, possessing the right skills, competencies, and characteristics, as seen in empirical findings of structural integration. However, there have been specific instances or aspects that have influenced different dimensions of trust in interesting ways.

One such instance relates to potential employee displacements. Some employees at Hive initially expressed a fear that Volvo would make layoffs following the acquisition, despite it was communicated that the company would continue as usual. This is a clear example of negative expectations regarding Volvo's actions, based on a sense of distrust. At closer inspection, the situation stemmed from uncertainty in the benevolence and integrity dimensions of trust. First, employees were unsure if Volvo were to act in their best interest or if they would prioritise cost reduction initiatives, a common concern in acquisitions. Second, employees lacked the prior experience they needed to evaluate Volvo's integrity upon. The fear of displacements was eventually diminished by very clear top-down communication, a technique also commonly referred to by the literature. Conversely, no such worries seemed to exist at Dawn.

Another instance influencing trust is the alignment of intentions through contractual agreements. Dawn mentioned that they put a lot of effort into contracts, ensuring alignment of Volvo's intentions and Dawn's aspirations. In the process mitigating some risks, such as Volvo acting opportunistically and holding Volvo accountable for their promises. This positively influences trust, particularly in the dimensions of benevolence and integrity.

Trust was also affected by changes in CEOs. As explained in earlier justice sections, the change of CEO was likened to a trainee school. The founder's impression that Volvo misused the CEO position at Hive for their own gains has implications for multiple dimensions of trust. First, it contributes to the perception that Volvo acts opportunistically, prioritising itself over joint outcomes. Second, it creates a scenario where Volvo's integrity becomes questioned, Volvo argues that they act appropriately whilst Hive perceives their actions to be inconsistent with their words. These factors, related to benevolence and integrity, respectively, both contribute to a lowered level of trust. However, as stated in the analysis of justice, proving fairness in the procedural selection of the CEO and providing clear and transparent information about the CEO constellation would also improve trust as it diminishes uncertainties regarding benevolence and disbelief of integrity.

Another factor influencing trust was the decision to keep minority shareholders, at both Hive and Dawn. Minority shareholders were perceived, in both cases, to act as additional protection from potential corporate moves from Volvo. Mitigating some of the risks associated with both opportunistic behaviour from Volvo and ensuring promises are kept. The former positively influences the perception of benevolence and the latter positively influences the perception of integrity. However, the perception of additional security was inaccurate as Volvo still has majority ownership and consequently has the power to force change if deemed appropriate. Nonetheless, having minority shareholders seemed to be a good tool to build trust towards Volvo.

Finally, maintaining continuous contact points at Volvo appeared to be an influential aspect, particularly evident in the case of Dawn. The CEO at Dawn believed that the human factor is the most influential in M&A and that building trust is essential. Having a continuous counterpart at Volvo, such as an intermediary as discussed in the analysis of communication and interaction, from the start throughout the entire process, handling the relationship between the acquired firm and Volvo had a strong, positive influence on trust.

The general understanding is that it has been no significant issues with Volvo's ability, openness, and value congruence dimensions of trust. This has been expected as the acquisition has been within markets where Volvo is a dominant player, and that Volvo successfully has managed communication and cultural aspects. The few problematic instances primarily revolve around the benevolence and integrity dimensions of trust. Dimensions which are logical as there is a significant difference in size between Volvo and the acquired firms and a lack of prior experience to evaluate Volvo.

In conclusion, findings show that Volvo has in general done a good job managing trust and several important factors have been identified that contribute to trust. Hence, Volvo needs to consider the following four aspects to successfully continue to manage trust in future acquisitions. First, clear and transparent communication plays an important role in diminishing uncertainties and managing negative expectations. It is essential to effectively communicate intentions and assure employees of their best interests. Second, contractual agreements help mitigate risks and hold the acquiring firm accountable for their promises. These two factors foster the perception of trust in the dimensions of benevolence and integrity. Third, having continuous counterparts from the start of, and building strong relationships throughout the acquisition process cannot be underestimated. This human factor establishes a foundation of trust which positively influences trust in multiple dimensions. Fourth and final, keeping minority owners could help build the perception of benevolence and integrity, also being the most relevant for Volvo.

