The sixth wave of mergers and acquisitions

A case study investigating a Hong Kong based company's investment in Sweden

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Abstract

Since the late 1800 companies have performed mergers and acquisitions (M&As) in order to expand their businesses. The characteristics of M&As have altered along with the globalization of our world and the different trends have been divided into five different waves. Recently there has been evidence found supporting a sixth wave, that is, where companies originating from emerging economies acquire or merge with companies in developed economies rather than the opposite. This phenomena and the integration process that they face is what this study aims at investigating and the purpose is to investigate whether the existing M&A literature can be applied to this sixth wave or not. To be able to find answers to the problem statement a single case study was performed on a Hong Kong based company taking over the operation of the Stockholm subway and interviews were conducted at various levels within the company. What was found was that an important contributing factor as to why integration of this kind might be problematic is the lack of comprehension of the different cultures and that the communication between employer and employee is obstructed as a result of this. What can be concluded from this study is that irrespectively of the nationalities of companies taking part of M&As the problems encountered during the integration process are the same, thus, the current M&A literature focusing on Western companies performing M&As on companies in emerging markets is applicable to the sixth wave as well.

Acknowledgements

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1. Introduction

In this chapter the background of the problem area put in focus will be presented, as well as introduce the problem discussion and research questions that the thesis will elaborate on. The case company chosen to find answers to the problem statement is also presented, along with the delimitations necessary to perform this study.

1.1 Research Background

1.1.1 Mergers and acquisitions

Mergers and acquisitions (M&As) are often considered peers in literature, however there are differences as they represent two legally different transactions (Gertsen, Søderberg & Torp, 1998). According to Gertsen et al. (1998, p.17) mergers are '*a statutory combination of two (or more) corporations, either by the transfer of all assets to one surviving corporation or by the joining together of the companies into a single new enterprise*'. An acquisition on the other hand '*takes place when one company buys enough shares to gain control of another*' (ibid). However in this study, a merger and an acquisition will be considered equals due to the fact that the focus area is not the differences between them, rather it is their similarities in problems occurring in an integration process.

The outcome of M&As can be measured in different ways depending on what kind of company it concerns and what the motives of the M&A are. Regardless how the outcome is measured, 50 per cent fail, and this number is even higher for cross-border M&As (Forstmann, 1998). Despite this, through the last couple of years of growing internationalization the targets of investment have changed and there has been an increase in cross-border mergers and acquisitions, that has led to new corporate challenges (Cartwright, 1998). One of the challenges is that one today has to acknowledge the difficulty concerning the double culture clashes, that is, culture clashes which appear at national level as well as at organizational level. As Malekzadeh and Nahavandi (1998, p. 125) state '*Acquiring another firm is the easy part; the hard part is managing the long-term process of acculturation of two firms across national border*'. This phenomenon is relatively newly recognized in literature, as earlier research most often has concerned the organizational culture, not the two of them combined (Kleppestø, 1998). However, in 1993, Larsson found that different national cultures in the companies during the integration process of a merger or acquisition created further difficulties when creating a mutual organizational culture (Larsson & Risberg, 1998).

Following the growing trend towards cross-border mergers and acquisitions the literature more often takes this phenomenon in perspective, however only recently has the answer been sought within the human factors (Cartwright, 1998). In a study of Fortune 500 companies all 45 questioned CFOs stated that the cultural difference is the main reason to why companies fail when trying to create synergies in a merger or an acquisition (Smolowitz, 1996 cited by Fortsmann 1998).

1.1.2 History of mergers and acquisitions

M&As are methods that are used to expand companies and they emerged during the late 1800, since then the characteristics of the phenomena have developed (Beusch, 2007). Beusch (2007) explains how the evolution of M&As can be defined into five different waves: the first one lasted between 1897 to 1904 and included horizontal mergers and the companies became very concentrated, which was due to the industrial revolution. After the horizontal mergers came the vertical due to the many anti-trust laws put up by the U.S., this was the second wave, which began 1916 and lasted up until 1929 (ibid). Further Beusch (2007) describes how the verticality that dominated the second wave was replaced by lateral integration and mergers between companies from different businesses became common. This was the third wave and it lasted from 1965 to 1969. In the late 1980s, when the fourth wave began, the course of action when merging saw an increase in aggressiveness and a switch of dominating investors (ibid). The takeovers became more hostile and for the first time non-American companies began to invest more in the U.S. than vice versa due to the weak U.S. dollar (ibid). According to Vaara (2002) the fifth wave, which also is considered the present one, began in the early 1990s. This wave has shown an increase in not only cross-border acquisitions, but on a general level as well (Vaara, 2002). Beusch (2007) describes how this pattern can be explained by the favorable conditions that have emerged as the economies all over the world continue to globalize. Examples of this are friendlier trade barriers, the information technology revolution, changes in industries as well as the tendency to privatize businesses (ibid).

1.1.3 The sixth wave of mergers and acquisitions

Although Vaara (2002) defines us currently being in the fifth wave there is evidence supporting a new trend in the sense of a new M&A wave in the world economy: the sixth wave. The emerging countries' economies are growing at an exceptional speed, together with the companies based there, when studying Fortune Global 500 in 2007 there were 70 companies based in emerging countries, in 2011 this number had increased to 95 (Egan &

Ovanessoff, 2011). In 2009 the value of mergers and acquisitions originating from emerging markets exceeded that in developed markets for the first time (Egan & Ovanesoff, 2011). The definition of emerging markets is controversial, JP Morgan defines them as *"fast-growing economies which tend to offer an opportunity for higher return, but also may carry more risk relative to developed markets"* (2010, p.1). However, according to Vladimir Kvint (2008, 29th of January) the statistics of emerging markets often contradicts each other, even in the same reports, because of the lack of a universal definition.

Examples of companies originating from emerging markets that have been a part of this trend are the large takeovers of Swedish Volvo by Chinese Geely, the Indian telecom company Bharti Airtel's purchase of Zain Telecom and the Indian company Tata Motors that acquired the brands Jaguar and Land Rover from Ford (Egan & Ovanesoff, 2011; KPMG, 2010).

1.1.4 Current research

Although the research on this area is restricted, there is still some to be found. Considering that most studies conducted within this area are case studies, there is a lack of generalized theories regarding emerging companies establishing in developed countries (Contessi & El-Ghazaly, 2010 July). In addition to this, as far as we are concerned most previous research has focused on strategy, how to enter the new market and motives (Yamakawa, Peng & Deeds, 2007; Rabbiosi, Elia & Bertoni, 2012; A.T. Kearney, 2008) but there is a lack of focus on the integration of a merger or an acquisition.

The motives behind a merger from an emerging market to a developed market differ from those behind a traditional M&A (A.T. Kearney, 2008). According to A.T. Kearney (2008) the motives when a company based in an emerging market acquires in a developed market are mainly to access new technology and production, also, as they are entering established markets they can benefit by having low-cost structures. When entering emerging markets however, the motives are to reduce costs and generate growth opportunities (ibid).

One of the few studies that highlight the issue of integration in the sixth wave is a study performed by KPMG (2010). It investigates the integration process of this new phenomenon by interviewing senior management in companies from emerging economies that recently have conducted acquisitions in West, and they present some key factors to consider when conducting such an acquisition; *' – Take time to learn and adjust to each other – Do not focus on national origin, - Do not rush them at the expense of creating alignment and shared ownership, - Focus on creating a larger playing field and highlight the opportunities*

available to them, - The acquiring company needs to show creativity, flexibility and persuasive skills to win them over' (KPMG, 2010, p.3). The studied companies describe that the integration process is a slow process and that the companies often leave the responsibility to the local management, who alone are responsible to operate the business. Further KPMG (2010) describes that companies should take time to get to know each other. Among the companies in the study there were some initial doubt towards the acquiring company, employees were afraid to lose their jobs, as well as skeptical towards the acquiring companies' skills and competence. Additionally, KPMG (2010) stresses the importance of cultural alignment; companies must match the culture of the company they are entering. Finally they conclude that these kinds of M&As are not simple; a well-defined plan, flexibility and an adapted approach are essential during this process.

1.2 Problem Discussion

When looking at this development of M&As and trying to study the integration management of these mergers it is important to remember that the research focus has mainly been directed towards Western firms investing (Schweiger & Goulet, 2005;Lodorfos & Boateng, 2006; Napier, Simmon & Stratton, 1989; Larsson & Finkelstein 1999; Schweiger & DeNisi 1991). As the phenomena of cross-border acquisitions emerged there were Western firms merging with other Western firms that created the foundation of what theory and literature that applies to practical examples today (ibid). Eventually, as the developing countries started to blossom, the Western companies saw great potential and expansion began through foreign direct investment (FDIs) as well as M&As resulting in a lot of FDI moving from the West into Asia. There is a lot of literature on this area from many points of view, such as financial, cultural, strategic, acculturation view and there are many definitions on how to successfully merge within each of this area. The focus of this study, however, is the integration process.

Recent activity has shown that the flow is not only moving from the West; the huge investments and large interest in Asia has resulted in a spillover effect and has allowed the region to expand and initiate own investments abroad (UN, 2012).This other aspect, that is the trend of Asian companies investing in the West, has not been as thoroughly scrutinized. A question that arises is whether the extensive amount of research on M&As can be applied to this.

1.3 Problem statement

The purpose of this thesis is to analyze the integration of personnel and processes when a company originating from an emerging economy merges with or acquires a Western

company. The aim is to understand the different stages that an integration of this kind involves and how information is communicated, are there similarities in previous literature examining M&As?

1.4 Research questions

- *What problems might arise during the different phases of a merger or acquisition performed by a company based in an emerging country and how are these tackled by the managers?*

- *How is information communicated between the employees and the new employer in this process and how do the employees experience it?*

1.5 Case introduction

This study will investigate these questions by looking at the Hong Kong based company MTR Corporation Limited and its investment in Sweden. MTR is a world-renowned provider of public transportation and took over the operation of the Stockholm subway in 2009. When acquiring the contract they agreed to transfer 3000 employees from the previous operator, French Veolia.

1.6 Delimitations

As the company chosen in the study is an organization with several departments and professions there have been a few delimitations necessary. These include the restriction of focus to the traffic area of the organization, thus does the study only represents one part of the business. All of the interviewees, disregarding the CEO, are positioned within the traffic section thus being either train drivers or responsible for them at various levels.

1.7 Disposition

Chapter 1. Introduction
This chapter provides the reader with the background necessary to fully understand the area studied as well as a problem discussion stating the purpose of this study.

Chapter 2. Methodology
In the second chapter the choises of method are motivated and the quality of the study are discussed.

Chapter 3. Theoretical framework
In this section of the thesis the previous theory conserning the area of focus is presented.

