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Bachelor of Science of Business and Economics in International Business II

**Bachelor's Thesis in International Business II:
Integrating Acquisitions - The Case of Getinge
Infection Control and La Calhène**

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ABSTRACT

The subject of acquisitions is one of great complexity, and most acquisitions are considered unable to deliver to the expectations of the acquirer, which has led to a lot of research being undertaken on the subject. For many firms, the choice to venture into the field of mergers and acquisitions is regarded as the strategically most important decision they will ever undertake. According to several researchers, how a firm is integrated is the single most important factor to the acquisitions success and an acquisition that is not properly integrated in regards for the motives for the acquisition are more likely to fail. Understanding what synergies the firm wishes to acquire with the acquisition is paramount in these decisions, and in deciding how the acquired firm will be integrated. The purpose of this dissertation was therefore to investigate how a firm handles the integration-choices of an acquisition based on the motivations behind it and the synergies sought.

The theoretical framework consisted of the underlying motivations of an acquisition, the structural integration that would follow from those motives, the describing characteristics of the industry, and a theoretical formula combining structural and informal integration required to meet the needs of coordination. The ideas for structural integration were combined with this formula in order to have a more firm basis for the structural integration and utilize the informal integration to explain certain other factors. The different ways an acquiring firm must keep the factors of a technology acquisition or an acquisition of knowledge in mind are also outlined, since there are certain additional factors affecting the process.

The empirical data was gathered through a qualitative approach in a semi-structured interview with the chief of operations of Getinge Infection Control. The data acquired was complemented through the usage of information from corporate websites, industry-studies and scientific articles, most notably a master's dissertation outlining Getinge AB's usage of acquisitions in their internationalization process.

The findings of this thesis is that the manners of structural and informal integration affect the coordination capacity, and that the nature of the industry affects how these factors sum up to form the coordination capacity. The acquisition of highly technical stand-alone products for the

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innovative capabilities must be treated with care, as structural integration may damage the innovative capabilities that were desired. The thesis highlights the need for informal integration in these cases. The findings also present that, when properly executed, there are not reasons why problems should be observed, even in the acquisitions of highly technically complex firms.

Keywords: integration, post-acquisition, acquisition motives, structural integration, informal integration, culture, industry, MedTech, technology acquisition, market entry, role of industry in acquisitions, technology, Porter's five forces, Getinge AB, Getinge Infection Control, La Calhène.

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1. INTRODUCTION

This chapter will present the general background of the thesis, that is the different types of acquisitions and their motives, the possible problems of the implementation-process and how to avoid them. Also, the problem and the purpose of this study will be clarified.

1.1 Background

The concept of mergers and acquisitions has been researched for many years, much due to the complex nature of merging two autonomous organizations into one unit (Kitching 1967; Huang & Wang 2010). Whether it is a small firm being engulfed by a larger firm, or a merger of two equal firms, the process is complicated and is not always successful. A study made by famous consulting firm KPMG (1999) shows that of the benefits anticipated, in general only 75 % were attainable, and another study made by Jennings (1985) showed that over 70 % of the acquisitions studied failed to meet expectations. There are also a few nightmarish scenarios, such as Daimler-Benz's 1998 acquisition of Chrysler, which went from being the hottest automaker in USA to wiping out \$60 billion in market value (Arndt M., Thornton E., Foust D., 2000). All this points towards the same issue, in spite of the time that passed in between the two studies: acquisitions are complex and require serious attention and planning in order to make a success more probable (Jennings 1985).

Global corporations are a growing phenomenon, and a previous studies show that 76 % of the respondents mentioned that access to new markets was a driving reason for acquisition (Spratt & Feldman 1999). Fletcher and Barret (2007) also notes that acquisitions have been used more frequently as a vehicle for expansion of commercial activities in a firm's international involvement, which Huang and Wang (2010) concludes implies a far-reaching emergence of acquisitions by MNC:s (Multinational Companies). Nancy Hubbard (2001) also found, based on the studies of Spratt and Feldman, that there are two primary reasons for acquisitions; personal & political and strategic. Another study showed that 31 % of all respondents confessed that the most important reason for their previous acquisition was either political or personal (Hubbard 2001; Hunt & Turner 1987). This implies that there is a large impact of personal and political factors on the acquisitions decisions, which is a fact that is in contrast to the manner in which corporations are generally perceived, that is as entities that act based on cost-benefit reasons alone. While the study shows that personal and political reasons are important to the decisions taken, it also shows that 69% of the respondents considered strategic reasons where the most important reasons for their previous acquisition. It is therefore an important factor to consider when analyzing these types of decisions. The importance of the strategic intent is further highlighted by Pablo's (1994) study, and she states: "*Strategic intent has at its core the*

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recognition of potential sources of synergy deriving from the interdependencies between the value-chains of the two organizations” (Pablo 1994).

One of the factors that make the subject of acquisitions more complex is that no two acquisitions are alike and have very different needs for integration and coordination in order to reach the synergetic goals intended when the decision was taken. These goals could be regarded the strategic motives for the acquisition, and there are few different definitions of these goals, of which primarily Hubbard’s (2001) is discussed in the theoretical framework.

How mergers and acquisitions are used and their frequency varies between different industries, as the needs and specific challenges a firm will face vary between different industries, and firms acting in different industries will face different challenges. As Puranam et al. (2009) notes concerning technological firms it also affects the decisions taken in when acquiring another firm as to how deep integration will be taken. It is therefore imperative to understand the industry one seeks to analyze, what special characteristics governs that specific industry.

Puranam et al. (2009) argues that in the case of technological acquisitions the necessary amount of coordination between an acquired and an acquiring company is significantly less when the acquiring company is manufacturing a standalone product than a component product. They also state that little research has been performed concerning the relationship between interdependence and integration, especially when it may be managed without integration (Puranam et al. 2009). Furthermore, they mention that too much structural integration actually may be harmful to the innovative process, as the firm loses its autonomy. Graebner also argues that integration may lead to the destruction of the acquired firm's knowledge-base (Graebner 2004). With these strong arguments, one can conclude that it is imperative to consider a firm's need of post-merger integration in combination with the core characteristics of its industry in order to find the proper degree of integration.

One such industry in which the technological facets have a large impact is the MedTech industry, a broad industry that manufactures products used in, for example, x-ray scans, pacemakers, and dialysis (Swedish MedTech 2012). Swedish MedTech defines the product range of the industry as *“basically all products with medicinal connection except medicine”* (Swedish MedTech 2012). The industry is highly technology-dependent and is distinguished by its use of acquisitions in both extent and manner, and some business studies consider this as a sign of consolidation within the industry (E&Y 2010). It is therefore an interesting industry to dissect within this subject, and study deeper in a smaller context, that is on the corporate level.

One Multinational Corporation (MNC) within this area is Getinge Group AB, a Swedish-based Med Tech firm founded in 1904. Today, the company employs more than 12 000 people in 37 countries and has partaken in 33 acquisitions between 1990 and 2009 (see Appendix II; Getinge Annual Report 2010).

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Getinge's products cover patient handling, sterilization, disinfection, medical systems, surgical systems, autoclaves, and surgical equipment, divided into the three business areas Infection Control (Getinge IC), Medical Systems and Extended Care, of which the latter two were created after the acquisitions of Arjo and Maquet (table 4.1; Getinge AB 2012).

Unlike the automotive industry previously touched on, the MedTech industry is not consolidated nor characterized by huge MNC's. Rather, there exist a lot of smaller firms providing products in different areas. One such firm is the French firm La Calhène Group. La Calhène manufactures isolators for a variety of uses, one being the application of their products by, for example, pharmacists (La Calhène 2012). Their products have been developed from their original nuclear-application of the 1960s to the three areas Health Care, Food & Beverages and Nuclear (Getinge La Calhène 2012a). In 2005, the firm had operations in France, UK and USA with global distribution and employed 280 people (Getinge AB 2005). This was the same year that the firm was acquired by the global MNC Getinge and to be integrated into the business area Getinge IC.

While there has been a lot of research done on the pre-acquisition and post-acquisition phases, there is still a lack, to the author's knowledge, of studies focused on the integration-process that keep the pre-acquisition motives under consideration. There exist studies on the cultural aspects of the post-acquisition process (Huang & Wang 2010; Fralicx & Bolster 1997). The studies performed on the post-merger integration mostly focus on the consequences of certain degrees of integration, and rarely consider the causes of these consequences, or the underlying reasons that has led to the decisions taken.

1.1.1 Why La Calhène and Getinge?

The choice of the acquisition of La Calhène by Getinge Getinge IC was taken, as this type of acquisition is fairly common when compared to Getinge Group AB's previous acquisitions (consult Appendix II for further information), in which they have acquired firms active within the same type of business area, but with a very different, highly specialized product that has not previously been a part of Getinge's product portfolio. Getinge Group AB is a large Swedish multinational firm that has demonstrated both organic growth and growth through acquisitions. The resulting integration has, for those reasons, been limited, as will be more thoroughly discussed and analyzed in chapters 4 and 5. While Getinge has partaken in acquisitions within their existing product portfolio as well, these acquisitions have a pattern of allowing Getinge to enter a new geographic area. There are, of course, acquisitions that stand out, such as the acquisition of Huntleigh, which was merged into the previously acquired Arjo to form the foundation for the Extended Care business area.