6

Conclusion

The purpose of this paper has been to analyse Volvo's essential, historical factors for a successful post-merger integration, aiming to improve future integration processes. The aim is to accomplish the purpose by identifying learnings from the two cases investigated in the paper. The cases have been analysed in regard to strategic and sociocultural integration, where the effects of these perspectives are presented in the following paragraphs. The answers to the sub-research questions are then the foundation at which the learnings are presented as successful practices Volvo should continue doing, areas at which Volvo could improve, and potential pitfalls that Volvo should consider.

How has strategic integration affected Volvo's success in precedent post-merger integration processes?

Volvo's choice to give the acquisitions high autonomy and retention of shareholders has resulted in low levels of stress and conflicts. The high level of autonomy is combined with a low degree of integration, which often is associated with lower performance and knowledge transfer. However, this has been deemed to be a suitable model for the acquisition since it also maintains competitive advantages and fulfils the strategic intent of the acquisitions. Conversely, this model has also entailed difficulties as the operational collaboration and transfer of knowledge have been hindered. The differences between the cases highlight the need for suitable communication channels to improve the quality of interfirm communication and interaction, balancing the need for efficient ways of communicating whilst not overwhelming the smaller organisation. An intermediary which can facilitate communication and identify the appropriate contacts across both organisations has been shown to increase the effectiveness of operational coordination and interfirm collaboration.

How has sociocultural integration affected Volvo's success in precedent post-merger integration processes?

Volvo's choice to maintain separate cultures and identities is in line with both organisations' preferences, which is crucial to decrease stress and conflict. Furthermore, Volvo's actions are consistent with their choice of acculturation mode as they have preserved the acquisition's culture and kept the two identities separate. These actions combined with factors, such as communication and retention of minority shareholders, have been identified to increase trust between the organisations. Additionally, the perceived fairness among the acquired firms has been positive. However, there were

instances where perceived unfairness emerged, but these instances have not resulted in any major conflict. The differences in culture and encouragement to develop their own culture have resulted in an increased focus on organisational culture within the acquisitions. The cultural differences have not been the cause of any conflicts due to sufficient communication. Lastly, despite Volvo not managing the cultural differences, activities to improve acculturation within the acquisitions have been deemed successful.

*What learnings can be drawn from Volvo's precedent
post-merger integration processes?*

For future acquisitions, Volvo needs to consider two important aspects when choosing the level of autonomy. First, they must recognise the founders' preparedness to let go of their autonomy. Second, they need to take into consideration how the need for autonomy and decreased stress changes after a few years as the desire to improve collaboration increases. Additionally, when choosing an appropriate level of integration, despite that additional integration of functions or alignment of operations are highlighted to further enhance performance, Volvo need to weigh the financial improvements against the costs of integration and its effects on operations. Lastly, when considering operational collaboration, Volvo needs to recognise that bilateral resource redeployment can enhance post-acquisition capabilities and that appointing an operational intermediary can be an effective tool in future acquisitions to facilitate and foster interfirm communication and interaction. However, they also need to evaluate the level of power given to the intermediary. If they are to also make coordinative decisions or purely work to enable interfirm communication and identifying the appropriate contacts across both organisations.

For future acquisitions, Volvo also needs to consider how they manage acculturation of the acquired firm by acknowledging their preferred mode of acculturation and identity. However, future acquisitions that are made with similar presumptions, would in general benefit from keeping the current strategy. Additionally, Volvo should continue to encourage the development of the acquisitions' own culture, as well as understand and utilise the critical role of acquired leaders to avoid stress and conflict. Lastly, to successfully continue to manage trust between the organisations, Volvo needs to consider the following four aspects. First, clear and transparent communication plays an important role in diminishing uncertainties and managing negative expectations. Second, contractual agreements help mitigate risks and hold the acquiring firm accountable for its promises. Third, having continuous counterparts from the start of, and building strong relationships throughout, the acquisition process cannot be underestimated. Fourth and final, keeping minority owners could help build a perception of benevolence and integrity. By considering these aspects, Volvo will also be able to identify and manage occurrences where perceived unfairness have emerged, where communication is the most prominent tool to avoid potential conflict.

6.1 Further research

Moving forward, further investigation should be directed towards understanding the dynamics of collaboration as the acquisition grows. Specifically, there is a need to explore how the possibility of collaboration evolves as the size of the acquisition increases. Furthermore, it would be intriguing to examine whether enhanced interfirm communication could potentially overwhelm the acquisition process, particularly in cases where there is a significant difference in size between the two organisations. These distinct patterns have been emphasised by respondents and identified in the analysis. However, due to limited support in existing literature, a deeper understanding of both areas is necessary to contribute to subsequent research on post-merger integration.