Chapter 4. Empirical data
This fourth chapter provides the reader with the information gathered at the interviews.

Chapter 5. Analysis
The fifth chapter compares the discussed theory to the empirical data and an analysis of the two is presented.

Chapter 6. Conclusion
This final section concludes the findings of the study.

2. Methodology

In the following chapter the issues of methodology will be discussed. Initially the selection of research approach is described, thus motivating the choices made throughout the study. Furthermore, the data acquisition and the quality of the study are discussed. Finally the limitations of the study are brought up and highlighted in order to bring awareness to the reader.

2.1 Research approach

In this study the research questions focus on the integration process of M&As, where it is attempted to analyze and capture the meaning of in-depth interviews and grasp the cultural environment of an organization. When analyzing the collected data we adhered to an abductive approach. This means we applied an approach that combines the idea of having a general theory forming the foundation of the explanation of a case and the idea of applying a case to general principles and trying to explain the gathered information by using theories (Olsson & Sörensen, 2011). We chose this measure due to the flexibility in the possibility to alternate between empirical data and the theoretical framework when investigating our case.

2.1.1 Case study

We have chosen to apply a case study, which is something that researchers have applied for many years in order to gain a more in-depth understanding of the problem and put focus on discovering a phenomena rather than proving it (Merriam, 1994). As we are looking closer into cultural differences as opposed to investigating certain patterns in behavior, a case study is according to Merriam (1994) the most efficient method.

Advantages to applying this method to a research question is that it brings a holistic view of processes as the method is practice related as well as the fact that it has a capacity to deal with complex issues. Adding to this is that case studies have the ability to contribute to further development of research areas due to the new dimensions of recognition it brings its scholars as well as readers (Merriam, 1994).

2.1.2 Selection of case company

This study is based on a single case study, this is due to nature of acquisitions, which is that every situation of merger is unique and it is hard to generalize what the outcome will be and how the processes will proceed. Another aspect when deciding on what case to research is that each case study might include several aspects of analysis, when it comes to this specific study however, the focus lies within one area of analysis; the integration process.

The decision on which company to study was based on the wish to look into a company originating from an emerging economy that through a merger or acquisition had entered Sweden and investigate the possibility to apply previous integration theory to such an integration. Initiating the search for a company that would fit our aim we contacted Invest Sweden, a company established to facilitate foreign establishment in Sweden (Invest Sweden, 2009). In order to analyze the integration process the favorable condition would be that two to three years had passed since the takeover began. Considering this, we requested information on companies originating from emerging countries that had invested in Sweden between the years of 2009-2010. Unfortunately, the companies found did not match our criterion as they had set up new ventures through greenfield investments and no larger M&As had taken place within this time frame. Due to this outcome we decided that the best way to proceed was to personally contact companies that had gone through some sort of merger or acquisition. As we considered our options we chose to use convenient sampling as Merriam (1994) mentions, as the most accessible solution was where we were able to, through a contact, get hold of the CEO of MTR Stockholm directly. The company originates from Hong Kong, which we found to be extra intriguing, as the climate in the region is such a complex mixture of Chinese culture and British heritage (Hong & Ip, 2010). Some might argue that Hong Kong is not categorized as an emerging economy and therefore does not comply with our study. However, according to Ernst & Young (2012) and Marcial (2011, 6th of September) Hong Kong is defined as an emerging economy. This is also evident when applying JP Morgan's (2010) definition on emerging markets, fast-growing economies with higher risks when investing.

As mentioned above, the desire was to study a company originating from an emerging economy that had performed either a merger or an acquisition, however, the company that we got a hold of had not invested in such a way. Instead, MTR Corporation Limited entered Sweden through a public procurement. Despite this, the theories in the study concern M&As. This decision is supported by the fact that both M&As and public procurements concern the combination of a previous culture and a new one. All three of the investment methods include the responsibility to integrate personnel to some extent, although the legal aspects of integration do differ greatly. These legal aspects are not what will be considered in this study, merely the integration issue. Thus, due to the same journey of integration of individuals the decision was made to consider public procurement as a kind of M&A.

2.1.3 Public procurement

Public procurement is a business transaction with the purpose of providing public services. Cross-border procurement has become more common as a result of globalization (National Board of Trade, 2011). Today, it represents one fifth of the European Union's total GDP, and is therefore a major part of the European economy. The size of the public procurement depends on a few factors, for example the importance of the public sector in the country as well as the degree of privatization within the public sector. Public procurement is regulated by a comprehensive regulatory framework with the purpose to make sure that the use of public spending is as efficient as possible (ibid).

2.2 Data collection

When scrutinizing the research question the data collection and its validity are important. This study consists of information gathered from interviews with the company personnel as well as relevant literature.

2.2.1 Primary data

The interviews were recorded as well as noted on paper and in order to depict what was expressed during the interviews a general transcription will be presented as empirical data; this includes a qualified selection of the answers (Olsson & Sörensen, 2011). According to Merriam (1994) a transcription of this kind is what provides the best foundation for an analysis. It is, however, important to avoid biased, exaggerated or false information caused by the personal perspective by comparing various interviews with each other, but at the same time respect the different opinions on how the individuals experienced the process of integration as this is the purpose of the interviews (Merriam, 1994). This we tried to keep in mind throughout the interview process.

2.2.1.1 Interview design

In order to avoid the interviews to be shaped according to preconceptions the structure was flexible and the interviewees were allowed to bring in their own experiences and values into the answers. Along with this unstructured questioning the level of standardization was low, which lead to a qualitative analysis of the interview (Olsson & Sörensen, 2011). The flexible approach together with pre-written questions as support shaped our semi-structured interview design (Merriam, 1994).

2.2.1.2 Selection of interviewees

To gain a holistic view of the company the candidates were chosen from various levels within the company. The aim was to interview three candidates with higher positions, at least one

who had been present when the transition of the companies occurred, as well as four train drivers. The CEO helped identifying which individuals might suit the wishes as well as the intentions with the study and eventually interviews were arranged with the CEO, the Traffic director, the Traffic manager on line A, and four train drivers (see schedule below).

Management Team MTR Stockholm AB

- CEO
  - Assistant
  - HR & Communications Director
  - Safety Director
  - Finance Director
  - Quality and Environment Director
  - Traffic Director
  - Stations Director
  - Fleet Director (CEO TBT)
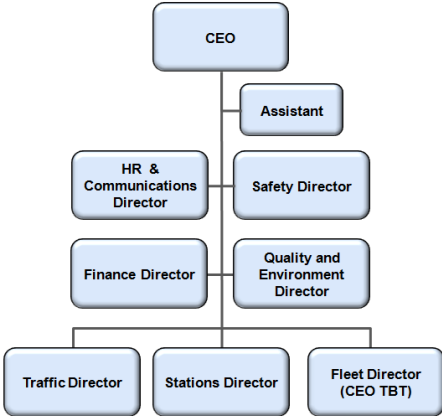
Traffic Organisation MTR Stockholm AB

- Traffic Director
  - Project
  - Infrastructure
    - Head of Control and Traffic Management
      - Traffic Operations Manager Line A
      - Traffic Operations Manager Line B
      - Traffic Operations Manager Line C
      - Traffic Operations Manager External
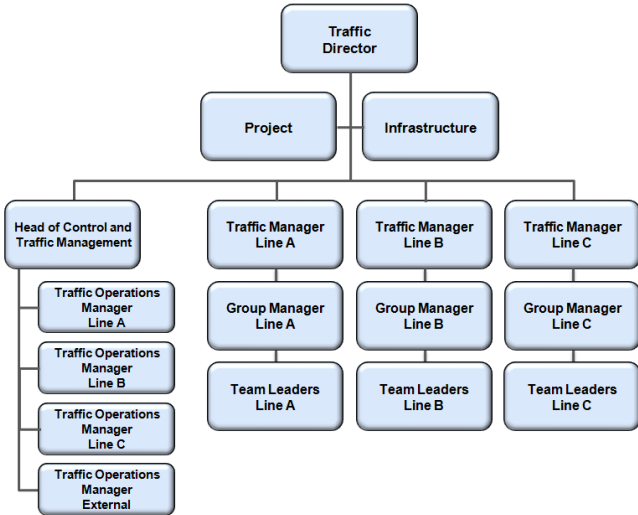   - Traffic Manager Line A
      - Group Manager Line A
      - Team Leaders Line A
    - Traffic Manager Line B
      - Group Manager Line B
      - Team Leaders Line B
    - Traffic Manager Line C
      - Group Manager Line C
      - Team Leaders Line C

The CEO, Peter Viinapuu, joined MTR Stockholm approximately one year after MTR had taken over the contract. Before he took on the task to manage the Stockholm subway he worked with product development and has had a previous focus on service and safety. The Traffic director, Matt Kinane, was transferred from Veolia, the previous contract holder. The Traffic manager on line A, Dag Lokrantz-Bernitz, was also transferred from Veolia and saw the change as an opportunity and was able to obtain a higher position within MTR Stockholm than within Veolia. The four train drivers, Andreas, Arne, Lars and Lars had all previously worked with Veolia, and some of them with the contractors before Veolia as well.

2.3 Reliability and validity

The choices that are made throughout this case study and motivated in this chapter are variables that might, if not carefully considered, corrupt how reliable the outcome as well as the whole journey of generating a qualified study is. These variables include the critical awareness and the ability to compare the data collected continuously throughout the process.

One aspect to consider is whether the results actually fit what one finds in reality? In order to ensure the validity we chose to conduct interviews with individuals at several different levels

within the company, this Merriam (1994) refers to as triangulation. By receiving continuous feedback from a tutor who is a professor in the research area we have been able to receive horizontal review and criticism, which Merriam (1994) defines as one other important strategy to ensure internal validity in the study.

Another aspect is that of the applicability of the study in several situations, that is, the external validity (Merriam, 1994). As this study is a case study the focus lies on one unique situation and it is hard to use the results as general rules, thus there is not a lot of external validity in this study. One way, however, that we responded to this is that we descriptively describe the context and the specific attributes to enable other similar studies to take advantage of the studied results.

Further, we question to what extent the study can be repeated with the same results, which Merriam (1994) refers to as reliability. As the approach of a case study alters throughout the process and our interviews have included a lot of personal opinions, especially when it comes to the interpretation of the gathered data, it might be difficult to reach the same results if we were to conduct the study again. Due to these restrictions it is hard to apply the term reliability in our study, therefore it is suggested to use a different interpretation of the term and instead define it as the degree of dependence and context. Thus we aspire to give meaning to the results instead of demanding replication of it.

When considering and applying these precautions one is able to gain a scientific study rather than just a study.