1.1.2 Definitions of Capabilities and Integration

As the terms capabilities and integration will be used to a great extent in the following dissertation, the definitions of these terms needs to be addressed. For the rest of the thesis, Integration will be used to imply one of two meanings; 1) Structural Integration – that is the combination of two organizational units into one

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unit following an acquisition; or 2) Informal Integration – that is the creation of common ground– or culture – that does not involve the combination of organizational units, but rather an informal means towards creating coordination and integration (Puranam et al. 2009). My approach of Informal Integration is a wider approach than Puranam et al.'s approach to common ground, which is more dependent on the pre-existing common ground between the two firms prior to acquisition, while my approach allows for it as – to some extent – exchangeable with structural integration post-acquisition. The emphasis on this dissertation will be on structural integration. The term Capabilities will henceforth be referred to as the value-creating activities of the firm, such as sales- and service-personnel, research and development functions, manufacturing sites, management team, and other similar activities.

1.2 Problem and Focus

There have been many studies researching the pre-acquisition and post-acquisition processes of an acquisition, but, to the author's knowledge, not much has been done in the realm of analyzing the integration of the value chain or implementation of the acquisition processes tied to the differing modes of structural and informal integration and why different models are chosen. This study will focus on those two areas and their importance for a successful acquisition. This will be done through a case study of an acquisition made by Getinge, delving into the conditions and implementations of that particular acquisition.

1.3 Purpose

The purpose of this research is to study an acquisition made by a large multinational firm and analyze the degrees of integration chosen, why the firm chooses those degrees of integration, and how the nature of the industry impacts on these decisions.

1.3.1 Research Questions

The research problem will be boiled down in to the following areas:

- ⤴ How does the MedTech industry affect the acquisition in the case of Getinge AB and La Calhène;
- ⤴ What capabilities of La Calhène are integrated in to Getinge AB, and why;
- ⤴ How does Getinge AB integrate La Calhène?

1.4 Delimitation

This dissertation focuses on acquisition made by Getinge AB, with a special focus on its Getinge IC business area. This study will also focus on the acquisition of the French corporation La Calhène Group. The choice to focus on one acquisition, rather than a broader study of Getinge AB's acquisitions was taken by reasoning that doing so would provide a more comprehensive view of the situation of the particular acquisition and therefore be able to draw stronger conclusions about and from the specific situation. The choice of the business area Getinge IC was taken because Getinge IC, unlike the two other business areas of Getinge, was

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not formed around major acquisitions, but has stronger ties to Getinge AB's origin. The choice of La Calhène was reached as it is a rather recent acquisition undertaken by Getinge IC and is quite substantial in size, while enough time has passed in order for certain conclusions to be drawn concerning the successes and complications of the specific acquisition situation. The case study will also be limited to study the situation primarily from a managerial perspective. There are certain other limitations as well:

Firstly, the decision to only interview the COO of Getinge IC, Peter Palmqvist, and not the managing director of La Calhène or the head of the Life Science division, as well as the fact that acquisitions are a strategically sensitive subject may skew the data. The author has attempted to compensate for this by providing data from other contemporary sources, such as corporate websites, annual reports and scientific articles. Secondly, the personal relationship between Mr. Palmqvist and the author may, in spite of the objective approach of both participants, also affect the trustworthiness of the study. The author has worked to compensate for such possible effects of the study through the usage of other sources on as many levels of analysis as possible.

Thirdly, the study has an overall focus towards the structural integration levels and underlying decisions rather than cultural or financial aspects, much due to the previously mentioned study by Huang & Wang (2010) that handles the cultural matters of Getinge AB's acquisitions and its process. The study also focuses on the integration levels of a firm that was not deeply integrated into the acquiring firm that still retained a lot of its autonomy. This fact means that the case-study disregards from some of the potential problems that may arise when integrating a firm structurally deeper into the acquiring firm. Finally, the limitations described above, combined with the fact the study is a single case-study of a single acquisition, makes it difficult to generalize conclusions. In order to do that, the study would have to have a broader perspective, either covering a greater amount of different acquisitions within the MedTech industry, and therefore generalize the findings to all acquisitions within the industry. Another approach would be to include acquisitions from a greater amount of industries, therefore being able to generalize the findings to all acquisitions.

1.5 Disposition

Theoretical Framework – In this section the theoretical basis of the thesis is discussed. In order to understand the impact of the industry, the Porter's model of the five competitive forces is utilized. This is followed by Puranam et al.'s model on integration, coordination and interdependence in order to properly what manner of coordination and integration has been utilized in order to understand the decisions taken and what type of integration observed. This is then boiled down to a discussion on structural and informal integration based on the motives and degrees of structural integration required using the theory of Hubbard. The chapter is concluded with the presentation of the applications used in the analysis.

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Methodology – In this section the methods used in the research process are described along with definitions of reliability and validity, and how they apply in this specific thesis.

Empirical Findings – In this section the empirical findings are presented, starting with a description of the MedTech industry, followed by an in-depth description of Getinge AB and La Calhène. The chapter is concluded by describing the integration of La Calhène into Getinge AB.

Analysis – In this section the empirical findings will be analyzed using the theoretical framework previously described. Initially, the industry is analyzed in relation to the five forces model, and is followed by an analysis of structural and informal integration. The chapter continues to analyze the specific acquisition in relation to the previous acquisitions by Getinge AB and is concluded by analyzing the impact of industry on the acquisitions decisions.

Conclusions – In this section will be presented the answers to the aforementioned research questions within the basis of this study, as well as recommendations for further study.

2. THEORETICAL FRAMEWORK

This chapter presents a brief summary of the various theories used when conducting the analysis, starting by introducing Porter's model of the five industrial forces of , after which the model of Puranam et al. is introduced, showcasing the different ways in which a firm may be integrated. Following this is a description of Hubbard's model of the relationship between motives behind an acquisition and degree of integration. This is followed by a description of Getinge AB's approach to cultural management as an explanation of informal integration. The chapter is concluded by a presentation of the models used for analyzing the case.

2.1 The Industry and Its Implications

In order to properly understand the underlying trends and how they affect the choices a firm makes in its acquisitions decisions and to relate this case-study to a larger perspective, the characteristics of the industry must be addressed. One of the most famous ways to analyze an industry was presented by Michael Porter in 1979, namely the model of the five competitive forces. His study and theoretical framework has since become very influential and is one of the household names of business-studies. There have been previous studies on this model, its implications and its relevance. One such study is that of Ormanidhi and Stringa (2008), comparing it to the Structure-Conduct-Performance model, concluding that Porter is supported above that theory. Its long-lasting popularity has certainly made it a well-known and accepted model. The forces of his theory are presented briefly in the following section.

2.1.1 Porter's Five Forces



The Five Forces That Shape Industry Competition

Figure 2.1 Porter's Five Forces Source: Porter (1979)

Threat of new entrants is a part of Porter's (1979) model that describes the level of the threat that new competitors might enter the industry analyzed. This force factors in such determinant as barriers of entry, sunk costs and industry profitability. An industry with high barriers of entry and high sunk costs is less likely to have a high threat of new entrants, for example. This force also covers the fact that in an industry with highly specialized technology, the threat of new entrants is decreased.

Threat of substitutes is a part of Porter's (1979) model that describes the threat of customers exchanging (substituting) one product for another within the industry. It covers the ease with which this is done, the costs of doing so, and the price elasticity of the customers. An industry in which it is easy and cheap to switch provider is more likely to have a high threat of substitutes. As the product gets more specialized and unique, the threat of substitutes decreases.

Bargaining power of customers is a part of Porter's (1979) five forces model that describes the power of a customer relative the supplier and that impact on the industry. It covers the information available to the buyer, buyer price sensitivity, the dependence on existing distribution channels and existence of substitutes. An industry in which the buyer is highly price sensitive and has a low dependence on existing distribution channels is more likely to have a high bargaining power of customers.

Bargaining power of suppliers is a part of Porter's (1979) five forces model that describes the power of a supplier relative the buyer and its impact on the industry. It covers the strength of distribution channels, supplier competition, supplier concentration contra buyer concentration etc. An industry with strong distribution channels and a high concentration of suppliers is more likely to have a high bargaining power of suppliers.

Intensity of rivalry is a part of Porter's (1979) five forces model that describes the rivalry within the industry, and what impacts that has on the industry. Factors such as innovation and high fixed costs also factor in. An industry with high intensity of rivalry is characterized by a large number of firms, low switching costs and high fixed costs.

2.2 Post-Acquisition Integration

In order to understand the acquisition-integration process, there is need to formulate some form of model that can explain the underlying factors for the different modes of integration, and why integration is needed. One such model is the theoretical formula of Puranam et al. (2009) which uses the factors of *structural integration*, *common ground*, *coordination capacity*, *need for coordination* and *interdependence* depicted in figure 2.2. These factors are, as will be presented, affected by the nature of the industry, especially its technological nature.

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Puranam et al. (2009) argue that there are instances in which structural integration post-merger and post-acquisition is, in fact, unnecessary. Their paper is primarily concerned with structural integration, which they define as the “*combination of formerly distinct organizational units into the same organizational unit following an acquisition*” (Puranam et al. 2009). They continue to state that the value of an acquisition is created by linking the capabilities of the acquiring firm with the acquired firm, but that the extent to which this is required vary greatly (Puranam et al. 2009). They also distinguishes between structural integration and separation, where the latter is defined as activities in both firm (the acquirer and the acquired) remain distinct organizationally all though they are under the same ownership (Puranam et al. 2009). They also argue that structural integration may have the consequence of disrupting the innovative capabilities of a firm, which may very well be driving competitive capabilities in firms working with technology (Puranam et al. 2009).

Furthermore, the interdependence of the two firms determines how value will be created after the acquisition, but not how much value will be created (Puranam et al. 2009).