Moreover, existing literature and this thesis have primarily focused on the perspective of the acquired firm and how the actions of the acquirer affect them. However, it would also be valuable to investigate how employees of the acquiring firms are affected by the transaction and how the coordination with multiple acquisitions impacts their performance. This aspect remains relatively unexplored and would benefit from attention in future research.

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A

Appendix. Interview questions Hive

A.1 Interview questions, Founder

Tell us about you and your role in the acquisition.

What was your perception of Volvo at the time of acquisition?

- Was Volvo perceived as competent and a good addition to Hive?
- Were there any uncertainties or concerns about having Volvo as an owner? For instance, they would not prioritise Hive's interests.

How was the new ownership communicated within the organisation?

- Was Hive firm presented as a part of Volvo?

What was the strategic intent/goal of keeping Hive as a separate entity?

Are there any and what does the strategic collaboration between Volvo and Hive look like?

Are there any and what does the operational collaboration and integration between Volvo and Hive look like?

Has the strategic or operational collaboration changed since the acquisition, related to the change from customer-supplier to ownership relationship?

Have you experienced that the acquisition by Volvo has benefitted Hive? Do you believe that there are additional synergies to be achieved?

Are there any strategies or structures implemented for knowledge transfer between the firms?

- How would you describe the level of knowledge transfer between the firms, has it changed over time?

Has your ability to take your own strategical decision changed since the acquisition?

Post-acquisition, have Volvo enforced certain organisational changes?

- Was the change of CEO forced by Volvo? What was the goal of the change?
- Did Volvo make any additional changes in management?
- What was the impact on employees? How were the changes communicated to Hive's employees?

Has the acquisition by Volvo made Hive change from being entrepreneurial and agile to being slower and more bureaucratic?

Volvo has owned both companies for a few years now, is the strategic intent still the same? Do you believe that the conditions have changed?

- Is the intent to further integrate in the future? If so, does Hive need to adapt to Volvo's way of doing things?

Are the employees affected by the fact that Hive is owned by Volvo?

How would you describe the difference in culture and shared values between Hive and Volvo?

- Have these differences been managed in some way? Have these differences resulted in any conflicts?

Has the culture at Hive changed since the acquisition? How?

Has there been any plan for managing the identity of employees during and post-acquisition?

Has identity been managed in some way?

- Have mission statements, corporate values, or corporate branding been altered? Have leadership team composition or recruitment been altered?

How did employees react to the acquisition? For example, did any key employees leave the firm?

- Do you think that this would have been different if you were left with a lower degree of autonomy after the acquisition?

Have there been any layoffs or displacements following the acquisition?

Have there been any changes in compensation, benefits, rewards, and promotions imposed by Volvo since the acquisition?

- If so, has it changed to be aligned with Volvo? If not, are the current levels, below or above Volvo standards?

Has there been any way for employees to make suggestions toward the changes that followed the acquisition?

Was there a communication programme/strategy in place?

Do you believe that the communication regarding the acquisition has been transparent and consistent with the actions taken by Volvo?

A.2 Interview questions, Volvo representative

Tell us about you and your role in the acquisition.

What was the objective of the acquisitions of the firm?

- How do you perceive it has gone?

What was the strategic intent/goal of keeping Hive as a separate entity?

Are there any and what does the strategic collaboration between Volvo and Hive look like?

How would you describe what the operational collaboration between Volvo and Hive looks like?

How do you manage Hive, both strategically and operationally?

Has the strategic or operational collaboration changed since the acquisition, related to the change from supplier-customer to ownership relationship?

How do you perceive Hive's and Volvo's possibilities to share knowledge? Is there competence at one that would be beneficial for the other?

We spoke with the founder about suggestions that Hive has for creating customer benefits. How do you work to follow up on this? We can imagine that you receive quite a few suggestions from various sources.

Post-acquisition, have Volvo enforced certain organisational changes?

- What was the goal of the change? What was the impact on employees? How were the changes communicated to Hive's employees?
- Was the change of CEO forced by Volvo?

Have you experienced that the acquisition by Volvo has benefitted Hive? Do you believe that there are additional synergies to be achieved?