2.4 Limitations

As with every research approach there are limitations to how reliable the outcome will be. In this specific study the research approach comes in the shape of a case study whose limitations will be presented below. One of the most important issues when it comes to a case study is that the risk of simplifying or exaggerating phenomena that are encountered in the study is very high. This leads to the possibility that the reader comes to incorrect conclusions, which must be considered and the fact that a case study might not be representative of the reality, as it only focuses on one aspect of the truth (Merriam, 1994). Adding to this aspect is that the main tool used during the investigation is the researcher him/herself and the data might be manipulated, intended or unintended, by the individual opinions or desired results (Merriam, 1994). Having brought up these concerns we are confident that the reader will bear this in mind, thus reduce the risk of misunderstandings. The positive view on the flexibility

mentioned above when it comes to the research question can also be considered a negative factor. This is due to the insecurity and continuous changes that the flexibility brings along; it might be very hard to find the correct answers to the question posed, as it might not correlate to the data acquired (Yin, 2007).

When it comes to this specific study the decision was made to interpret public procurement as a kind of M&A. As these traditionally not are considered equals it provides us with a further limitation of the study. However, as mentioned above, the area of focus in this study is the integration process, which both public procurements and M&As have to undergo. This decision to consider them as equals may complicate a generalization of the study and theories should not be founded on such results, although it serves as a base of understanding how emerging market companies might manage an integration process.

An additional limitation to consider is the choice to interpret Hong Kong as an emerging economy. As there is no generally accepted definition on what an emerging market is there might be discussions whether Hong Kong falls under the umbrella or not.

Due to the short amount of time allocated to this thesis the choice to only focus on one area within the company was made. With only a restricted sample of interviewees it is inevitable that the depicted view will not be representative for the entire company, rather a generalization of the company based on a variety of employees will be found. When aiming at examining the perception of the acquisition among blue collars it was hard to measure the sense of uncertainty as the train drivers have such specified skills and never even considered the thought of losing the job.

3. Theoretical framework

In this following chapter the previous research on the focus area will be presented. In order to provide an easy understanding of the research it has been divided into segments of motives, planning, implementation and outcome.

The structure in this chapter is based on the framework used by Napier, Simmons and Stratton (1989) where the main streams in an M&A process consist of motives for mergers, planning for mergers, implementing mergers and assessing the outcomes of mergers.

Cross border M&As have a dynamic similar to those of domestic M&As, however there are differences (Shimizu, Hitt, Vaidyanathc & Pisanod, 2004). Those areas that are different will be brought up in a cross border perspective as the pure domestic view is less relevant to this study.

According to Beusch (2007) the interest in post-M&A integration has developed rather recently after having realized that it is a crucial part of a successful merger. Although the post-merger integration is really important one has to remember that the phases that occur before the post-merger integration commences definitely are crucial ingredients in order to deliver a positive outcome (ibid).

3.1 Motives

As mentioned earlier more than 50 per cent of M&As fail, then how come they are becoming increasingly popular? According to Napier et al. (1989) there are two generally accepted motives to merge. One is financial, that is a value maximizing strategy, and the other is the non-value maximizing strategy. But there are also other motives to consider, for example the managers' wish to gain power or other emotional reasons (ibid).

Brouthers, van Hastenburg and Van der Ven (1998) further describe motives to merge, they divide them into three categories; economic motives, personal motives and strategic motives. These are described further in table 3.1.

Table 3.1 Motives for merger Source: Brouthers et al. (1998, p. 348)

Economic motives	Personal motives	Strategic motives
Economies of scale	Increase sales	Pursuit of market power
Increase profitability	Managerial challenge	Acquisition of a competitor
Risk-spreading	Acquisition of inefficient management	Acquisition of raw material
Cost reduction	Enhance managerial prestige	Creation of barriers to enter
Respond to market failures		
Create shareholder value		

Research also states that companies today more often have more than one motive to merge, in comparison to a few years ago when the main motive was financial (ibid). Therefore one has to take the motives into consideration when evaluating the success of a merger; it can still be successful even though the profit has not increased (ibid).

According to Napier, Simmons and Stratton (1989) it is in this initial state of the merger when the motives are decided that the communication with the employees starts to affect how the employees will eventually react to the M&A. How well the merging company communicates its motives to the employees will eventually affect their attitude towards the process (ibid).

3.2 Planning

As a merger between two organizations is scheduled there is a lot of planning of the integration needed before the actual process begins (Meckl, 2004). Unfortunately, due to the complex nature of such integrations, there is no generally applicable model established (ibid). There are however two main perspectives when it comes to planning mergers or acquisitions (Napier et al., 1989). The first one is the study of a possible merger candidate, an evaluation or a search for the right company (ibid). The second one is the purpose to organize, conduct the legal aspects and the technical features one has to acknowledge when conducting an M&A (ibid).

One sub-aspect of the organizing of the merger is the human resources (HR) aspect. There is evidence that this is an important aspect to consider when planning a merger, especially the communication towards the employees, however according to Napier et al., (1989) companies seem to neglect this factor. According to Marks (cited in Napier et. al., 1989), the only HR aspect that is taken into consideration during the planning process are the strengths or weaknesses of the top managers. By understanding and planning human resource issues one might be able to save a merger situation from going wrong (Ivancevich, Schweiger, & Power, 1987). Another measure to be taken to alleviate unease in situations like this is to provide legal provisions (Shrivastava, 1986). One example described by Shrivastava (1986) is to ensure the employed of the acquired firm a contract of employment security. If terms and conditions are formulated before the acquisition it could smoothen the transfer of power and make it easier to conduct the post-merger integration (Shrivastava, 1986).

When planning a merger between companies it is important to remember that there are several levels within the different organizations that must be considered in order to eventually reach a single unit. Shrivastava (1986, p. 67) presents three areas of integration that are of importance: '*(1) coordinating activities to achieve overall organizational goals; (2) monitoring and controlling individual departmental activities to ensure that they are complementary and are being performed at adequate levels of quality and output; and (3) resolving conflicts between the fragmented interests of specialized departments, individuals, and their inconsistent subgoals.*' These three problem areas can be named *coordination, control* and *conflict resolution* and are present at several levels within the organizations. This framework is intended to aid managers identify the specific integration needs in specific organizations (ibid). According to Shrivastava (1986) when applying the matrix approach illustrated by table 3.2 one is able to view each of these areas from a procedural, physical and managerial and sociocultural perspective.

Table 3.2Postmerger integration tasks Source: Shrivastava (1986, p.67)

	Coordination	Control	Conflict Resolution
Procedural	Design accounting systems and procedures	Design management controlling system	Eliminate contradictory rules and procedures and rationalize systems
Physical	Encourage sharing of resources	Measure and manage the productivity of resources	Resource allocations and asset redeployment
Managerial and Sociocultural	Establish integrator roles and change organization structure	Design compensation and reward systems and allocate authority and responsibility	Stabilize power sharing

To make the integration process as smooth as possible it is important to initiate the integration work as soon as possible and '*plant seeds*' before the actual take-over takes place (Shrivastava, 1986). This could be done by including the soon-to-be managers in the acquisition process and familiarizing them with the firm (ibid). Shrivastava (1986) explains further that another move could also be to bring personnel from the acquired firm along to the new merged company and allow them to work with their future co-managers in the acquiring process, which could be a way of '*planting seeds of integration*'. It is also crucial to remember the rest of the stakeholders, in particular the employees, and continuously report information on the present situation to avoid insecurity and anxiety (ibid). If this element of communication is ignored it is likely that speculations and rumors occur among the different stakeholders and might deteriorate both the already initiated work as well as the planned (ibid).

3.2.1 Communication in the planning process

Ivancevich et al. (1987) describes the need of communication during the planning process further and points out the importance of developing sources of communication. According to them there are three dimensions of a communication model;

- Which information should be communicated?
- What media should be used?
- How accurate should the information be?

Ivancevich et al. (1987) describes these dimensions further; which information that should be communicated is determined by the nature of the merger, a friendly or hostile merger provides different conditions for information. Regardless of the situation it is crucial to provide early information to avoid rumors. The use of different media can send different messages to the employees. A formal letter from the top management strengthens the validity of the information as well as increases the confidence towards the top management. Informational meetings create the opportunity for two-way communication and a dialog with concerned employees where they can express their opinions. The accuracy of the information is important; it should be correct and reliable. The management should avoid lying and deceiving as well as promising too much, as it will often come back and haunt the managers if they do so (ibid).

3.3 Implementation

Meckl (2004) states that the critical points when managing a mergers or acquisitions that are process oriented are the transitions of one stage to the next, i.e. from planning to integration. To be able to successfully perform these transitions it requires that there are sufficient resources, such as funds and personnel, available for the project (Meckl, 2004).

Kitching (1967) was one of the first studies to investigate the reason why there were many failures in achieving the expected synergies among M&As. He brought up the question whether it was the strategy of the M&A or the post-merger integration that was the decisive factor if it ended up a success or failure. This was one of the first times that post-merger integration was seriously considered. Kitching's research (1967) initiated more researches and inspired by Kitching (1967), Shrivastava (1986) concluded that after the acquisition is finalized comes the hard work of post-merger integration that actively continues for several years. If the integration occurs gradually and evolutionary it provides a stable surrounding for the employees and the risk of exposure to premature decisions is decreased (Ibid).

As mentioned earlier, integration is a complicated process in any merger, however, when conducting a cross national M&A there are even more challenges (Shimizu et al., 2004). Despite the complexity regarding cross-border integration the research regarding the cross-border implementation process is limited, however there are a few significant findings (ibid);

- The integration process is more problematic as there are differences in national culture between the companies.
- The success of the merger is highly affected by the integration process.
- The choice of integration procedures depends on the nationality of the acquiring company.

Risberg (1997) further explains that there is an underlying assumption that to accomplish a successful merger the companies should be as integrated and as alike as possible. However according to Haspleslagh and Jemiston (cited by Risberg 1997) the degree of integration should be customized to the nature of the merger - to simply force the acquired company to adapt to the other culture could lead to difficulties regarding the alignment to the parent company while not taking into account those cultural differences that already exist within the company.

Shrivastava (1986) has identified different levels of integration; procedure integration, integration of physical assets, product lines and technologies as well as cultural integration. Which of these relevant for the company in question depends on the motive of the merger, if the motive is to increase the company size the integration is not as important as if the motive is to create synergies in for example marketing or production (ibid). The integration process is complex, there are a few partially controllable factors affecting the integration; size, technology as well as the values of top management and social and cultural norms (ibid).