The authors also argue that in technology acquisitions of stand-alone products require less interdependence than the acquisition of firms manufacturing component products of their existing product portfolio (Puranam et al. 2009). In contrast, they argue that informal coordination created by common ground, that is shared knowledge which the actors knows are shared, might actually make more formal coordination such as structural integration unnecessary (Puranam et al. 2009). Supporting this is the study by Amiryany et al. (2012) shows that integrating and transferring the acquired knowledge-base is one of the main objectives of knowledge acquisitions – which is one form of these types of acquisitions. They also found that social interaction is imperative for sharing the specific knowledge that the acquired firm has, and that this is the decisive factor for acquisitions undertaken in order to innovate (Amiryany et al. 2012). Both studies point towards a creation of common ground between the acquirer and the acquired is very important for realizing the potential for the acquisition. Much like Puranam et al. (2009), Amiryany et al. (2012) argue that coordinating and integrating an acquired firm through the usage of direction and routine would imply a loss of knowledge, as not all knowledge may be converted into the new firm, implying structural integration through their definition of direction (the conversion of tacit knowledge to explicit knowledge).

Further, the definition of coordination capacity as a concept that aims towards creating “*sufficient knowledge among interacting individuals such that they can adequately anticipate each others actions, and adjust their own accordingly*” that is acquired through a combination of structural integration and informal integration (Puranam et al. 2009). Coordination capacity may therefore be considered as the resulting cultural interaction created through the modes of informal and structural integration, where structural integration is a direct cultural interaction through the integration of capabilities into the acquiring firm, while informal integration is the usage of less direct modes of integration.

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Culture is defined by Hofstede (1997) as “*the collective programming of the mind distinguishing the members of one group or category of people from others*”, that is a form of common ground between different people. The conveying of culture can therefore imply the informal integration that occurs between the acquiring and the acquired firm in order to create a common ground of shared knowledge which is known to be shared. Informal integration may therefore be regarded as the means of sharing culture and knowledge outside the structural integration processes. Puranam et al. does, however, comment that informal integration through common ground is not perfectly interchangeable with structural integration.

Interdependence in this formula is the degree to which the acquirer and the acquired are dependent on one another. Puranam et al. (2009) argues that technology acquisitions concerning component technologies are more prone to a high interdependence, while stand-alone products generally have a smaller degree of interdependence. They also found that a high interdependence is linked with a higher structural integration in component-acquisitions than in stand-alone acquisitions (Puranam et al. 2009). This is not very surprising, seeing as this shows the differences between the *vertical expansion* and *market entry* motives for an acquisition (further explained in section 2.2.1.2). Interdependence is also linked to the need for coordination between the acquirer and the acquired (Puranam et al. 2009), but is not the only deciding factor for it, as a technology acquisition with aims to acquire knowledge still needs higher modes of coordination than their original interdependence (Amiryany et al. 2012).

Puranam et al. conclude by stating that the effect of loss of autonomy is outweighed by the coordination in instances in which the interdependency is high, which is generally the case concerning component technology acquisitions (Puranam et al. 2009). When acquiring a stand-alone product firm the interdependence is generally low, this also stands true for the gains of structural integration (Puranam et al. 2009).

What their study shows is an argument for instances in which structural integration is not necessary, and when it is, as well as providing a model presenting their argument. Their reasoning has a strong base for analysis of acquisitions made in which the acquisition of technology play a large role, and adeptly shows when more informal ways of integration are more suitable than formal ones, putting interdependence and needs of coordination against the coordination capacity, made up of structural integration and common ground. The model also shows instances in which structural integration may still be observed, although the major form of coordination capacity is through informal integration as well as the link between interdependence and need of coordination. Their model also puts emphasis on the connection between the need for coordination and coordination capacity, of which the interdependence, informal and structural integration are factors.

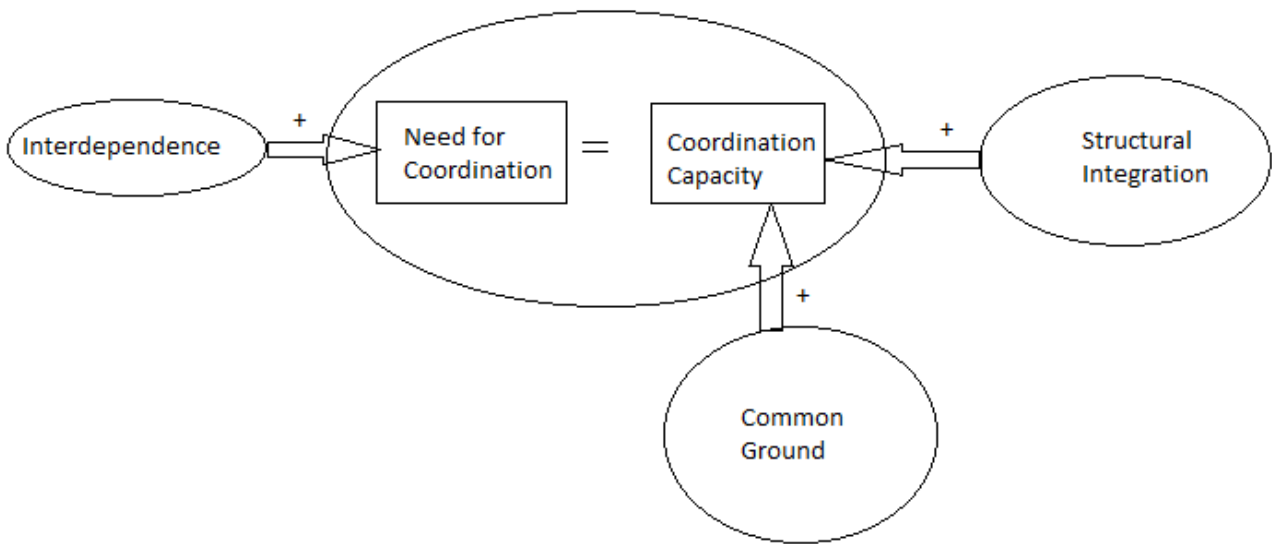


Figure 2.2 Formula of Post-Merger Integration Source: Puranam et al (2009)

In order to understand and further develop on this model, the factors informal and structural integration will be further examined.

2.2.1 Structural Integration

Previous research has concluded that the reasons for making the acquisition-decision have great implications to the levels of integration that would be expected from the specific acquisition (Hubbard 2001).

Acquisitions are, as previously mentioned, a very complex subject, but is a very widespread phenomenon and continues to be one of the most common strategic moves (Lohrum 1999). There are a number of different degrees of structural integration distinguished, and all though every implementation of an acquisition is different, most fall under the following varying levels of integration; *total autonomy*, *restructuring followed by financial controls*, *functional integration*, and *total integration* (Hubbard 2001). Knowing the strategic motives behind the acquisition also helps anticipate the expected level of structural integration, and previous research has shown that there are six primary strategic reasons for an acquisition; *market penetration*, *vertical expansion*, *financial synergies*, *market entry*, *asset potential/synergy*, and *economies of scale* (Hubbard 2001; Spratt & Feldman 1999). These may also be paralleled to the World Investment Report's classification diversification of acquisitions, namely horizontal, vertical and conglomerate (World Investment Report 2000). The structural integration described by Hubbard is a good representation of how a firm structurally integrates their physical capabilities based on the underlying motivations for an acquisition, which ties it closely to the Structural Integration of Puranam et al.'s (2009) formula.

2.2.1.1 Degrees of Integration

Total autonomy is a form of acquisition in which there is no structural integration of the acquired firm into

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the acquiring firm, and only interacts with the acquirer through financial controls (Hubbard 2001). Hubbard (2001) explains that the subject of the acquisition is left to operate separate from the acquiring firm's capabilities much in the same way as it did prior to the acquisition. This form of acquisition is generally made to secure certain key-components, geographical access or to acquire financial synergies (Hubbard 2001). This type of acquisition, though it may appear to be a rather simple process, still require the same preliminary analysis as any other acquisition, but will rather yield the result that integration should not be undertaken (Gendron 2004). This analysis is important to make, as it must ascertain that there are no unsupported commitments made (Gendron 2004).

Restructuring followed by financial controls is a form of acquisitions in which some functions of the acquired firm is in some form modified by the acquirer, and then left to stand-alone operations, controlled only by financial controls similarly to total autonomy (Hubbard 2001). Examples of modifications could be an exchange of management, or introduction of new technology (Hubbard 2001). Similarly to total autonomy, financial synergies may also be acquired through this degree of integration.

Functional integration implies the structural integration of certain key-functions or departments and is a form of acquisition performed strictly to acquire economies of scale, and therefore rationalize the two firms (Hubbard 2001). Departments or functions that could be centralized in this manner are, for example, marketing, head-offices and marketing, that is, to acquirer either economies or business of scale (Larsson 1985; Gendron 2004) further discussed in 2.2.2.

Full integration which, as the name implies means that the acquired firm is completely structurally integrated into the acquiring firm with the intentions of acquiring great economies of scale and acquire other financial and operational synergies of a fully merged entity (Hubbard 2001).

These different types of structural integration also shows the relation of power between the two entities post-acquisition, something that Pablo (1994) says is crucial to take under consideration.

2.2.1.2 Strategic Reasons for Acquisition

Market penetration is a form of acquisition taken with the intent of acquiring stronger market power in order to acquire an edge to its market/customer base (Hubbard 2001). This may be paralleled to the *horizontal acquisition*, in which firms are acquired that share products and markets with the acquiring firm (World Investment Report 2000). Unlike horizontal acquisition, however, this approach is not quite as broad as that approach, and is somewhat ambiguous, as it shares characteristics of the horizontal acquisitions strategy along with the economies of scale strategy. The reasons for Hubbard's decision to divide this strategy into these two different motives is probably in order to relate the different types of acquisition motives to a specific level of integration expected, as will be discussed further in 2.2.3.