Do you believe that the acquisition by Volvo made the Hive change from being entrepreneurial and agile to being slower and more bureaucratic? How?

Volvo has owned both companies for a few years now, is the strategic intent still the same? Do you believe that the conditions have changed?

- Is the intent to further integrate in the future? If so, does Hive need to adapt to Volvo's way of doing things?

Are there differences in how actively you manage different acquisitions? Are there acquisitions you manage more actively?

- Hive has performed well, do you believe you would have managed them differently if they would have not performed as well?

What was your perception of Hive at the time of acquisition?

How would you describe the difference in culture and shared values between Hive and Volvo?

- Have these differences been managed in some way? Have these differences resulted in any issues?

Was any cultural-DD conducted pre-acquisition?

Has there been any plan for managing the identity of employees during and post-acquisition?

Has identity been managed in some way?

- Have mission statements, corporate values, or corporate branding been altered?
- Have leadership team composition or recruitment been altered?

Was there a communication programme/strategy in place?

A.3 Interview questions, Former CEO

Tell us about you and your role in the acquisition.

What does the operational collaboration between Volvo and Hive look like?

Has the strategic or operational collaboration changed since the acquisition, related to the change from customer-supplier to ownership relationship?

Have you experienced that the acquisition by Volvo has benefitted Hive? Do you believe that there are additional synergies to be achieved?

Do you know if there are any strategies or structures implemented for knowledge transfer between the firms?

- How would you describe the level of knowledge transfer between the firms, has it changed over time?

Do you perceive that the change in management, specifically the CEO, has been motivated and communicated?

- Do you feel like the changes in CEO roles have been for the benefit of Hive? What was the impact on employees?

Do you know what the strategic intent/goal was with keeping Hive as a separate entity?

What was your perception/thoughts of keeping Hive as a separate entity?

Do you believe that the firm situation has changed since the acquisition, is stand-alone still the best?

How did employees react to the acquisition? For example, did any key employees leave the firm as a consequence?

- Do you think that this would have been different if you were left with a lower degree of autonomy after the acquisition?

Has the acquisition by Volvo made Hive change from being entrepreneurial and agile to being slower and more bureaucratic?

- If not, are there any other factors that have made you slower?

How would you describe the difference in culture and shared values, between Hive and Volvo?

- Have these differences resulted in any conflicts?

Has the culture at Hive changed since the acquisition? How?

What was your perception of Volvo at the time of acquisition?

- Was Volvo perceived as competent and a good addition to Hive?

Would you say that the employees see themselves as employees of Hive or Volvo?

- Have there been any changes in how employees identify with the organisation since the acquisition?

How was the new ownership communicated within the organisation?

- Was Hive presented as a part of Volvo?

Were there any uncertainties or concerns about having Volvo as an owner? For instance, they would not prioritise Hive's interests.

How has the acquisition affected employees at Hive?

- How did they react?

Have there been any changes in compensation, benefits, rewards, and promotions imposed by Volvo since the acquisition?

- If so, has it changed to align with Volvo? If not, what are the current levels, below or above Volvo standards?

Has there been any way for employees to make suggestions toward the changes that followed the acquisition?

Were the changes made after the acquisition motivated?

Do you believe that there has been sufficient communication from both Volvo and Hive?

- Have they communicated the change in CEO?

Do you feel that the communication regarding the acquisition has been transparent?

Do you believe that the communicated information has been consistent with the action taken by management and Volvo?

Do you feel that the treatment from managers has been fair during the acquisition by Volvo?

A.4 Interview questions, Employee

Tell us about you, both your role at Hive and your role at Volvo, and your role in the acquisition.

What was the strategic intent/goal of keeping Hive as a separate entity?

Are there any and what does the strategic collaboration between Volvo and Hive look like?

- What is the reason you do not collaborate more?

Are there any and what does the operational collaboration between Volvo and Hive look like?

- What are the reasons you have not used more of Volvo's resources?

How does Volvo manage Hive, both strategically and operationally?

Has the strategic or operational collaboration changed since the acquisition, related to the change from supplier-customer to ownership relationship?

How do you perceive Hive's and Volvo's possibilities to share knowledge? Is there competence at one that would be beneficial for the other?

We spoke with the founder about suggestions that Hive employees have for creating customer benefits. How do you work with this?