According to Risberg (1997), previous research has shown that insufficient and lack of information creates stress and insecurity within the companies' employees, and that most of the post merger problems occur due to this lack of information. This situation tends to enhance in cross-cultural mergers and acquisitions where not only the organizational culture is different but also the national culture and language (Risberg, 1997).

3.3.1 Implementation of culture
'*Culture is the collective programming of the mind distinguishing the members of one group or category of people from others*' (Hofstede, 2012). The concept of organizational culture is relatively new (Schein, 1990). The term was established during the 1980s when scholars tried to explain why American companies did not manage to be as successful as their counterparties in other communities, for example in Japan (ibid). As they tried to figure out the reason for this, the national culture was not a sufficient explanation.

Schein (1990) describes that for an organizational culture to emerge there must be enough stability and shared history among the people. That means for a company with a high personnel turnover and no previous history together – there will be no overall culture (ibid).

Schein (1990) establishes three levels of culture:

Picture 3.1Levels of culture Source: Schein (1990, p. 111)
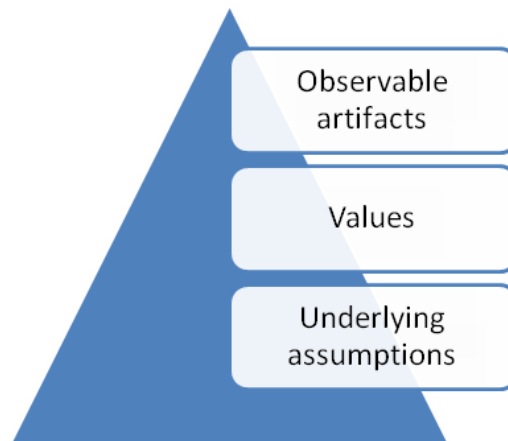
The observable artifacts are the dress code, the way the people greet each other but also their products, annual reports, symbols, myths and stories. But by only studying these aspects of an organizational culture you will not be able to get a complete picture of the culture (ibid). Further Schein (1990) explains that one must also consider the values, which are the company's norms, ideologies, philosophies et cetera and the underlying assumptions, the perception, feelings and behavior.

Not paying attention to these factors is a usual mistake in an M&A process (ibid). Schein (1990) describes that initially the group seems to show unity considering the values and behavior. This will however be replaced by conflict as there was no unity regarding the underlying assumptions. The reason for this – the cultures stood in conflict with each other (ibid). This is a usual problem in many M&As; the integration issue is not discussed until after the merger or acquisition which eventually leads to cultural 'i*ndigestion'* and disposal of those units where integration simply was not possible (ibid).

Organizational culture can also be used as a method to encourage employees to act in a certain way through group pressure, as a form of joint monitoring (Merchant & Van der

Stede, 2012). According to Merchant and Van der Stede (2012) this kind of control works most efficient when the employees have emotional or social links with each other. The culture within an organization is created from different aspects, for example codes of conduct, group based rewards and the tone at the top (ibid). Codes of conduct are a formal document that describes the organization's vision, mission and core values (ibid). Merchant and Van der Stede (2012) describes the purpose of codes of conduct as a method to make the employees understand how to act in different situations, however for these regulations to work the employees must have some form of training. Some companies fail with the implementation of their codes of conduct, the reason for this is often the tone at the top and poor leadership (Merchant & Van der Stede 2012).

Geert Hofstede (2012) is a pioneer in the subject of national culture. He discovered four main dimensions of national culture describing characteristics in cultures: Power Distance (PDI), Individualism versus Collectivism (IDV), Masculinity versus Femininity (MAS) and Uncertainty Avoidance (UAI). An additional dimension, Long-Term Orientation (LTO), was added by Michael Bond in 1991 (Hofstede 2012).

As the purpose of this study is to investigate a Hong Kong based company's move in to Sweden, the two national cultures will be compared:

Picture 3.2 National Culture Source: Hofstede, 2012
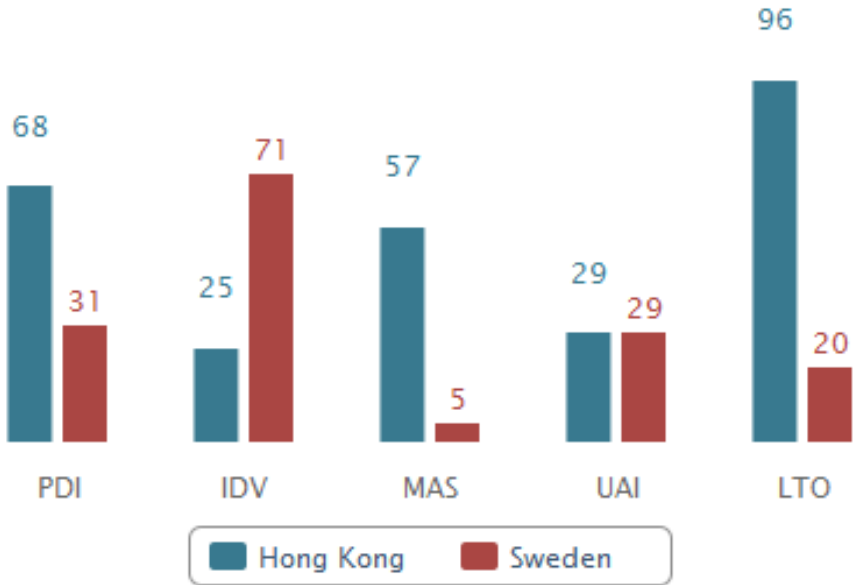
Power distance: '*The extent to which the less powerful members of institutions and organisations within a country expect and accept that power is distributed unequally*' (Hofstede 2012). When comparing Hong Kong and Sweden one can see that Hong Kong has a higher PDI score indicating that the residents of Hong Kong have more acceptance towards inequalities in the society. In Sweden on the other hand, the power is more decentralized, there is an informal attitude towards managers and employees expect to be consulted.

Individualism: '*The degree of interdependence a society maintains among its members*' (Hofstede, 2012). As Hong Kong has a score of 25, the national culture is a collectivistic culture with a strong *'we'* approach; people act in the interest of the group. Additionally there is a tendency to avoid conflicts and promotions and hiring tend to be affected by the collectivism as family and '*in-groups'* are likely to be favored. In Sweden one finds a strong individualistic society where individuals are expected to take care of themselves. When it comes to hiring and promotions merits should be the main if not the only decisive factor.

Masculinity/Femininity: '*The fundamental issue here is what motivates people, wanting to be the best (masculine) or liking what you do (feminine)*' (Hofstede, 2012). In this aspect there is a large difference between Sweden and Hong Kong, where Hong Kong is a more masculine society. Success is higher rated and more important, leading to employees spending more time at work and students being more result and rating focused. On the contrary, Sweden values the life/work balance where equality is a key ingredient in life and success is not as essential.

Uncertainty avoidance: '*The extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these*' (Hofstede, 2012). Here, Sweden and Hong Kong both receive the same score indicating that both countries are quite flexible, they think that there should not be any more rules than necessary and practice is more important than principles.

Long term orientation: '*The extent to which a society shows a pragmatic future-oriented perspective rather than a conventional historical short-term point of view*' (Hofstede, 2012). Here a big difference between Hong Kong and Sweden is observed, demonstrating a rather important difference among these cultures where Hong Kong is a long term oriented society and Sweden a short term. Being a long-term society means that the people are sparse and prone to save and invest in long-term assets, such as real estate. A short-term society includes a respect for traditions and a low inclination to save.

Martin and Mayerson (cited by Risberg, 1997) discuss cultural integration from three angles; integration, differentiation and ambiguity.

- Integration: The merged companies ignore the cultural differences and force together to a joined culture.
- Differentiation: Focuses on the differences in organizational culture instead of ignoring them. Advocates subcultures and often results in that the two merging companies keep their own culture and existing side by side within the company. This lack of integration leads to the loss of valuable synergies.
- Ambiguity: Considers organizational culture as fragmented and existing of different subcultures with both different and shared values.

How should then the companies act to avoid the cultural differences? According to Stephan Forstmann (1998) the company should develop a cultural integration strategy. To do so the acquiring company should as soon as possible perform some kind of cultural audit to identify their differences. Schein (1990) continues by recommending training and workshops for the employees to facilitate the integration process. However in most M&A's the integration is most often simply the acquired company being forced on the acquiring company's culture (Cartwright, 1998).

3.3.2 Reactions towards the M&A

As said by Epictetus (cited by Ivancevich et al., 1987, p. 20) *'Men are disturbed not by things, but by the views which they take of things'*. All individuals react differently to changes but when two companies merge or one acquires the other it affects people (Ivancevich et al. 1987). Ivancevich et al. (1987) explains how a merger situation creates fear, uncertainty and stress for some, while others might see it as an opportunity. According to Lazarus and Folkman (cited by Ivancevich et al., 1987) there are three main reactions following a merger or acquisition; Irrelevant, Benign-positive and Stressful. *Irrelevant* is when the employee is indifferent to who the employer is, as long as the paycheck arrives it does not matter who is in charge, the employee's chores will still be the same. *Benign-positive* is when the employee sees the change as an opportunity to get more responsibility and a better position within the company. Finally the last reaction, *stressful,* is divided into three sub-categories; harm/loss threat and challenge, where the first is considered when a person has experienced personal damage, a sense of powerlessness and loss of confidence. Second comes the reaction when one experiences threat they feel uncertainty, they see the possibility of harm/loss although it

has not yet occurred. Thirdly challenge; when one focuses on the possibility of growth and gain, individuals experiencing challenge often differs from people experiencing threat in the aspect of morale and productivity, being a '*survivor*'.

3.4 Outcome

There have been several studies performed stating that a merger or acquisition that has included letting go of personnel gains a more negative attitude when it comes to job satisfaction, job involvement and the desire to stay within the company; the company's trust falls and fear increases (Marks, 2006).There are inevitably elements of change and transition when a company takes over another and this includes both positive and negative aspects (Marks, 2006). The positive aspect is that a chance is provided to eliminate old, non-functioning structures, cultures and processes with modernized new ones that are competitive and adapted to the emerging environmental circumstances. It is, however, not always recognized that matters are improved as the familiar procedures are removed (Marks, 2006).

In order not to undervalue the results of a merger Brouthers et al. (1998) suggests to measure the results against a number of key success indicators, that not only includes the economic factors but also qualitative aspects of the merger.

4. Empirical data

This chapter presents background information on the case company as well as the information gathered from the interviews. The chapter, just as the theory, is divided into motives, planning, implementation and outcome in order to easier provide an overview for the reader.

As mentioned in the methodology chapter the interviewees were the CEO, the traffic director, one of the traffic area directors as well as four train drivers. The interview with the CEO was made at the headquarters and the remaining interviews were conducted at the different lines' local offices where the staff room and dining areas are positioned.