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Vertical expansion is a form of acquisition that is taken in an attempt to acquire control of components or resources critical to their production, or certain means of distribution or similar reasons (Hubbard 2001). This type of acquisitions are not bound by any specific path in the value-chain, but could be either both a producer acquiring a supplier or distributor, or even a potential supplier or distributor. These different types of acquisitions are either referred to as *forward* or *backward* acquisitions, where a forward acquisition is exemplified by a producer acquiring a supplier, and a backward as a producer acquiring a supplier (World Investment Report 2000).

Financial synergies is a form of acquisition that is taken solely in order to acquire financial synergies between the acquirer and the acquired, such as earnings enhancements, tax breaks or accounting modifications (Hubbard 2001). Leland (2007) however concludes that potential financial synergies are not a motive enough for either a merger or an acquisition, but that it may play an important role in certain cases. Gendron, however, pointed out that there are still compelling reasons for undertaking an acquisition for financial synergies, such as *diversity of the business-cycle*, or for *scale of business* (Gendron 2004). He further explains that scale of business means that the acquirer seeks to eliminate overhead costs, such as marketing, sales or similar administrative costs. Unlike Gendron, Hubbard relates scale of business more closely to economies of scale discussed further down, which may yield more strength to Leland's argument in this case.

Market entry is a form of acquisition that is taken in order to enter new markets in either new geographic regions, or new industries (Hubbard 2001). Gendron (2004) differentiates between two different types of product-related acquisitions into *product line extension* and *product line expansion*, of which the previous is an acquisition of a firm producing a complementary line of products, while the other offers an entirely different line of products. The former may be used in this context to either to acquire a new customer-base in a region they already are present in, or to enter a new geographic region. The latter could be used to enter new industries, but was likely not suited for full integration, but rather undertaken in order to secure future products form that product-line.

Asset potential/synergy is a form of acquisition that is taken because the acquirer's management believes they can run the operation of the acquired firm more efficiently in some manner than the firm's current management (Hubbard 2001). This type of acquisition could be motivated by acquiring key personnel from the acquired firm with vital technological competencies, or by a desire to gain access to the research and development process (Gendron 2004).

Economies of scale is probably one of the first acquisition motives that people think of, much due to the fact that the media coverage of those kinds of acquisitions are usually more extensive, such as the case of Ford and Volvo (Olsson 1999). This type of acquisition is characterized by intent to either acquire economies of scale in the production of products by combined operating sites or scale of business by integrating back-

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office functions such as administration (Hubbard 2001). Hubbard also links what Gendron calls diversity of the business-cycle to this type of acquisition. This makes Hubbard's view on the economies of scale-motive a motive to rationalize costs, which therefore differentiates it from her view on market penetration, which instead becomes limited to other ways of acquiring power over customers than price and cost-reductions.

2.2.2 The Expected Level of Structural Integration When Related to Strategic

Reasons For Acquisition

As previously mentioned, the strategic motivations for an acquisition will impact the desired and expected level of integration between the two firms (Hubbard 2001), and, as Gendron (2004) states; the “*strategic intent of the acquisition will determine the type and extent of planning and review required*”. If the strategic intent is to acquire economies of scale, the acquirer must plan for the structural integration of the specific functions with which the acquirer wishes to acquire economies of scale through.

Nancy Hubbard (2001) has devised a chart (see figure 2.3) using both the diversified motives for acquisitions that were described in 2.2.1.2 and the degrees of structural integration described in 2.2.1.1 to form a chart that plots shows the required and/or expected levels of structural integration that such a motive would warrant. She also distinguishes between “likely”, “probable” and “unlikely” degrees of structural integration for the specific motives. What is important to note is that the chart also allows for several reasons for acquisitions to be combined in order to find the most probable level of structural integration required and/or expected. For example, the expected level of structural integration for an acquisition undertaken with the motive of vertical integration would likely be changed with controls (restructuring followed by financial controls), but might also have full autonomy or functional integration. If the reasons for acquiring are vertical integration and market entry, the functional integration of the firm becomes more unlikely, while the choices of total autonomy and change with controls are still viable.

	Financial Controls	Change with Controls	Functional Integration	Total Integration
Financial Synergies	Likely	Possible	Unlikely	Unlikely
Market Entry	Likely	Possible	Possible	Unlikely
Vertical Integration	Possible	Likely	Possible	Unlikely
Asset Potential	Possible	Likely	Possible	Unlikely
Market Penetration	Possible	Possible	Likely	Possible
Economies of Scale	Unlikely	Unlikely	Possible	Likely

Figure 2.3 Expected/Required Level of Integration Source: Nancy Hubbard (2001)

2.2.3 Getinge AB's Approach to Acquisitions, Internationalization and Informal Integration

Huang and Wang (2010) conducted a study on Getinge AB concerning their approach to internationalization through acquisitions, as well as the pre-acquisition and post-acquisitions processes. Their findings provide certain information that is good to understand in the processes of informal integration in the integration of La Calhène and how Getinge AB handles both the acquisitions processes on a strategically level, and how they implement these strategies.

Huang and Wang (2010) found that Getinge AB uses the distinction between bolt-on acquisitions and strategic acquisitions. Bolt-on acquisitions are described as involving corporations that are small in size that are acquired only to fuel the strength of the company, while the strategic acquisition was characterized as being large in size, involving large sums of money and risk where mistakes are costly and imply serious consequences (Huang & Wang 2010). They further link strategic acquisitions to *platform acquisitions*, and bolt-on acquisitions to *bolt-on acquisitions*, both as defined by Nolop (2007), where the latter fits well into the existing business, whereas the other involves higher risks and rewards.

These acquisitions are generally accompanied by one of two motives: *technology acquisitions* and *acquisitions to strengthen market/sales* (Huang & Wang 2010). Technological acquisitions-decisions include an evaluation of the acquired firm's product portfolio and its strategic fit into the Getinge AB's current product portfolio. Technology acquisitions may be related to the market entry strategy of the structural integration model, as well as the technology acquisitions covered by the theories of Puranam et al. (2009) and the distinction of knowledge acquisitions of Amiryany et al. (2012). The motive of acquisitions to strengthen market/sales may be linked to the motive of market penetration and economies of scale, which leaves the motive of asset synergy/potential uncovered. Reasonably, the motive could be linked to technology acquisitions, especially in the case of asset synergy.

The cultural management post-acquisition is generally dealt with through frequent contact on the managerial levels that is between the managing directors, as well as with human resources, as it is the leaders that set the basis for culture that will be adopted into the firm (Huang & Wang 2010). These functions are emphasized in figure 2.4, which shows all the levels in which cultural exchange between Getinge AB and the acquired firm is undertaken.

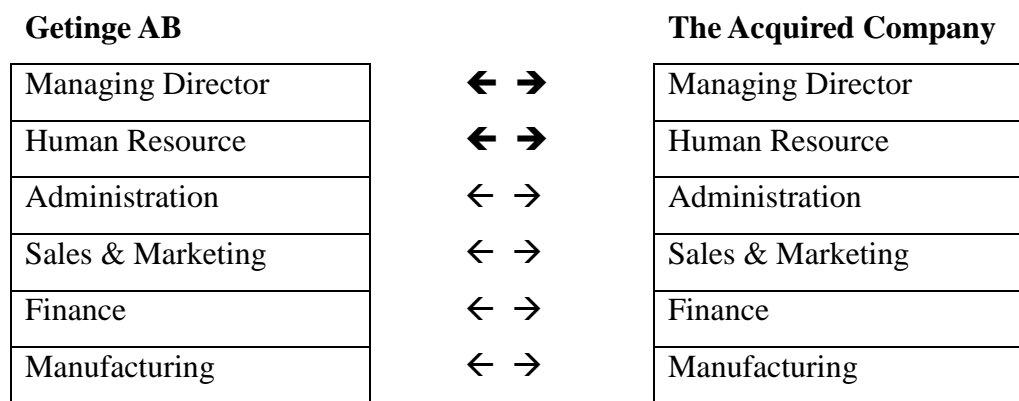


Figure 2.4 Cultural Exchange Within Getinge AB Regarding Post-Acquisition Management

Source: Huang & Wang 2010

2.3 Conclusion of Theoretical Framework

Thus far have been discussed the theories of Nancy Hubbard (2001) on the strategic motives behind an acquisition and the required level of integration (Figure 2.1), the previous study on Getinge AB and its acquisitions (Huang & Wang 2010), the theories on the five forces of an industry, and the necessity of integrating firms post-merger (Puranam et al. 2009). The implications of these studies on this thesis is the easily utilizable chart that Hubbard (2001) provides, all though the full integration is of little interest for this study, neither is the motive of vertical expansion.