Have you experienced that the acquisition by Volvo has benefitted Hive? Do you believe that there are additional synergies to be achieved?

Post-acquisition, have Volvo enforced certain organisational changes?

- What was the goal of the change? What was the impact on employees? How were the changes communicated to Hive's employees?
- Have you experienced that Volvo has enforced you, as a CEO, certain changes?

What aspects were intended to be achieved in selecting you as a CEO?

What is the reason you resigned as CEO?

Do you feel that you have had a sense of security by coming from Volvo and therefore being able to go back if you had not performed?

Has the acquisition by Volvo made Hive change from being entrepreneurial and agile to being slower and more bureaucratic?

Was there any strategies or structure implemented for knowledge transfer between the firms?

- How would you describe the level of knowledge transfer between the firms, has it changed over time?
- Have there been any thoughts on creating an internal recruitment structure?

Volvo has owned both companies for a few years now, is the strategic intent still the same? Do you believe that the conditions have changed?

- Is the intent to further integrate in the future? If so, does Hive need to adapt to Volvo's way of doing things?
- Do you believe that Volvo will be more interested in integration when your customer segment increasingly, over time, overlaps?

Are employees affected by the fact that Hive is owned by Volvo?

How would you describe the difference in culture and shared values between Hive and Volvo?

- Have these differences been managed in some way? Have these differences resulted in any conflicts?

Has the culture at Hive changed since the acquisition? How?

- Have you actively managed the culture to be more compatible with Volvo?

Do you know what the perception of Volvo was at the time of acquisition?

- Was Volvo perceived as competent and a good addition to Hive?

Would you say that the employees see themselves as employees Hive or Volvo?

- Have there been any changes in how employees identify with the organisation since the acquisition?

Has there been any plan for managing the identity of employees during and post-acquisition?

Has identity been managed in some way?

- Have mission statements, corporate values, or corporate branding been altered? Have leadership team composition or recruitment been altered?

Has there been any way for employees to make suggestions toward the changes that followed the acquisition?

- Do you believe that employees' opinions reached you as CEO?
- Are there any forums or communication channels for employees between Hive and Volvo?
- Do you believe that there are ideas that do not get pursued due to the gap between Hive and Volvo?

Do you believe that employees had any uncertainties or concerns about having Volvo as an owner? For instance, they would not prioritise Hive's interests.

Have there been any changes in compensation, benefits, rewards, and promotions imposed by Volvo since the acquisition?

- If so, has it changed to align with Volvo? If not, what are the current levels, below or above Volvo standards?

Do you believe that the communicated information has been consistent with the action taken by management and Volvo?

B

Appendix. Interview questions Dawn

B.1 Interview questions, CEO

Tell us about you and your role in the acquisition.

Talk me through Dawn's journey up until the acquisition.

What was your perception of Volvo at the time of acquisition?

- Was Volvo perceived as competent and a good addition to Dawn?
- Were there any uncertainties or concerns about having Volvo as an owner? For instance, they would not prioritise Dawn's interests.

How was the new ownership communicated within the organisation?

- Was Dawn presented as a part of Volvo?

What was the strategic intent/goal of keeping Dawn as a separate entity?

Are there any and what does the strategic collaboration between Volvo and Dawn look like?

Are there any and what does the operational collaboration between Volvo and Dawn look like?

Was Dawn a customer of Volvo before the acquisition?

- Has the strategic or operational collaboration changed since the acquisition, related to the change from customer-supplier to ownership relationship?

Have you experienced that the acquisition by Volvo has benefitted Dawn? Do you believe that there are additional synergies to be achieved?

Are there any strategies or structures implemented for knowledge transfer between the firms?

- How would you describe the level of knowledge transfer between the firms, has it changed over time?

Has your ability to take your own strategical decision changed since the acquisition?

Post-acquisition, have Volvo enforced certain organisational changes?

- Has there been any change in management at Dawn?
- What was the impact on employees? How were the changes communicated to Dawn's employees?

Has the acquisition by Volvo made Dawn change from being entrepreneurial and agile to being slower and more bureaucratic?

Volvo has owned Dawn for a few years now, is the strategic intent still the same? Do you believe that the conditions have changed?

- Is the intent to further integrate in the future? If so, does Dawn need to adapt to Volvo's way of doing things?

Are the employees affected by the fact that Dawn is owned by Volvo?