4.1 Background

In 2008 Stockholms Länstrafik (SL) announced the search of a new contractor for the public transportation in Stockholm, more specific the subway. The contract was awarded MTR Corporation Limited and they signed a 30 000-pages contract with SL including specifications on how to run the subway and the expectations on MTR. This contract is not open for everyone; the employees receive information about the parts concerning their specific areas. Along with the contract-takeover MTR also transferred personnel and equipment from the previous contractor, the French based company Veolia.

The government initially operated the Stockholm metro but in 1993 this was changed and contracting firms became responsible. Up until 1999 its owner, SL, operated the metro. The next operator was the French company Connex, who later changed name to Veolia. In 2009 the contract went to MTR Stockholm, but the procurement was not handled smoothly. Veolia appealed the decision, which led to a delay in MTR's possibility to study the company and its employees who they later would take over with the contract. This delay has been a part of many of the difficulties that MTR Stockholm encountered throughout the integration process.

MTR Stockholm is a subsidiary of MTR Corporation Limited, which is a Hong Kong based company. The company was founded in 1975 by the Hong Kong government, who remains as the majority owner of the company (MTR Stockholm, 2012). MTR Corporation Limited has a number of international corporations, Stockholm being one of them, but they are also operating in Australia and United Kingdom as well as in China. MTR's competitive advantage lies within their punctuality, and adding to safety that is their main focus and also the reason for their success in winning the Swedish contract.

MTR Stockholm was founded as a result of MTR Corporation Limited placing an offer to operate Stockholm Metro. MTR has from the second of November 2009 until at least 8 years ahead the responsibility to operate, plan and maintain the metro. MTR Stockholm employs around 3000 people, most of them coming from the previous operator, Veolia.

4.1.1 History of Hong Kong

In 1997, after 150 years of British colonial rule, Hong Kong rejoined with China and became a Special Administrative Region (SAR) (GlobalEdge, 2012). Although Hong Kong strives towards autonomy and the possibility to be able to control your own life, which could be considered a Western attribute, it has strong connections to China and is greatly affected by its actions (ibid). The success of China on the international market has brought opportunities to Hong Kong as well. As China opened up during the 1980s allowed Hong Kong to move into the area and gain from placing the physical production in China and maintain the headquarters in Hong Kong (Rowley & Cooke, 2010). Its connections to China and its British heritage combine to a make an intriguing economy that differentiates itself from its nearby/similar countries/economies. This special climate with a combination of the strict Asian businesses and the modernity of Western influences makes it a hybrid of Eastern and Western culture. Hong Kong is ranked as number two in the world, out of 186 countries, on ease of doing business, which indicates that this hybrid is a successful one (Doing Business, 2012). Additional factors that contribute to the favorable business environment and the ability to quickly adapt to changes in the country are the well established anti-corruption regime, their strong legal system, their large foreign exchange reserve and basically non-existing public debt as well as their well-functioning banking system (GlobalEdge, 2012).

4.2 Integration process

4.2.1 Motives

MTR originates from Hong Kong and has managed to develop its public transport within the country. As the market became saturated MTR Corporation Limited realized that if the organization was to grow even further, it would have to cross borders. The first country to penetrate was China and its large potential market. After having moved into Asia MTR Corporation Limited focused on Europe. Here, the first step was a contract to run the London overground. After this step came the decision to enter Scandinavia, especially Stockholm.

Before MTR Corporation Limited decided to take on the challenge to manage the Stockholm subway it was important for them to make sure that there were preconditions that would

ensure the possibility to provide added value, as well as maintaining its competitive advantage, its punctuality. Another positive factor with this take over was that it would open for the possibility to further expand in Scandinavia.

As SL announced that it was looking for a new contractor to run the subway in Stockholm MTR Corporation Limited was one of the companies to show interest. Throughout its years in Hong Kong, as well as in its other operating countries, MTR Corporation Limited has managed to develop well structured processes and has become one of the most punctual public transportation operators in the world. This was also part of the reasons as to why SL chose to cooperate with MTR, despite the fact that the cost was higher than to continue working with the previous contract holder, Veolia. SL believed that although the subway did work on a satisfactory level, there was still room for improvements.

4.2.2 Planning

When comparing MTR Stockholm and the previous contract holder Veolia there are many areas that are similar. When working in this railroad business it is crucial to have a very competent organization when it comes to safety. The companies are responsible for millions of people every day and the safety is a standard requirement. This demands that there is competence and people who know what they are doing. Part of this competence was to be gathered from Veolia and thus it became important in the planning process. The issue, however, was that Veolia and MTR Stockholm are competitors and Veolia was not very forthcoming when it came to sharing information or allowing the MTR management to contact the employees. This is due to the fact that even though Veolia lost this specific contract, it is still active in the business and therefore it is essential not to reveal any of the organization's unique attributes.

As mentioned, there are many similarities due to the nature of the business, but there are several organizational processes that differ and need to be planned. Veolia's resistance eventually led to an appeal trying to reverse the decision that MTR Stockholm would take over the contract; Veolia was not ready to give up the contract without a fight. As a result of this, the integration scheduled by the MTR management was delayed and seven months of planned pre-integration work was lost. Therefore it was important to prioritize the absolute essentials and other aspects which could have facilitated the integration of the employees were postponed.

This communication difficulty contributed to the management's increased contact with the

labor union, as this was the only way for it to gather information on the personnel and issues that previously had generated problems. This included the possible improvements in the workplace, communication, development and education when combining the new MTR management with the employees. The communication with the labor union allowed MTR Stockholm to attain a fundamental analysis and came to agreements concerning how to be a good employer. These discussions were especially important as this was MTR's maiden voyage into Scandinavia.

As mentioned, there was a lot of competence within Veolia and much of this was not transferred to MTR Stockholm. Rather, MTR Corporation Limited brought in consultants due to the fact that key personnel were hard to find along with the issue of uncertainty due to the prolonged appeal process. The difficulty of hiring the right personnel was also reinforced by the fact that Sweden is a small country and there is only one subway operating. The consultants were replaced and key personnel were eventually found, both recruited from Veolia and externally, as the turbulence of the reorganization began to stabilize. Alongside with the Swedish consultants that were able to aid with the issue of shortage of information on Swedish business culture, MTR Stockholm temporarily brought in personnel from Hong Kong for six to twelve months. Their goal was to bring in work processes and try to implement them and integrate these as a part of the culture. During this period MTR had personnel from Veolia to document these processes. As this personnel worked together with the personnel from Hong Kong a culture clash emerged; the Hongkongers were surprised by the Swedish relaxed approach and the Swedes were shocked by the extensive devotion shown by the Hongkongers. One former Veolia employee who worked with the documentation described how he attempted to impress the Hongkongers by arriving at work at early hours, only to find that they had already settled in and had had time to begin that day's work. The employee also described how he would drive by the office in the evenings expecting no one to be there, but the lights in the rooms of the Hongkongers were always lit.

The last weeks before the actual takeover MTR Stockholm gained access to the personnel and this was a crucial time for the integration. The employees who moved over from Veolia brought in important information due to their experience within the business, factors that the consultants had missed. One example of this is the insertion of the new traffic direction; initially this position was held by a very experienced Hongkonger who knew great amounts on the area, however, he did not possess the information on the Swedish specifics. This position was then replaced by the present traffic director who was recruited from Veolia and

could bring in the information crucial to get the engines going.

Acquiring the operation of the subway is a unique case as the traffic has to run smoothly from day one and the travelers are not to notice any difference. This demands a lot from the acquiring firm as the systems have to be perfect and the issue of security must be assured. Which uniform the employees wear does not matter to them, the only thing that does is the operation of the systems. One example is how the MTR management would prepare to handle the replacement of an employee reported sick without having access to the routines of Veolia.

This difficulty with Veolia denying MTR Stockholm access to the personnel made it troublesome to well inform the employees, which resulted in them not being properly prepared for what was to come. Veolia had strictly forbidden any contact with the MTR management. When it was time to sign the contracts the employees finally got the opportunity to meet with their new employer and ask questions. They also received an information folder and the promise that great improvements were to be made. The promises raised the attitudes of the employees to be very positive and they expected great things of MTR Stockholm. After 100 days of acculturation the major changes would be put into action. However, the expectations were not met and no changes noticeable for the employees were made. As mentioned above, the MTR management had to put a lot of focus on the operation of the subway and prioritized this over the employees. After having been promised the moon and only receiving neglection the discontent of the employees began to thrive.

4.2.3 Implementation

The implementation of '*the MTR-way*' includes several aspects, thus this segment contains sub-divisions of implementation of organizational, procedural and cultural differences.

As MTR Corporation Limited has a history of taking over the operation of the subway in several countries one could have expected MTR Stockholm to inherit knowledge on how to successfully implement the new processes. This was not case though, what MTR Stockholm was given were the Codes of Conduct, which have not played an important role in the implementation so far. The impression was that MTR Stockholm was given the instruction to act according to what the management found adequate in the Swedish climate, thus not to imitate the previous take-overs.

4.2.3.1 Organizational differences

There are a number of functions essential to MTR Stockholm that are the same as Veolia's, however, many organizational changes were made as MTR Stockholm took over. As the

metro earlier was operated by the government there were a lot of inefficient structures left since that time that required replacement. As it is a profit driven organization it must improve its business to increase profits, and in order to do this it is essential to focus on the employees. To support them, the MTR management has made sure that they have proper managers on every level in the company and that their communication skills are excellent. The MTR management has worked hard to ensure that information is communicated within the company, however it is still insufficient and needs a lot more time to impregnate the entire organization. MTR Stockholm is organized into different business areas, all with different priorities. To ensure that the organization is cohesive representatives from all the areas have weekly meetings discussing the past week and the week to come. In addition to this, all areas involved in the operation of the metro start off every day with a morning meeting. These meetings represent an important change from the previous operator and is a well established concept from the headquarters. Within MTR it is very important as a manager and leader to have a close eye on everything that happens in the subway, this to be able to continually work towards improvement, also this, a requirement from the headquarters (HQ).

The MTR organization is more centralized and the HQ has much more impact than what Veolia had. These changes were made very fast and were not understood by the employees, however they were necessary to be able to fulfill the contract, which is to achieve excellent punctuality. A lot of people were relocated and the MTR management performed a competence control to make sure that all the leaders had the proper education to have that kind of responsibility. Another change that the MTR management brought with them was the removal of bonuses, earlier the drivers received a bonus based on their punctuality, now, according to the train drivers, it is only the management that receives compensation if the punctuality is met. Now MTR Stockholm is facing the challenge to make the employees understand why they are making these changes.