The model presented by Porter (2008) is a good tool for analyzing why acquisitions functions the way they do in this particular industry and analyze why acquisitions are performed in this way in this particular industry. It is, in other words, a good tool for understanding why certain decisions are more common in the industry than others, as firms partaking in acquisitions will be affected by the underlying characteristics of the industry. The specific integration required and undertaken is explained by a version of the model presented by Puranam et al. (2009), depicted in figure 2.6. What differs my interpretation of this model from the original model is my interpretations of the different factors affecting the coordination capacity of their model. The structural integration factor is explained by Nancy Hubbard's (2001) table depicting what level of structural integration is required for certain strategic motives behind the acquisition. The common ground factor of Puranam et al.'s (2009) model is exchanged by an informal integration factor, factoring in both common ground and post-merger cultural management factors. The need for coordination factor is also less strongly tied to the interdependence in my interpretation of the model, factoring in the possibility that certain acquisitions are undertaken in order to acquire certain technological innovations (such as Huang and Wang's (2010) study shows) or certain knowledge-based capabilities that cannot be integrated through structural integration (as the study of Amiryany et al. (2012) implies) as well as the risk of disrupting innovative capabilities if structural integration would be undertaken nonetheless (following the basic intentions of Puranam et al. (2009)). The informal integration is not the focus of this dissertation, but is nonetheless touched on using the previous study of Huang and Wang (2010) to explain how Getinge AB functions in

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these matters, and to reflect these with the observed interactions.

Following is both an altered version of the table provided by Hubbard (2001) (figure 2.5) depicting the structural integration of my altered Puranam et al (2009) model, having eliminated vertical expansion as a possible strategic motive, as it does not relate to the specific case, and total integration, as it can be clearly stated that it has not occurred, without overstepping my objective boundaries. Following that is an altered version of Puranam et al.'s (2009) model, showcasing the emphasis of this dissertation and the changed denominations for the factors.

	Financial Controls	Change With Controls	Functional Integration
Financial Synergies	Likely	Possible	
Market Entry	Likely	Possible	Possible
Asset Synergy	Possible	Likely	Possible
Market Penetration	Possible	Possible	Likely
Economies of Scale			Possible

Figure 2.5 Structural Integration Dependent On Strategic Motives Adapted from figure 2.3 (Nancy Hubbard 2001)

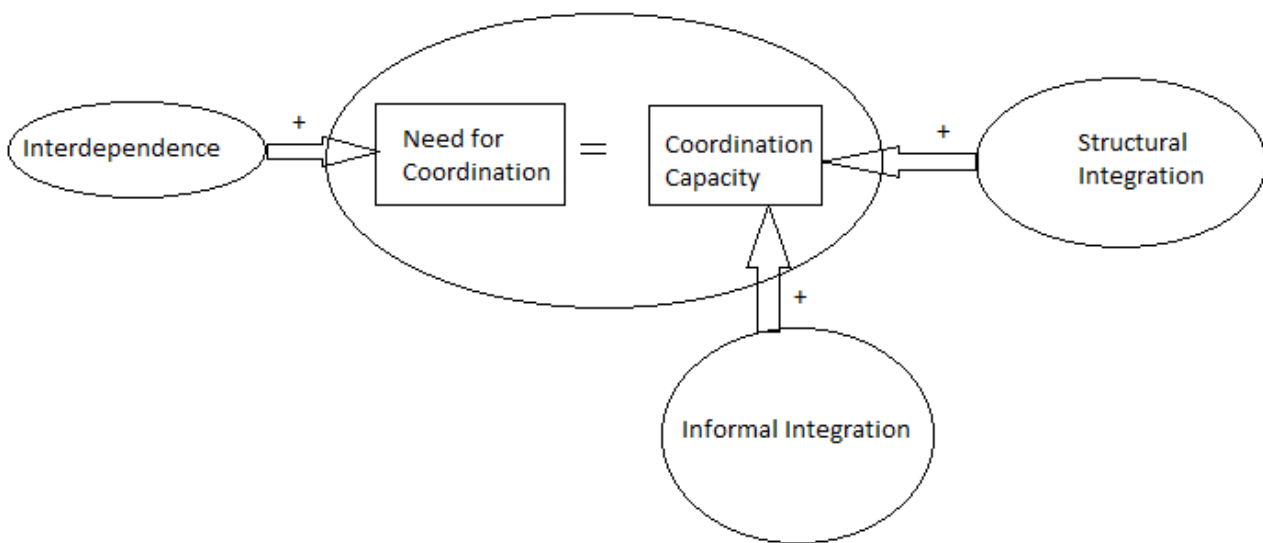


Figure 2.6 Theoretic Model For Post-Acquisition Integration Adapted from Figure 2.2 by Puranam et al. (2009).

3. METHODOLOGY

The methodological approach used to conduct a research study is influenced by the choice of field and problem to analyze. The following chapter presents the methodology used in this specific study, that is a qualitative case-study using semi-structured interview and official data as collection of data and conducted using an interpretive hermeneutic approach.

3.1 Research Approach

There are two primary research methods, namely qualitative and quantitative methods, that are used to acquire data to be analyzed and used for scientific research (Fisher 2007). The quantitative method is distinguished by questionnaire surveys and databases, while qualitative is focused on interviews and observation. According to Fisher (2007), there is a tendency for linking the two methods to the primary research methodologies, namely *realist research* and the *interpretive research*. As he claims, both methodologies may use both methods of acquiring data, but they generally have different ways of approaching the same type of research method (Fisher 2007). The realist research approach “*identifies and evaluates options for action*” and is characterized by structured variables, reductionism, cause and effect, and statistical analysis (Fisher 2007). While a realist research approach might use the qualitative method of interviews in the same manner as an interpretive research approach might use the quantitative method of questionnaires, it is characterized in that it usually uses this type of data collection through a large sample and fixed-choice questions (Fisher 2007). The tests of hypothesis and the attempt to find patterns in the selected data also characterize this research approach.

The interpretive research approach believes that “*understanding provides a context for thinking about action, but does not specify it*” and is characterized by dialogic structures, participant observation, explores meaning and deals with complexity (Fisher 2007). This approach believes that the link between knowledge and action is indirect, and that improving understanding does not necessarily lead to the best action, but should help reaching a better action (Fisher 2007). An interpretive researchers usually have one of two perspectives to choose, either with a concern to meanings and interpretations (*phenomenology*), creating structures from interpretations similarly to a realists creation of structure from variables, or processual perspective (*hermeneutics*), which is “*an attempt to generalize about how meaning is developed through human interaction*” (Fisher 2007). This latter approach puts a lot of emphasis on uncertainty and complexity (Fisher 2007) as processes are not linear and because political processes plays a role in these issues (Dawson 1994).

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In view of these definitions, an interpretive qualitative study is chosen, using a hermeneutic perspective.

3.2 Validity and Reliability

According to Yin (2009) there are four ways through which to judge the quality of research designs; *construct validity, internal validity, external validity and reliability*. Construct validity is concerned with *“identifying correct operational measures for the concepts being studied”* (Yin 2009), and in order to acquire this, a researcher needs to be aware of the fact that his/her constructs do not refer to what they claim they do (Fisher 2007). Internal validity is judged by its attempts to *“establish a causal relationship, whereby certain conditions are believed to lead to other conditions, as distinguished from spurious relationships”*, and is concerned with whether an action is incorrectly believed to lead to an effect, where, in fact, a third factor was the cause of the effect, and with inferences, that is points where an event cannot be observed (Yin 2009). External validity is judged by its attempt at *“defining the domain to which a study's findings can be generalized”* (Yin 2009), and can be conducted either through statistical analysis or theoretical analysis, in which the findings are generalized in the context of the theory tested and should include a *“detailed enough description of the research material to allow the reader to make their own judgments about transferability”* (Fisher 2007; Yin 2009). Reliability is concerned with whether it is possible to replicate the study and achieve similar results, in a case study this is done through replicating the same case (Yin 2009). By using a large amount of primary and secondary sources and addressing rival explanations for the causes and effects of the observed case the author has strived to achieve both reliability and validity in the dissertation. The information used was acquired through the semi-structured interview with the chief of operations of Getinge IC, complemented with a large variety of secondary sources.

3.3 Case Study

According to Fisher (2007) a case-study is a preferable way of conducting research when the researcher seeks to acquire *“an in-depth understanding of particular situations”* as they provide the researcher with a holistic account, covering all the factors of the case which the researcher wishes to study. Above all, a case study helps the researcher focus on the interrelationships between all the factors that affect the problem elected (Fisher 2007) as Yin (1994) notes that it is not always apparent which factors of the problem are a part of the phenomena, and what factors are part of the context. A case-study is characterized by its narrow perspective and approach, using many variables on a single site in real-life contexts (Fisher 2007). Yin (2009) notes that another distinguishing characteristic of a case-study is the usage of questions such as “how” and “why”.

As the aim of this particular study is to acquire in-depth knowledge in one acquisition performed by a multinational and the research questions are all characterized by questions as “how” and “why” a case-study is chosen as the most fitting way to perform this study.

3.3.1 Case Selection

According to Yin (2009) there are five primary types of cases that provide sufficient reasons for conducting a single case-study, namely; *critical case*, *unique case*, *representative/typical case*, *revelatory case*, and *longitudinal case*. A critical case is used to test a well-formulated theory and may either confirm, challenge or disprove the theory, while a unique case represent an instance where a very rare phenomenon is studied due to its rarity (Yin 2009). The typical case is chosen, as it is a good representation of the natural state, while a revelatory case is chosen based on the fact that the phenomenon has previously been available for study (Yin 2009). Finally, a longitudinal case is a case in which the same case is studied at two different points in time (Yin 2009).

The case selected was chosen by using the typical case approach, as it is a good representation of this specific type of acquisition within this industry.