How would you describe the difference in culture and shared values between Dawn and Volvo?

- Have these differences been managed in some way? Have these differences resulted in any conflicts?

Has the culture at Dawn changed since the acquisition? How?

Would you say that the employees see themselves as employees of Dawn or Volvo?

- Have there been any changes in how employees identify with the organisation since the acquisition?

Has there been any plan for managing the identity of employees during and post-acquisition? Has identity been managed in some way?

- Have mission statements, corporate values, or corporate branding been altered? Have leadership team composition or recruitment been altered?

How did employees react to the acquisition?

- Did any key employees leave the firm?
- Do you think that this would have been different if you were left with a lower degree of autonomy after the acquisition?

Have there been any layoffs or displacements following the acquisition?

Have there been any changes in compensation, benefits, rewards, and promotions imposed by Volvo since the acquisition?

- If so, has it changed to align with Volvo? If not, what are the current levels, below or above Volvo standards?

Has there been any way for employees to make suggestions toward the changes that followed the acquisition?

Was there a communication programme/strategy in place?

Do you believe that the communication regarding the acquisition has been transparent and consistent with the actions taken by Volvo?

Do you believe that the changes made after the acquisition have been motivated?

B.2 Interview questions, Volvo representative

Tell us about you and your role in the acquisition.

What was the objective of the acquisitions of the firm?

- How do you perceive it has gone?

What was the strategic intent/goal of keeping Dawn as a separate entity?

- How does it affect the possibilities of collaboration and create customer value?

Are there any and what does the strategic collaboration between Volvo and Dawn look like?

How would you describe the operational collaboration between Volvo and Dawn look like?

How do you manage Dawn, both strategically and operationally?

Has the strategic or operational collaboration changed since the acquisition, related to the change from customer-supplier to ownership relationship?

How do you perceive Hive's and Volvo's possibilities to share knowledge? Is there

competence at one that would be beneficial for the other?

Post-acquisition, have Volvo enforced certain organisational changes upon Dawn?

- What was the impact on employees? How were the changes communicated to Dawn's employees?
- What are the reasons you have not done any management changes?
- Was the acquisition influenced by the fact that they already had a capable CEO with experience working with larger organisations?

Have you experienced that the acquisition by Volvo has benefitted Dawn? Do you believe that there are additional synergies to be achieved?

Do you believe that the acquisition by Volvo made the Dawn change from being entrepreneurial and agile to being slower and more bureaucratic?

Volvo has owned Dawn for a couple of years now, is the strategic intent still the same? Do you believe that the conditions have, or will, changed?

- Is the intent to further integrate in the future? If so, does Dawn need to adapt to Volvo's way of doing things?

Are there differences in how actively you manage different acquisitions? Are there acquisitions you manage more actively?

- Dawn has performed quite well, do you believe you would have managed them differently if they would have not performed as well?

What was your perception of Dawn at the time of acquisition?

How would you describe the difference in culture and shared values between Dawn and Volvo?

- Have these differences been managed in some way? Have these differences resulted in any issues?

Was any cultural-DD conducted pre-acquisition?

Has there been any plan for managing the identity of employees during and post-acquisition?

Has identity been managed in some way?

- Have mission statements, corporate values, or corporate branding been altered? Have leadership team composition or recruitment been altered?

Have there been any adjustments in contracts with employees?

- Do you always do those adjustments or was this special?

Was there a communication programme/strategy in place?

C

Appendix. Interview information

C.1 Interview information, Hive

Hive					
Reference	Role	Time	Date	Place	Questions
Founder	Founder of Hive	00:53:54	14/4-2023	On-site	Appendix A.1
Volvo representative	President Business Segment Unit at Volvo Subsidiary and Chairman at Hive	00:57:14	17/4-2023	On-site	Appendix A.2
Employee	Mechanical Engineer	00:43:56	20/4-2023	On-site	Appendix A.4
Former CEO	Previous CEO at Hive and President Business Segment Unit at Volvo subsidiary	00:56:46	25/4-2023	On-site	Appendix A.3

C.2 Interview information, Dawn

Hive					
Reference	Role	Time	Date	Place	Questions
CEO	CEO at Dawn	01:01:57	19/4-2023	Digital	Appendix B.1
Volvo representative	Vice President Business Segment at Volvo Group	00:49:49	24/4-2023	On-site	Appendix B.2



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