With an organization like this that has not gone through any major operative changes over the years these modifications were not well accepted by the employees, but the management is certain this will pass. Although they are certain the resistance will pass, the question of whether they failed as leaders or if the employees are only resisting the change arises.

The MTR management's solution to these communication issues is to increase the communication between the leaders and the employees. Workplace sessions have always existed when the train drivers meet with their supervisors, however they have not been

mandatory. Now they are, as well as a part of every employee's work schedule. Another new addition to the communication process is the development talks, '*a standard in most companies'*, but new to the Stockholm subway. MTR wants to make the relationship between employees and managers more casual. Earlier, when a manager was seen in the subway it was certain someone had made a mistake, now the desire is that this should be a common sight. The managers must do at least four '*work observations*' each day, the purpose of these are mainly to socialize with the employees but also to observe that the routines are followed. However this was not properly communicated to the employees who did not understand the purpose of the managers spending time in the subway and felt intimidated. They also introduced that all managers should spend at least 15 minutes in the personnel area each day. Neither this nor the previous attempts have been well received.

Something else that has changed is the amount of planning. The planning that existed during Veolia's time extended to about three months, while MTR works with a 24-month horizon. This is a vast difference that has affected both personnel as well as profits. With a horizon of this kind the organization is able to plan in advance when events are first seen on the radar, such as temporary reparatory shutdowns of parts of lines. With an early discovery there is time to polish the plans. As this is such an immense difference from how the previous contract holder operated there has been a lot of resistance from personnel, especially when it comes to planning of summer vacation. Previously one only had to register the desired vacation two weeks in advance and took for granted that they would receive the times they asked for. This, however, was during a time when the traffic was reduced by 40 per cent during the summer months and the need for employers was not as great as usual, today the traffic is only marginally reduced. Therefore the employees must plan months ahead instead of weeks and are not promised their first choice. The changes in management of summer vacation received really bad response from the employees; there were demonstrations with up to 200 people outside the MTR Stockholm headquarter. As the MTR management introduced alterations to work processes the employees perceived the attempted improvements as attempts to worsen the situation or that the managers were searching for errors made. An aspect that might be forgotten by the employees when perceiving the MTR management's actions as deceiving is the fact that if MTR Stockholm is to renew its contract in 2017 there must be well functioning processes as well as a pleased staff, which it continually works towards.

4.2.3.2 Procedural differences

These organizational differences are also reflected in the processes adopted by the company. Process improvement is a useful measure to build sustainable changes. This is visible when it comes to follow up on the activities as well as individuals. By analyzing what causes success and failure the MTR management is able to conduct a root-cause analysis and ensure that the problems do not occur again. This thoroughness allows MTR Stockholm to realize what competence needs to be added or replaced. This interest demands a certain kind of competence and education, which is different to the knowledge traditionally found in the railroad companies. This special approach to scrutinize the reasons that cause the effects, understand *why* things happen, rather than '*simply looking at the outcome which typically is found in Asian companies, for example Toyota and other successful organizations in the area*'. Although many railroad companies are extremely efficient when it comes to dealing with issues that arise they are not necessarily as efficient when it comes to preventing them from occurring again the next week. The difference between MTR Stockholm and the previous contract holder is this mindset; Veolia focused on keeping the traffic rolling, it was sufficient the way it was, there was no need to disturb the already functioning processes. An important aspect for MTR Stockholm, however, is to challenge what already is in order to find improvements and remove hidden obstacles.

One way MTR does this is by using work improvement teams (WIT-teams). These focus on defined problem areas and create teams with specifically chosen employees from various levels that are involved with these. This very outlined focus allows for a thorough *'why-why-analysis'* and explicit points that should be done in order to improve whatever issues that are brought up. This way of creating small teams is an attribute that signifies how MTR works in Hong Kong. As it has come to MTR Stockholm by inspiration from Hong Kong it is important to slowly advance and adapt the procedures. Thus, MTR Stockholm starts tentatively by applying the idea to a few teams and allowing it to grow organically to ensure that the idea is confirmed before established. This tentative approach of implementing processes from Hong Kong is applied every time due to the large cultural differences between Sweden and Hong Kong.

Something that MTR has introduced and that has become an extremely important part of their management of the entire organization is their balance board, which is depicted in picture 4.1. This consists of finance, employees, customers, competitors and a core of safety; all five of them need to be balanced at all times. Each of these aspects has a set of key performance

indicators and specified result planning. All functions within the organization apply this as well; traffic has its own, station has its own and so on. This is meant to generate an understanding of how the actions chosen have affected and will affect future initiatives, which brings forth another kind of discussion, which is essential when it comes to building a sustainable and strong future.

Picture 4.1 Source: Peter Viinapuu, CEO of MTR.

When it comes to follow-up of individuals MTR Stockholm takes advantage of the balance board once again. This is especially applied to those individuals with managerial positions, and a balance of this board is what MTR calls leadership. The intention is that there should be a balance board and an individual result plan with specific goals for every employee. The individual planning is discussed and coached by the CEO on managerial level. This is done in a rather unorthodox way; there is an individual coaching where the remaining employees are present and the CEO questions the decisions and the goal is to reach an understanding of everyone's plan in order to cooperate; whose actions are dependent on those of others?

These process changes are believed to have been the greatest changes seen from the perspective of the employees and are an important part of the culture journey. With many more controls and follow-ups the degree of freedom concerning when and how to perform the duties has sharply decreased. The MTR management is of the opinion that the schedule should be a management issue, not an individual choice as it previously was, due to the fact that the organization has a turnover of 2,5 billion SEK/year; it is not a small organization to

manage. How the schedules are laid out forms the foundation for how well the organization will perform.

4.2.3.3 Cultural differences

The culture in the subway is very complex, the train drivers' loyalty lies with the subway, not the company operating it. The MTR management has a long way ahead of them to incorporate the MTR culture into the employees. To do this they plan to increase the communication of information so that all employees have access to the same information. The new processes mentioned above are also a big part of this journey, when following up on individuals they can create positive examples rather than finding faults and create commitment among the drivers.

You can also notice cultural differences between the different subway lines within the Stockholm subway, which is something MTR has worked on to improve as it wants an interconnected organization. Interviews were conducted on two of these lines, line A and line B, and the interviewees clearly reflected two different cultures, which according to themselves was a result of the history of the lines. Line A had gone through some difficult organizational changes, since this line was larger it was easier to split them into two areas, now however these areas with different cultures were forced together. This led to a more hostile environment where new employees find it harder to become a part of the group and there is a more apparent gap between the employees and the managers. The employees describe different aspects on how the management shows the appreciation, for example an employee on line A describes how he could get a tap on the shoulder for driving well. The employees on line B on the other hand, describe cakes, buns and fruit baskets as a way for the management to show appreciation.

There are also national cultural differences between Hong Kong and Sweden which have created culture clashes between the management and the employees. One example that shocked the Hongkongers was the Swedes' lack of enthusiasm towards their employer. They could for example not comprehend that mothers were granted maternity leave for such a long time, and especially hard to grasp was that the fathers were granted paternity leave at all. MTR Hong Kong has a vision on how the company should act in Sweden, however, it has to be adjusted to the Swedish culture. This is something that the management is well aware of and the CEO states that '*this is the tough part, a mental journey*'. The Swedish and the Hong Kong organization differ in many aspects, one is that in Hong Kong MTR is responsible for

the subway as a whole. It fully manages security guards, infrastructure as well as facility management. At MTR Stockholm these responsibilities are instead distributed to different contractors. This eventually leads to culture clashes as MTR Stockholm is able to identify bottlenecks, but is not able to mend it, at the same time the headquarters wonder why the problems are not resolved. The Hongkongers are often surprised by the time necessary to implement decisions and changes in Sweden as there is a different time-to-market. This is, according to MTR Stockholm, the most important cultural difference, the time aspect. The Swedish employees felt that changes were made too fast during the integration, Hong Kong on the other hand, complained on inertia.

Managerial personnel are sent to Hong Kong to study the work done with their mission, vision and core values. MTR Stockholm use Hong Kong as a source of inspiration, however, they are not expected to merely copy what they do. They are aware of the structural and cultural differences and rather than imitating they work as partners in dialogue to discuss and improve the Swedish organization.

Another aspect to take into consideration is the fact that MTR Stockholm is one of the most multicultural companies in Sweden; about 50 to 60 per cent of the employees are not born in Sweden and they all bring with them a bit of their own culture. However MTR Stockholm as a company is a Swedish company and shall work as such, though affected by the Hong Kong way to think.

An additional aspect to the complex cultures within the subway is the fact that it is operated by contractors, that is the present operator will eventually change which makes it difficult to create a corporate culture that will last. It seems as if the only culture that has managed to abundantly thrive is that of the train drivers. There is also a history of dissatisfaction within the subway; there has always been a lot of complaining regardless of the contractor. One employee explains how important it is to share the company's values and culture before taking employment at a firm, however at the current labor market this is not an option for most employees. If a job offer is presented it might be hard to decline regardless of what the individual might think of the company and its values, therefore issues adapting to company cultures arise resulting in dissatisfaction. Another aspect on the corporate culture is the lack of internal recruiting, however the internal recruiting has been an issue in the Stockholm subway. Under the control of Veolia the recruitment process was influenced by cronyism, now MTR uses external recruiters and the employees feel as if a lot of competence within the

company is lost as the internal applicants fear to fail the IQ-tests required for the internal recruitment.

MTR's Codes of Conduct are based on its general vision: *'we aim to be a globally recognized leader that connects and grows communities with caring service'* and its four core values: Excellent Service, Mutual Respect, Value Creation and Enterprising Spirit. These are strongly implemented at the headquarters in Hong Kong but have not yet been successfully integrated into the Swedish company. The managers at the highest level at MTR Stockholm seem to be aware of these, there the company's values can be recited without any problems. However the lower the level in the company, the less awareness of these ideas. MTR is at the moment working on implementing these values through posting them on electronic information boards, however as the employees do not get any education or active learning regarding these values the awareness expected by the management has not yet been reached. This is where MTR Stockholm is at the moment, they are introducing what MTR stands for. This is done partly by the development talks and the improved workplace sessions but also by taking employees' ideas into consideration . In addition to this the new recruits get an introduction to what MTR is and what they stand for, however this has not been introduced to the previous employees.

In 2010 the company performed a workplace questionnaire, '*A great place to work*', and they got extremely low numbers. The employees were proud to be train drivers and a part of the subway but they showed a lack of confidence for the company and the management. Despite these low numbers, which the management is well aware of, the management really emphasizes the fact that after having performed the questionnaire two years later the number had increased from 29 to 37 (out of 100). Those who are responsible for the questionnaire state that an increase of 3-4 per cent is a great improvement, thus, the increase of MTR Stockholm was a great uplift.