3.3.2 Data Collection

Data collection was initially undertaken by using official sources, such as press-releases, annual reports and information from the corporate websites along with previous research conducted on Getinge AB (in the form of the study of Huang & Wang) and industry studies (such as the study by Ernst & Young or L.E.K. Consulting) was utilized in order to acquire a good overview of the companies, the industry and the specific case. Using these sources, the author acquired a lot of qualitative and quantitative data which was later used in the empirical findings used in the study. The author then used this information in relation to the information acquired to evaluate what further information was required in order to answer the research questions and what was needed to be doubled-checked through other sources in order to acquire validity in the research (Yin 2009). Following this research was the construction of the interview guide (Appendix I) that was to be used for the semi-structured interview, constructed to offer freedom to the interview-subject through open-ended questions (Fisher 2007) concerning the acquisitions process of Getinge AB, the acquisition of La Calhène and cultural issues concerning both acquisitions in general and La Calhène.

In the collection of data from sources such as industry studies, corporate websites and annual reports, the author elected to make precedence for corporate websites and annual reports as a source of primary information. However, in order to more effectively acquire a broad scope of the nature and state of the industry of interest industry studies by renown consulting corporations such as Ernst & Young are a reliable source of information providing this scope. The master dissertations of Huang & Wang (2010) and Sofia Fahlén (2007) are also great sources for information, providing more detailed analysis of the particular corporation (as in the case of Huang and Wang (2010)) or the nature of the industry (as in the case of Fahlén (2007)).

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The interview questions were then written in order to either confirm or contradict what theory and empirical findings had already found, and to fill the holes that the empiric had left. The open-ended nature of the questions led to several findings that were not covered in neither theory nor previous empirics, after which further theoretical framework was developed in order to understand and analyze the information acquired. In order to increase the trustworthiness of those findings I also sought for and acquired additional empiric evidence in order to support or contradict the findings from the interview, as a strengthened validity and reliability was desired.

The interview-subject chosen was positioned at a key-position of the acquiring firm, being able to offer unique insights into the integration of the acquired firm. The empirical data was later also reviewed by the interview-subject, in order to avoid misunderstanding and leakage of sensitive information.

4. EMPIRICAL FINDINGS

This section presents the empirical findings in the research of the problem on the chosen subjects. The chapter initially describes the nature of the MedTech industry, and then follows by outlining the specific characteristics of Getinge AB, covering its multitude of acquisitions. After this, La Calhène is presented and the chapter is concluded by covering the empirical findings on the integration observed of La Calhène. The findings are presented in a layout that is in line with the theoretical framework.

4.1 The MedTech Industry

Mr. Peter Palmqvist (COO of Getinge IC, 30 May 2012), who has experience from the automotive industry, divulges on the specific nature of the MedTech industry in which Getinge AB operates. The industry, he claims, is marked by its technology, which is advanced and requires considerable education in order to sell it. The products need this high-technological nature in order to fulfill its functions. He also says that the MedTech industry is very fragmented, marked by a variety of small, specialized firms that are driven by entrepreneurship and innovation, but that there also exists a number of larger firms. Innovation is, in fact, one of the primary drivers of the industry, and the industry is still growing (Ernst & Young 2011). In Sweden, there are three larger firms within this industry, namely Getinge AB, Gambro and Elekta (Bio-Medicine 2007). Of these, Gambro manufactures supplies for liver and kidney dialyses (Gambro 2011a) while Elekta manufactures solutions for treating brain and cancer disorders (Elekta 2012). Both of these firms have used acquisitions as a means of growth (Gambro 2011b; Elekta Annual Report 2011).

Mr. Palmqvist's claims are supported by an industry study performed by Ernst & Young (2012), which numbers the amount of players on the MedTech arena to just short of 1'800 in Europe and USA. It also emphasizes the importance of innovation and acquisitions for the industry, but also the shift towards collaboration and health-outcomes in the sector (Ernst & Young 2012). Rodewald (2011) also support this shift, claiming that the "*competition in the MedTech space is more about quality than costs*", and corporations are prone to manufacturing in high-cost markets, as their competitive advantage stems from a well-educated work force.

It is a very complex industry, however, and industry studies imply that the competition that firms active in the industry face is not only from other MedTech firms. One such study is one by L.E.K. Consulting, who found opportunities and threats between MedTech firms and drug companies within the life science department (L.E.K. 2010). Other research mentions the threat Elekta faces regarding their idea of conducting brain-surgery through the introduction of high acceleration technology, which lead Elekta to acquire this

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potential competitor (Fahlén 2007).

While the industry in its own right is constantly evolving due to its reliance on acquisitions, so is the market they are facing evolving. The recent health care reform in USA is predicted to alter the market, as the hospitals of USA have started to view their suppliers more holistically, opting for single suppliers rather than a variety (Ernst & Young 2012). The study of Ernst & Young also predicts that the number of firms in the MedTech industry will shrink due to the increased risks for venture capitalists, which combined with their description of acquisitions as the only real exit-strategy as a funder, implies an increase in acquisitions and a consolidation of the market.

According to the interview with the COO of Getinge AB, this is a trend in the MedTech industry, as it is an industry that is still growing and evolving, but there also exists larger firms, such as Gambro and Elekta. In spite of this, it is still a fragmented industry in stark contrast to the consolidated automotive industry, which is dominated by firms such as Ford, Toyota and Volkswagen. The MedTech industry is also driven by innovation and entrepreneurship, which would explain the number of small firms within the industry.

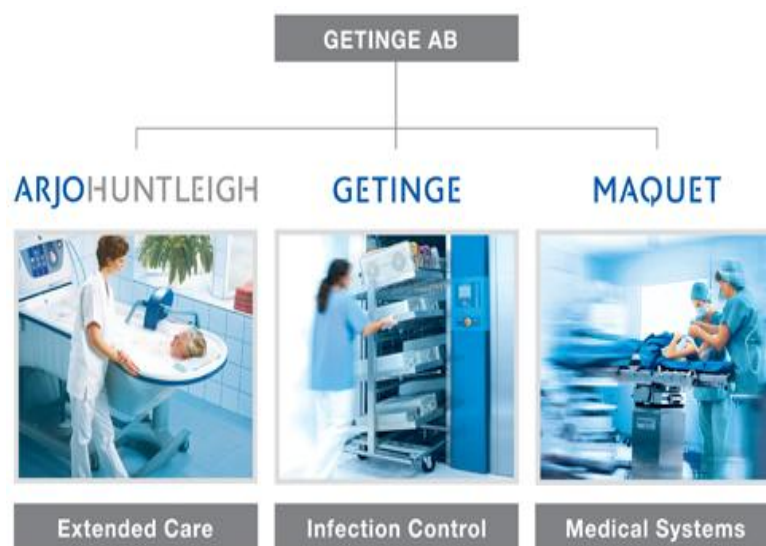
A study by Huang and Wang (2010) highlights one tendency of the MedTech industry, namely that usually firms has to compete with several other companies in order to acquire a good candidate for their business-portfolio. They also found that Getinge AB, as a part of their pre-acquisition process, have been known to perform surveys on their current customers in order to find out whether or not a new form of technology would be accepted by the market, approaching up to 100 customers for this knowledge (Huang & Wang 2010). This implies that the competition in the industry is not only in a seller-to-buyer-fashion, but has also spilled into a competition on the acquisition-level.

4.2 Getinge AB's Basic Information

Getinge AB is, in their own words, *“a leading provider of products and services for operation rooms, intensive-care units, care units, sterilization centers, elderly care and companies and institutions that are active in the Life Science area”* (Getinge Annual Report 2010), with activities divided in three business areas: Extended Care (ARJOHUNTLEIGH), Medical Systems (MAQUET) and Getinge IC (with the three customer segments Healthcare, Pharmaceutical/Medical Device and Research) (Getinge AB 2012c). The company that would grow to have yearly net sales of roughly 2469 mEUR in 2010 (Getinge Annual Report 2010, calculated from mSEK) was founded by Olander Larsson in 1904 producing and selling agricultural machinery under the name *“Getinge Nya Mekaniska Verkstad AB”* (Getinge AB 2012b; Getinge Industrier Annual Report 2000). In 1932 Getinge AB sold its first sterilizer, a step which the corporation regards as its first step towards its current business focus (Getinge Annual Report 2000). Getinge AB was later acquired by Electrolux in 1964, which made them part of the large appliance manufacturers international group (Getinge Annual Report 2000). The first acquisition Getinge AB partook in was in 1973, when Disinfection Company

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Växjö Rostfritt and autoclave manufacturer CTC was acquired (Getinge AB 2012b). After partaking in a number of acquisitions, Rune Andersson and Carl Bennet would then acquire the company from Electrolux in 1989 (Getinge AB 2012b). Following this change of ownership, Getinge AB would then proceed to acquire a number of firms, most importantly Arjo in 1995 and Maquet in 2000 (Getinge AB 2012b) which would later form the basis for the business areas extended care and medical system respectively. Getinge AB would later also acquire Huntleigh in 2007 to broaden the product offering of extended care, the largest acquisition the firm has undertaken (Getinge AB 2012b). A detailed entry of Getinge AB's previous acquisitions is listed in Appendix II.



Picture 4.1 Getinge AB Source: *Getinge AB Corporate Website*

4.2.1 Getinge Infection Control

Getinge IC is the business area with the strongest connections to the origin of Getinge AB, as their products involves products used for sterilization and disinfection, and was not formed based on larger acquisitions, but has been developed through both acquisitions and organic growth (Getinge AB 2012b). Getinge IC also claims to excel in the integration of the technology of their product offer in order to provide complete solutions to their client's needs (Getinge AB 2012a).

From the interview with Mr. Palmqvist, several enlightening insights were acquired. Getinge IC is divided into two business divisions, namely Healthcare and Life Science, where the products of Healthcare are more standardized than those of Life Science, but are otherwise function very similarly. The Life Science division operates closely to the customer in order to ascertain its needs, and uses the competencies and personnel of its various corporations to develop a complete solution to the client's needs. Sometimes that requires the creation of entirely new technology, while other times the division needs to fit the current product offer into a single cohesive offer. The Health Care division has a more standardized offer, in comparison to the Life

Science division, but also offers complete solutions through a consultative approach.

