ABSTRACT

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Contradicting Management Control Ideologies
A Study of Integration Processes Following
Cross-border Acquisitions of Large Multinationals

The 1990s and early 2000s witnessed some of the largest cross-border acquisitions in business history. This thesis studies how key management control actors experienced the integration processes following two cross-border acquisitions. The overall purpose is to study a particular management control model following an acquisition of two foreign multinationals and following an acquisition by a foreign multinational. A subset of three research questions is developed for these purposes: 1) to examine the actors' experiences regarding possible contradictions and their consequences; 2) to unravel actors' responses to conformity pressures; and 3) to illustrate the major elements and forces that thwart or enable integration. The large size of the organizations, the two-fold direction of the acquisitions, the assumed significant cultural differences, and the length of the examined process (over six years in Case 1 and seven years in Case 2) contribute to new findings. The study is based on a pragmatic (re-) constructivist research approach where key actors' narratives and their sense-making are the core elements. The fieldwork is based on 22 interviews with key actors in Case 1 and 28 interviews in Case 2.

The findings from the study illustrate that management control problems are behavioral problems that are most obvious in cross-cultural settings when organizations are growing through acquisitions. Management control is described by actors as models that consist of a collection of ideas, assumptions and frameworks rather than as physical elements. As a result, the work following such acquisitions is often something other than real integration. Rational integration frameworks then rarely help; nor can integration be forced upon the acquired entity by means of coercive power. Real legitimacy is needed in order to achieve most changes. The primary factors that makes the difference are the power of the rhetoric used to support the management control models and the skill of the finance actors (advocates) who wish to persuade and convince other actors (guardians) of the strengths and advantages of a given model. Hence, an acquirer's management control model and its advocates cannot defeat an acquired entity's model and its guardians if the acquirer's model and its rhetorical/persuasive powers are weaker.

Moreover, management control knowledge in organizations is often tacit knowledge. Therefore, as long as actors do not recognize the same management control models and do not apply the same worldview and logic, all tacit knowledge has to be made clear and 'visible' before it can be communicated to new members of the new entity. Otherwise, new members will not understand the new model and will not accept it. Interpretation and translation of management control models are therefore major drivers in creating a common management control language of clarified images and shared meaning and understanding. This in turn requires direct contact between actor groups: direct interaction and direct communication. Management control is not a 'technical rational' area where there is universal agreement on its benefits.

Additionally, the conflicts resulting from two competing management control models can probably never be totally resolved in a rational way because the resulting problems and situations, following cross-border acquisitions, are often complex and interwoven. From a purely financial perspective, it is difficult to weigh the pros and cons involved with making management control system changes. Therefore, in most cases, the subjective judgments and common sense of actors are crucial in this process of deciding if, how, and why one choice is better than another. The actors' socio-economic 'inherent' logic and their personal and company values must play a major role during such post-acquisition work. The conclusion of this study is that the best solution to resolving the conflicts between competing management control models is to make gradual changes, using negotiation strategies and applying strong rhetorical/persuasive methods in an environment that recognizes the importance of the participation of the actors involved.

Keywords: management control, mergers and acquisitions, cross-border, ideology, rhetoric, coercive power, legitimacy, integration process, institutionalization, contradictions

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