4.2.4 Outcome

Although the changes have brought up many clashes the MTR management is positive that the decisions made will have a positive effect at length. This has been confirmed for instance by the Swedish Transport Agency; they performed one of their safety controls and no faults were found. It became a unique case as they had never met such a large company in this business that had no complaints at all. This has brought MTR Stockholm past a crucial step on their journey; it has now passed the stabilizing phase and has moved into the development

phase, which is anticipated to last the remaining part of 2012 as well as during the coming year. This process is illustrated in picture 4.2After this MTR Stockholm will be able to reach the goal of being the world's greatest subway.

Picture 4.2 Source: Peter Viinapuu, CEO of MTR.
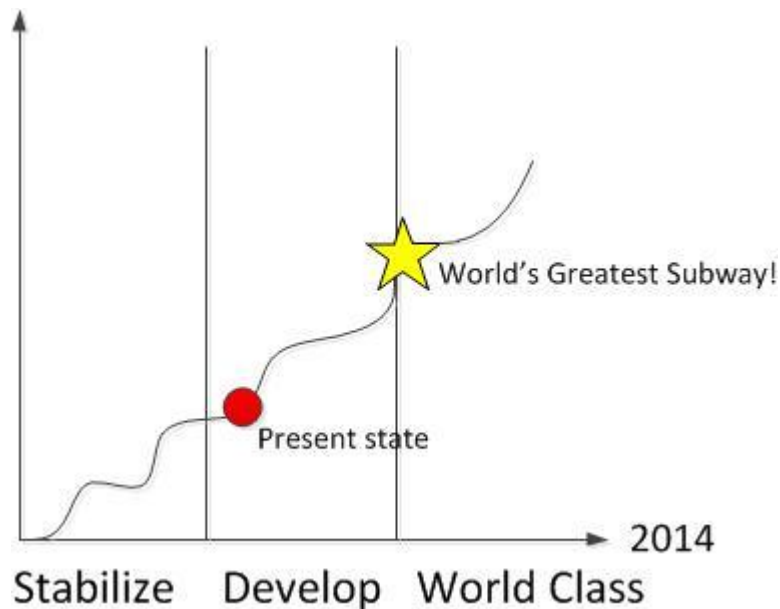
Even though the work with processes and routines have come into place there is still, as brought up earlier, a lot of improvement work to be done concerning communication and employees. A great example of the vast amounts of investments needed in this area is exemplified in the blogs created by some of the employees. Here they describe their distrust and pronounce the dissatisfaction they feel towards the MTR management, one statement about its strategy goes as follows: '*This is MTR's human resources strategy - we are their slaves. We workers are not an asset but something to be exploited so that MTR can make as much money as possible as quickly as possible!*' (Anonymous blogger, 2012, 2nd of February). This definitely depicts the strong perception that MTR Stockholm has not managed to well implement its ambitious ideas. This however, is not how all of the employees perceive the situation; some argue that there have not been any changes noticeable. Something that seems to be a common belief though are the failed communication attempts, there is a distinctive '*we and them*' jargon from the drivers' perspective. Many of them are not aware of '*what happens up there*' and say that it does not matter to them as long as the subway keeps on flowing.

5. Analysis

This is the chapter where the theoretical framework is linked to the empirical findings and an analysis takes shape. The analysis aims at providing an understanding of the problem area in order to in the following chapter present answers to the research questions.

After having studied MTR Stockholm and its integration process it has become evident that the problems brought up in the theoretical framework could be identified in the empirical data as well. As the analysis comes into shape the question whether there are similarities when an Asian or a Western company merges with or acquires another company is taken into consideration. This is done by applying the Western based theory to the MTR case.

5.1 Motives

In the literature there are clear motives as to why companies choose to merge with or acquire another company, these motives can be economic, personal or strategic (Brouthers, 1998). In the case of MTR Stockholm the strongest motives are the strategic ones; pursuit of market power and the future possibility to expand further in the Nordic countries after having entered Stockholm. Although these are very strong motives MTR Stockholm also had economic ones considered before the deal went through. These were to increase profitability and create shareholder value. As mentioned by Napier et al. (1989) it is important to communicate the intentions to the employees when performing a merger or an acquisition, in MTR Stockholm's case no motives were communicated. This has resulted in the employees being under the impression that the MTR management only is using them to earn money, thus the employees have experienced a lack of enthusiasm towards their employer.

5.2 Planning

The first step in the planning process of a merger or acquisition is to identify and evaluate possible candidates (Napier et al. 1989). In the case of MTR Stockholm there were not many options to choose from. As they are operating in the market of public transportation there are not that many public procurements available to place an offer on, and as they wanted to establish their operations in Scandinavia, the Swedish opening was a good candidate for them to invest in. If there would have been several candidates for MTR to choose from the possibility to identify the different cultures and thus decide on a company that fits MTR, not only from a strategic point of view but also from a cultural aspect, Veolia might not have been the company chosen.

The second step is the importance of having a well thought through integration plan before

commencing a scheduled merger or acquisition, which is something that companies have a tendency to neglect (Napier et al., 1989). MTR Stockholm had a thorough one year-plan set up in order to prepare the 3000 employees that were transferred as it took over the operation of the subway. Unfortunately this well chiseled plan was disrupted as the previous contract holder was not pleased with the decision that it was to be replaced and thus responded in a hostile manner and forbade MTR to contact the employees. This resulted in MTR losing seven months of preparatory work and giving it a rough start as it took over. This implies that the tendency to neglect the initial communication with employees is evident in this case as well; although there was an ambitious plan MTR did not fight its encountered setback with enough passion. MTR turned to co-operate with the labor union instead of forcing communication with the employees. This was a good attempt and MTR had received positive feedback from the union. Despite this, it seems as if MTR had not realized the importance of how crucial the communication is in a situation like this. One could argue that the management should have put more focus on engaging contact with the employees as this is such a decisive factor, Ivancevich (1987) states that by understanding and planning human resource issues a company might be able to save a merger situation from going wrong. It has also been said that communication in the initial state of the M&A and how well the company communicates its motives to the employees will affect how the employees eventually react to the M&A (Napier et al., 1989). In this case the communication with the employees was especially important as there is a lot of specified competence that needed to be gathered from Veolia, such as personnel trained within the subway craft.

The few visible attempts made had only been directed towards top management and not towards those on lower levels within the company. Those with higher positions have been offered leadership courses and receive education on how MTR works, and those at the very top are sent to Hong Kong in order to learn about how things are done there. These activities are of great importance and effective when it comes to implementing '*the MTR-way*'. A question that arises however, is how come those at lower levels do not receive any education on the company at all? For the individuals who already were employed when MTR took over there have been no kind of cultural workshops or training to initiate the MTR culture, which is recommended by Schein (1990) in order to facilitate the integration process. Once again MTR shows lack of understanding of how important the communication really is. This focus on top management and negligence of lower levels is something that Marks (cited in Napier et. al., 1989) brings up and describes as being a common occurrence in mergers and

acquisitions.

According to Ivancevich et al. (1987) it is crucial during the planning phase for the acquiring company to establish an adequate communication model. This model should include the following dimensions; first, the decision on what information should be communicated. The need for information is different depending on the nature of the merger, however to avoid rumors, early information is a must (ibid). During the planning phase the MTR management did not communicate enough and the employees did not feel that they had enough information, rumors regarding the CEO of the company (previous CEO of Veolia and who left MTR after only a year) circulated and created a bad atmosphere at the workplace. The second dimension of an adequate communication model is what medias are used. During a merger there is often a need for two-way communication (ibid). The MTR management used different media to communicate, where increased meetings was one, however these meetings are still not frequent enough and some employees have still not (two years after the merger) attended a workplace meeting. Ivancevich et al. (1987) describe the third and final dimension as the accuracy of the information communicated, and stresses the importance of reliable and accurate information. Further Ivancevich et al. (1987) warn managers to promise too much, which exactly was the case at MTR Stockholm. The employees were promised great changes and a brighter future, however this utopia never became reality. This, because the management had to prioritize the essential processes as a result of the delayed take over. Thus the employees were left with a feeling of disappointment. This feeling of being let down has become what the employees associate their employer with and this mind set is what has caused most of the conflicts MTR is struggling with, this due to the lack of communication.

To alleviate the feeling of unease among the employees Shrivastava (1986) suggests that the acquiring company should provide legal provisions, thus smoothening the transfer of employer. The MTR management did this by offering the employees transferred a one-year contract with the same terms and conditions as the previous contract holder had offered, providing a sense of security in a surrounding of many changes.

5.3 Implementation

In literature it is often stated that two companies have to be as integrated as possible in order to create a high success rate and Shimizu et al. (2004) found that the success of a merger is highly affected by the integration process. However, it is also important to remember that the necessity of degree of integration differs depending on what business and kinds of companies

it concerns (Risberg, 1997). MTR has a complex company culture and the nature of the merger is unique, therefore it might not be the best solution for the MTR management to fully force these cultures together. As there is no dependence on the integration due to the motives of the merger, which is to expand rather than gain competence, MTR should reconsider how thorough the integration must be. So far MTR has expressed that the wish is total integration but there have not yet been many successful cultural integration elements. The processes on the other hand have already been successfully implemented and accepted.

5.3.1 Implementation of culture

As mentioned earlier, the MTR management has not managed to communicate their corporate culture down to the lowest level of the company, though they have done some attempts. As Schein (1990) describes there has to be a shared history among the employees to be able to create an organizational culture, and this something MTR Stockholm lacks. Therefore the management will have to stabilize the process and create something sustainable before establishing the MTR culture. Another important concern for MTR is to be able to implement the new culture and their codes of conduct by setting the tone at the top and ensure good leadership, both which the MTR management at the moment are working with to improve. These are preconditions to be able to communicate the codes of conduct throughout the organization (Merchant & Van der Stede, 2012).

According to Hofstede (2012) there are great dissimilarities in the national cultures of Hong Kong and Sweden. Throughout this study there have been examples of this, yet not as great as anticipated. What we found however was the difference in work ethics between the Hongkongers and the Swedes; the Hongkongers could not understand the employees' half-hearted approach to their work and the Swedes could not grasp the deep devotion of the Hongkongers. This is explained by the masculinity found in the Hong Kong culture and the femininity in the Swedish culture (Hofstede, 2012). The reason as to why there are not many examples of differences in the various cultural dimensions is due to the fact that MTR has deliberately chosen to allow MTR Stockholm to act in an adapted Swedish manner, to be a '*Swedish company*'. The only continuous contact MTR Stockholm has with Hong Kong is at a managerial level. If there were to be Hongkongers working in Sweden, especially at lower levels of the company, there would most likely be further differences in culture dimensions visible.