4.3 La Cahene's Basic Information

The 40-year old La Calhène Group is a subdivision of Getinge AB's business area Infection Control that was acquired in 2005 from its previous French owners. The group is based in Vendôme and had reported, at the end of their last independent financial year (2005), sales of 40 million Euros with about 280 employees with activities in UK, France and USA (Getinge AB 2005) with production in Vendôme, Rush City and just outside Paris. The La Calhène Group offers products for manipulation of nuclear waste transfer and transportation, isolators for protection of food-products, and healthcare products, such as isolators, life sciences and products used for testing sterility (Getinge La Calhène 2012a). The Group has a 40-year old experience of the nuclear industry, which is their original business area, experience which they implement in their other, younger areas of business (Getinge La Calhène 2012b). As Mr. Palmqvist puts it: “Their product portfolio comes from a background of how to isolate different environments from one another and how to transport them, regardless of whether it is an aggressive environment you want to protect the environment from, or a sterile environment that you want to protect from the environment.” (translated)

Similarly to Getinge AB, The La Calhène Group caters the needs of large pharmaceutical companies, but also have other customer segments, such as research laboratories, nuclear fuel waste processing plants, and the food-processing industry (Getinge La Calhène 2012a; Getinge AB 2005). The group has strong connections to their main-plant in Vendôme, in which a majority of their employees are positioned, tasked with both production, production development, and sales and marketing.

Upon being acquired in 2005 by Getinge AB, Getinge AB stated in their press release of the acquisition that the expected integration would primarily include the marketing organization of Getinge IC and expected a strong growth in volumes. They also wanted to integrate the La Calhène Group into Getinge's Life Science organization – a subdivision of Getinge IC – in order to boost the division's presence in the pharmaceutical industry (Getinge AB 2005). It is also worth to note that La Calhène has been allowed to keep their name and brand since being acquired.

4.4 The Integration of La Calhène Into Getinge IC

According to the interview with Mr. Palmqvist, he describes the acquisition as one in which parts of the sales and services department is integrated with the global sales force of Getinge IC, but still retains a sales force of its own. In other regards, La Calhène has retained a lot of its autonomy, but with regular financial reports and control from Getinge IC. La Calhène has, in this manner, maintained two sales channels. Since its integration, the production facility outside Paris has been phased out into being a research and development office, with some sales support. The previous sales offices in both Rush City and UK have since been fully

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integrated in Getinge ICs sales force.

Since La Calhène's integration into Getinge IC also included being included in Getinge IC's Life Science department it has had a lot of interaction with that unit on certain levels. The department was founded in order to integrate the different competencies of the various firms in the department in order to provide clients with something Getinge IC calls "Complete Solutions", that incorporate all the client's needs into one offer. Complete Solutions, Mr. Palmqvist describes, is a form of consultative sale and generally functions on a project level with input from all parts of Getinge IC. He also says that, in general, smaller firms have been more concerned with manufacturing on a product level and catering to single needs than complete solutions and says that this is one of the things that Getinge AB may bring to the acquired firms. Research and development still resides locally at the firm, utilizing their specific competencies of the firm, but is managed and guided by this business development function in order to provide complete solutions for the Life Science area. The business development function is coordinating the efforts with the managing directors of each local company, using input from both sales and research and development.

According to Mr. Palmqvist, La Calhène has an extremely complex and specific product portfolio, which makes it difficult to fully integrate the sales force as it requires a lot of education and knowledge about the products. In La Calhène's the expertise available at the manufacturing site will have to be brought in for certain products, in order to cater to the very specific needs of their clients. Providing this sort of education to the entire Getinge ICs sales force would be very expensive, difficult, ineffective and makes no business sense. Mr. Palmqvist claims that this has been one of the most difficult aspects of this particular acquisition, the complexity of the product and the fact that it is not entirely within Getinge IC's original product portfolio makes it difficult for their local sales personnel to incorporate their products in their offer.

While every business unit is responsible for its own bottom-line and its own supply, Getinge IC has made efforts towards optimizing the supply-chain-costs for the entire business area through contracts with specific suppliers that cover the entire business area. This is done in order to decrease the number of suppliers used to give larger quantities to these suppliers. Thus, the orderings are made locally, while the strategic development and choices of suppliers is placed centrally in Getinge IC. In this manner, Getinge IC strives to rationalize and limit costs by becoming a larger customer with those suppliers, thus strengthening their position towards these suppliers.

When it comes to incorporating the specific organizational culture of Getinge AB into La Calhène, Mr. Palmqvist states that there have not been any forced attempts at incorporating the Getinge AB culture into La Calhène. Rather, the management style and culture of Getinge AB is successively incorporated into the firm through the strategic governance and interactions of their local management. In the case of La Calhène, there was no extensive exchange of management involved in the take-over.

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La Calhène was considered to be fully integrated into Getinge IC by the end of 2006, and was specifically noted to be contributing to the strong growth of 2007 (Getinge AB 2007b).

In conclusion, Mr Palmqvist says that he considers the acquisition of La Calhène to be a successful acquisition, and that the firm is now a natural and well integrated part of Getinge IC and its complete solutions offer. The acquisition has rendered La Calhène a growth in sales volume and turnover, remaining autonomous under the wings of the Getinge AB, thusly efficiently using the synergies of being part of a global corporation.

5. ANALYSIS

The following is an in-depth analysis of the empirical evidence gathered from the theoretical framework presented in chapter 2. The layout is presented as closely to the theoretical framework as possible, beginning with an analysis of the MedTech industry, followed by an analysis of the structural integration of La Calhène. This section is followed by an analysis on the informal integration observed and an analysis of the acquisition of La Calhène relative other acquisitions undertaken by Getinge AB. The chapter is concluded by an analysis of the impacts of the industry on acquisitions decisions.

5.1 Industry Analysis

According to Porter (1979) there are five forces in an industry that explains the competition and the relationship between the different stakeholders within the industry, namely the *threat of new entrants*, *threat of substitutes*, *intensity of rivalry*, *bargaining power of customers* and *bargaining power of suppliers*.

From the empirical findings presented in the previous chapter it is easy to draw the conclusion that the MedTech industry is characterized by an intense rivalry (Porter 1979), as there are a lot of firms active on the market. The problem with approaching the problem in this manner is that, while the MedTech industry do have a lot of firms active, a majority of these firms are not in direct competition with one another. The example of the three Swedish firms Gambo, Elekta and Getinge AB provided earlier shows rather accurately the nature of the industry, as these firms are all active within the MedTech industry, but produce products for very different, specific purposes. The same holds true for several acquisitions undertaken by Getinge AB, which will be discussed further in 5.4, with acquisitions as varied as La Calhène, that produces isolators, and Kemiterm, that produces distillers and steam generators, which have both been acquired by the Getinge IC division. This implies that the MedTech industry should be viewed not as one cohesive industry in this regard, but rather as an industry that consists of several smaller industries, in which the competition is not very intense. As Huang and Wang (2010) concluded, the intensity of rivalry is rather noted when several larger firms attempt to acquire the same firm, than in the individual product competition. This may very well be because of the strong tie and dependence the industry has to technology and innovation, as well as the complex nature of their products. There are, of course, also firms active with similar products in the same specialized industry, but geography is a factor in this, and the competition is based on quality rather than costs (Rodewald 2011), which ties it closer to the research and development functions. Therefore, the intensity of rivalry is low in regards to products, but medium to high when concerning certain acquisitions

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and inter-industry activities.

The threat of new competitors on these smaller, specialized markets is fairly low, as the costs of research and development on the entire MedTech market is very high, and researching similar technology would be extremely costly. The costs of producing these wares are also high, which works as a deterrent for new competitors. A trend that is consistent and still important for the industry, however, is that of innovation and entrepreneurship, which means that there are still new competitors rising on the industry as a whole with new, specialized products in new areas. While these may enter in to the different areas that the existing corporations are active in, they are in general not in direct competition with them. The largest threats for the larger corporations would rather be the formation of new organizations through the merger of existing corporations rather than the entrance of new, small firms. As a whole, the threat of new entrants should be considered as medium. While there is a possibility that new small firms may enter the smaller specialized markets, the threat is larger than existing firms would merge into a stronger entities, as the MedTech industry is not, as of yet, a consolidated one.

The threat of substitutes is a complicated issue in this industry, much as the products in their own right are complex, and may come from entirely different industries, as implied by 4.1. A thorough analysis of all possible substitutes within the MedTech industry would be very complex and long, and outside the premise of this study. To conclude the analysis of the threat of substitutes, the author draws the conclusion that the threat of substitutes could be considered medium, as there does exist substitutes and competition on the market, but it is far from a consolidated market.

The bargaining power of buyers within the MedTech industry is currently predicted to change within the Health Care sector, as the healthcare reform in USA has affected the market (Ernst & Young 2011). The holistic viewpoint of suppliers and the tendency to look for healthcare outcomes may give the hospitals (buyers) a strengthened standing compared to the suppliers. This implies that the bargaining power of the buyer might be increased in this area, and may affect the healthcare sector in the industry as a whole. The strength of the suppliers in the MedTech industry could still be regarded to be stronger than that of the customers, as there is not overly strong competition, the threat of substitutes is not very high, and the products offered by several corporations are fairly unique with limited availability for substitution. The disparity between the bargaining power of the suppliers and buyers is not that big, however, but is rather close to one another, but the company has a slight overhand over the customers. Therefore, the bargaining power of the customers might be considered to be medium to low.