Hofstede (2012) also describes the differences in power distance between the countries, which

were noticeable in the case of MTR Stockholm. As Swedes being more decentralized and more informal towards managers they expect to be consulted in different questions involving their work, however as Hong Kong culture not being as inclusive of the lower levels of the company, the Swedes felt like they were being '*bossed around*' instead of consulted leaving the Swedes feeling used and only being a mean to earn money.

5.3.2 Reactions towards the M&A

Another aspect to the integration process is the employees' reactions towards the M&A. According to Ivancevich et al. (1987) all employees react differently to an M&A but the reactions can be divided into three types; Irrelevant, Benign-positive and Stressful, within MTR, all three have been documented.

Irrelevant was the most common reaction towards the merger, the subway drivers do not care who is in charge, and they know how valuable they are for the company. As Sweden only has one subway the drivers' competence is not easily replaced, as the subway has to flow. The fact that MTR has installed driverless trains in Hong Kong did not concern them, as the subway in Stockholm would have to go through serious reconstructions to make this possible. However benign-positive, which is seeing the merger as an opportunity to get a better position within the company, was also a common reaction among the employees, yet more common among those already having more responsibility within MTR. As most of the previous managers chose to stay with Veolia many positions opened up and some employees seized this opportunity. Important is though not to neglect those experiencing the merger as stressful. As most interviews conducted in this case study were performed with train drivers who did not fear losing their jobs, the perceived conception of the reader might be that there was not a lot of worry among the employees. This, however, is not the case among all professionals. The employees working in the "entrance" are more easily replaced as there is no need of specified competence and experience. Also, as a Hong Kong based company, famous for the technology used in the subway, the personnel might fear being replaced by automatic entrances, which is already used in many countries today.

5.4 Outcome

As mentioned previously in the chapter there are different reactions when encountering a merger or an acquisition and within MTR there were employees who experienced MTR's changes as solely impairments. These positive and negative aspects are also applicable to the company as a whole (Marks, 2006). Marks (2006) explains that the positive aspect is the chance to replace old, malfunctioning processes and cultures with new competitive ones,

which is exactly what MTR aims at succeeding with. Although the employees have seen results representing improvements, such as increased punctuality and increased work satisfaction, there are many stating '*why replace well proven and functioning processes?'*. This result-showing is something that MTR has managed to introduce into the organization in the shape of follow-ups and measurements of activities. Brouthers et al. (1998) suggest this kind of result measurement in order to not undervalue the results of the merger, which is easily done if only the financial factors are considered. Despite this fact, MTR Stockholm has not managed to get the expected positive reactions to the improvements.

Concluding the analysis we found that the integration process still is ongoing and therefore it is hard to determine how successful the integration has been. There are, however, certain areas of the integration that are possible to conclude. These are the lack of communication and that the source of the employees' mistrust towards MTR is the failed promised utopia. The communication issue is something that has been evident in all of the phases of the integration and continuously has created conflicts between the management and the employees. This is not something unique for companies with its base in emerging countries, however, it might be something that is more commonly occurring in Asian based companies. This is due to the fact that the level of discipline and devotion towards the employer is much higher than for example in Sweden.

The delayed integration plan at the beginning of the acquisition caused a lot of confusion among the employees and management's silence did not aid the situation. They promised many improvements, which generated high expectations among all of the employees as well as the labor union and when the expectations not were met the mistrust grew strong. This laid the foundation of a bad start, which MTR Stockholm has not yet been able to recover from. Once again the evidence of lack of communication emerged.

6. Conclusion

This sixth and final chapter is a conclusion of the analyzed data, which is what the answers to the research questions will be based upon. The purpose of this study, which is to investigate whether the existing M&A literature can be applied to the sixth wave of mergers and acquisitions, will be concluded. There will also be criticism directed towards the study and its limitations as well as suggestions for further research within the area.

6.1 Research conclusion

As we identified the emergence of a sixth wave we decided to, with the help of a case study, investigate the possible problems that could arise. One of the questions we indented to answer when performing this study was: *What problems might arise during the different phases of a merger or acquisition by a company based in an emerging country and how are these tackled by the managers?*

As companies from emerging economies merger with or acquire companies in developed economies this study indicates that the greatest problem encountered is the matter of communication. This is found throughout the entire integration process, although depending on which phase one discusses various communication problems arise. One of the main reasons as to why communication causes so many difficulties and misunderstandings are the cultural differences. It is important to remember that this does not only concern the national differences, the organizational differences have great impacts as well. Certain cultures accept hierarchical structures and others expect to be included at all levels, this leads to a difference when it comes to the need of communication. Where there is a high acceptance of hierarchy the need of detailed information concerning decisions is not as high and the choices are not challenged. However, in cultures where decentralized structures are more common the employees are known to question decisions if detailed information not has been communicated. These cultural differences demand different approaches of the management depending on the phase, thus adaptability to the various needs is required.

This study implies that there is a tendency to allow the merged with or acquired company to maintain those parts of the previous organization that does not concern the competitive advantages of the acquirer. Thus, local management is most likely to be found and most likely with a lot of influence on the business. Conclusively, companies in developed markets acquired by companies from emerging markets tend to preserve their national origin but receive knowledge and inspiration from the acquirer.

The second research question posed in this study is: *How is information communicated between the employees and the new employer in this process and how do the employees experience it?*

What has been found in this study is that there is a propensity to have a formal approach when it comes to the communication of information in companies originating from emerging economies. There is often a lack of two-way-communication and some might experience this approach as orders rather than involvement. This can be explained by the shortage of the desire to include employees at lower levels of the company.

As mentioned above, the cultural differences generate communication difficulties. This is reflected in the reactions of the employees; when performing changes without successfully communicating the intentions worry and mistrust surfaces and might be hard to motivate the employees.

We initiated the study with the perception that the present literature on M&A integration would not be applicable to this new wave. However, when having compared the theoretical framework to the empirical data it became evident that the theory in fact was applicable. To conclude this study it has become evident that communication is a key word indifferent of the origin of acquirer and that the previous theory on the subject highlights the same problem areas that were found in the study.

6.2 Managerial implications

After having summarized the findings of the study one can conclude that there is a lot of effort to be put into the integration process when a company from an emerging economy merges with or acquires a company in a developed economy. One important aspect is to examine and understand the cultural differences between the companies, both national and organizational. Examples are to organize cultural workshops and conduct cultural audits. When this is understood the management will be able to realize the specific needs when it comes to how to communicate information. This could facilitate the explanation of which changes are made and the motives behind these decisions, and consequently enable the managers to easier inspire and include the employees.

6.3 Limitations to the study

As this study focuses on such a specified business as the public transportation business is it is hard to generalize the results of the study. In addition to the specified business the study is also based on a company that originates from Hong Kong, which complicates the fact that the

results are meant to apply to the sixth wave, thus to companies from emerging countries moving into developed countries. Although there is a definite Chinese influence, one must not forget the British roots that contribute to the special climate that exists in Hong Kong.

Another aspect to consider is that the chosen case company, MTR Stockholm, sees itself a very Swedish company and tries to portray itself as such. Thus one could argue that a company with stronger influences from the mother company would better depict what the study tries to examine. Further, the study only includes contact with the Swedish branch of the company and none with the mother company, which also could have helped at getting a better understanding of the aim of the study.

Additionally the delay of the planned integration has made this study a very unique case and one has to consider the fact that the problems might have been enlarged due to this.

A final limitation to the study is the fact that how the chosen company entered Sweden was not through a merger or an acquisition, it was through a public procurement. Although the decision was made in the beginning of the thesis to regard the case as a M&A and apply M&A theory, due to the fact that the processes and problems encountered in the integration process were found to be the same, one must keep in mind that, despite the similarities, there are differences.

6.4 Future research

To successfully further investigate the problem area one should conduct several case studies on companies based in emerging countries performing mergers or acquisitions in the West. To receive an in depth understanding of how the integration process proceeds and the specific problems that arise one should be a part of the whole process and follow it step by step and continue to examine the area.

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8. Appendix

Interview questions

Manager
General Questions

- What is your position within the company and what was your role in the integration/merger process?

- What was the organizational structure before the contract, and how is it today?

- Was MTR Stockholm founded as a result of the contract?

Motives

- What was the motive to merge?

- Usually before the decision to merge is made you conduct some form of due diligence to identify cultural differences between the companies, was this at all observed?

Planning

- Have you used external personnel and consultants?

- How was the managers recruited? Which employees were automatically transferred to MTR?

- This is not the first time MTR is entering a new country (Australia, England etc.) how did this affect this process? Were there previous knowledge within the company? Or previous failures?

- What influence has the mother company had and how much did you decide on your own?

- What was your integration strategy?
  - Where there a plan ahead on how to implement MTR's vision and strategies among the employees?
  - What was the time frame?

Implementation

- How was the merger conducted? Considering the takeover of employees. Was it friendly or hostile?

- What were your options during the merger? Did you have a choice regarding the employee takeover?
- How was the integration conducted? Where there any kind of adjustment to the previous culture?
  - Integration or forcing the new culture to the employees?
  - Where the differences accepted?
- Has the employees resisted the change and your culture? On what way? What happened tp those opposing the new culture? Were they fired, replaced?
- What were the greatest challengers during the integration process and how were they handled?
- Did you actively work with implementing your core values among the employees?
- What were the greatest changes, from the employees' point of view?
  - How was these communicated to the employees?

- In your opinion, how was the merger and integration managed?
- Is the integration still going on? What are your future challengers?
- How has the employees experienced the integration?
- Have there been any studies within the company to find out the personnel's opinion on the merger?
- What culture exists within the company today?

- In your opinion, were there culture clashes?
- In your opinion, how do you manage your employees? Swedish, Hong Kong?
- Codes of conduct? In what way are they used within the company and in what way were they implemented?
- Are you aware of the blog? Why do you think the employees have reacted this way?
- What could you have done better?

Train drivers

- What was your first reaction when you found out that MTR were taking over the operation of the subway?
- Were you informed regarding the merger by your previous employer? What information regardingyour new employerdidyourecieve?
- What was your preconceptions regarding having a Hong Kong based employer?
- Were you ever worried not to keep your employment?
- Were you informed during the merger? Did you feel involved in the process?
- Did you get any education or training during the merger?
- Have your work processes changed? What do you feel about this?
- How would you describe the culture within the country? Has it changed after the merger?
- Are you aware of the company's core values? How did you find out about these?
- How do you keep updated regarding the values?
- What do you think their function within the organization is?
- Are you aware of the blog?