The bargaining power of suppliers for the corporations within the MedTech industry may be regarded as low, which is indicated by the inter-firm contracts Getinge AB has made with suppliers in order to lower costs through large orders.

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What is clear from the analysis of the five forces is that the industry is characterized as being fragmented and unconsolidated, driven by entrepreneurship and innovation. The role that technology plays in this industry cannot be emphasized enough as it is, in its own right, a driving factor for the relationship of the industry. Rather than being viewed as a single industry, it might also be considered as a cluster of several smaller industries defined by the specific task that the specific product is intended to handle, and substitutes may come from entirely different industries than the MedTech industry, such as from drug companies etc. The largest threat to the larger companies would appear to be firms of similar size and the threat of them acquiring firms that could provide substitutes for their products, rather than the smaller firm manufacturing the product. The industry is also characterized by high costs for research and development, and in conjunction with the previously mentioned conclusions, it might explain why there is a tendency for acquiring firms within the MedTech industry, as it hinders competitors from acquiring the technology that might threaten to substitute the firms' own products and because of the high costs of developing that technology on their own.

5.2 Analysis of Degree of Integration

According to Hubbard (2001) there are six primary strategic motives for acquiring a firm, of which the author has chosen to implement five, namely; market penetration, market entry, financial synergies, asset potential/synergy, and economies of scale. Judging from the press release previously mentioned (Getinge 2012) it is easy to draw the conclusions that the motivations for the acquisition was market entry, financial synergies and some economies of scales-motives, perhaps even market penetration. This keeps in line with the study performed by Leland (2007) that financial synergies are not, on their own merit, a sufficient reason for acquiring a firm, but is rather a contributing factor to an acquisitions motive. The interview with Peter Palmqvist gives a slightly different picture of the situation, as it shows that market entry, market penetration, financial synergy and certain amounts of asset synergy were more likely reasons for acquiring La Calhène. Their product portfolio is very specific and covered ranges that Getinge IC had not previously offered their customers. Their products was still integrated into a complete solutions offer, which indicate that the motive for the acquisition was not merely market entry, but was also affected by market penetration, as it aimed towards creating more substantial value for their customers.

The complete solutions offer also provides evidence to support the theory that certain amount of market penetration-motivations played a role in the evaluation and acquisition of La Calhène. Of these motivations the strongest were probably market entry and market penetration (using Leland's (2007) stance that financial synergies are not sufficient for motivating an acquisition) and including the asset synergy motives, we find that these three reasons center around change with controls as the most likely degree of integration, from the possible financial controls, change with controls and functional integration as displayed in figure 5.1. This implies that the degree of structural integration that would follow this type of acquisition should be expected to mean some form of restructuring, such as introducing new technology or exchanging the existing

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management for a new one.

	Financial Controls	Change With Controls	Functional Integration
Financial Synergies	Likely	Possible	
Market Entry	Likely	Possible	Possible
Asset Synergy	Possible	Likely	Possible
Market Penetration	Possible	Possible	Likely
Economies of Scale			Possible

Figure 5.1 Expected Level of Integration Adapted from figure 2.3 (Nancy Hubbard 2001)

The interview with Mr. Palmqvist shows that this is somewhat correct, as the acquired firms' sales force was, in part, integrated in to the global sales force of Getinge IC, while still retaining a lot of sales- and support functions locally. The interaction between La Calhène and the Life Science department implies a slightly deeper connection than merely restructuring, as it involves a substantial interaction between the management of La Calhène and the business development function, as well as influencing what direction the research and development should take. This leads the author to believe that La Calhène's structural integration has been slightly deeper than change with controls, but not as deep as functional integration, as that would imply a deeper structural integration of La Calhène's capabilities than has occurred. As further analyzed in section 5.4, this is likely due to the fact that certain amounts of informal integration has been utilized. The structural integration of La Calhène would rather be in between change with controls and functional integration, but leaning more heavily towards change with controls.

Taking this in relation to the specific kinds of acquisitions that Huang and Wang (2010) found that Getinge AB operates with (namely strategic and bolt-on acquisitions) this would probably lean towards a strategic acquisition that requires a lot of thought before being acquired.

The two strategic motives that has not been discussed yet is financial synergies and asset synergy/potential (Hubbard 2001). The financial synergies that Getinge AB probably sought to acquire was the ability to utilize the global sales force of Getinge IC, alongside of gaining ability to use the cost-synergies that Getinge IC had made with several large suppliers in order to lower the costs by becoming a larger customer. The asset potential has been briefly touched on, but is, in this case, not used to imply a change of management or anything similar to that, but rather to showcase the synergetic possibilities of being part of the Life Science department, which allowed for the products of La Calhène to be put in a larger perspective and give La Calhène a larger customer-base by being a part of their complete solutions.

While the author expected a higher rate of structural integration between La Calhène and Getinge IC due to the market penetration motive, this was not the case. The reasons for this might be that the same motives and

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required structural integration should not be regarded as a single cohesive motive for all parts of the firm, as the market entry motive is more driving concerning manufacturing capabilities and research and development. The cost-reduction synergies of integrating the sales force was probably driven by some asset synergies motives and market penetration. The structural integration of La Calhène is in a lot of ways sufficient for the market entry and asset synergy motives, but both the market penetration and the actual coordination of products indicate a higher structural integration. A less complex product might also have leaned it more easily to a structural integration of the sales- and services department, but with the rigorous training required for such a level of structural integration, the costs are likely to outweigh the merits.

5.3 Analysis of Informal Integration

As concluded in 2.2, Puranam et al. (2009) found that there are certain factors that determine the need a corporation has of integrating a firm, and that there are different ways in which this can be done. They concluded that the integration (coordination capacity) depended on the need for coordination and the interdependence between the firms, and that the coordination capacity consisted of structural integration and informal integration (Puranam et al. 2009).

As was concluded in 2.4, the level of integration could be considered to depict the structural integration of Puranam et al.'s (2009) theoretical equation (Figure 2.2), and with the analysis from section 5.2 we may conclude that the structural integration was limited to certain changes and a follow-up of financial controls as well as certain influence on the development of the product portfolio. Seeing as the Life Science division of Getinge IC offers complete solutions, in which the products of La Calhène play an integral part, and that the business development function of the division jointly plans the development of products, the simple assumption of structural integration as the only means of coordination between the acquiring firm and the acquired firm is not sufficient. The conclusion is that there is a higher need for coordination between the acquiring firm and the acquired firm than is explained by the structural integration part of the theoretical model, as La Calhène has not been structurally integrated enough to fill the coordination capacity. The conclusion, therefore, is that there is likely to be some form of informal integration, which is common ground, used to fill that gap.

The study of Huang and Wang (2010) shows that the cultural management post-acquisition is generally handled with a lot of interaction on the managerial levels in order to convey the culture of Getinge AB to the acquired firm. Their study and the interview with the Mr. Palmqvist also shows that this is the primary means through which Getinge AB conveys culture to the corporations acquired (Huang & Wang 2010), and could therefore fill the role of informal integration in the case of La Calhène and Getinge IC.

I have analyzed a few of the reasons why this specific level of structural integration (change with controls) was undertaken from what the underlying motives for the acquisition were, but not why deeper structural

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integration would be unfavorable. As found in 5.1, the role of technology in the MedTech industry is extensive and permeates in most facets of the industry and how it functions, and one of the more common acquisitions strategies is acquiring firms producing technology previously not within the product portfolio of the acquirer. Along with the fact that innovation of new technology is one of the most important facets driving the industry, it should not be overlooked and is not covered to a satisfying extent in 5.2. As Puranam et al. (2009) found, there is high risk of disrupting the innovative capabilities of the firm and they do not recommend the acquisition of stand-alone technology firms to be deeply structurally integrated.

As the Mr. Palmqvist explained, La Calhène's product was not a part of Getinge IC's previous product portfolio, which implies that it was what Getinge AB calls a strategic acquisition that involves certain levels of risk (Huang & Wang 2010). While this would also imply that the need for coordination and interdependence would be low, as it is pretty much a stand-alone product, the fact that it is a part of the complete solutions offer of Getinge IC means that there exist higher needs for coordination, as the product must be integrated into this offer. This does not necessarily imply any need of structural integration, but would require some sort of coordination at the research and development stage. As it was concluded that structural integration of this process could hurt these specific capabilities of the firm, these processes would need to be integrated informally via common ground integration. As the study of Huang and Wang (2010) concluded, this form of informal integration generally occurs at the managerial levels at Getinge AB. This is supported by the interview with Mr. Palmqvist, as it is where the integration of La Calhène and its products have occurred. This has been implemented by the managing directors of each firm meeting at Life Science's business development function in order to find a common ground and understanding as to what products needs to be developed or modified in order to provide the complete solution to the clients' needs.

We can therefore find that this specific quality of Getinge IC (that is the desire to create complete solutions for their customers) creates a need to integrate La Calhène to some extent, but that the fact that La Calhène is a stand-alone product means that this integration cannot be focused structural integration without risking the loss of the innovative process of La Calhène. This therefore creates a need to informally integrate La Calhène through the creation of common ground, as the structural integration would be insufficient for the need for coordination to be filled.

5.4 Analysis of the Acquisition of La Calhène Relative Getinge AB's Previous (and Subsequent) Acquisitions

In Appendix II the author outlined the acquisitions Getinge AB has partaken in between 1973 and 2009, listing some of the probable motives for acquiring the specific firm using press releases and annual reports. Among the reasons most commonly presented were market entry, whether entering a new geographical market or a new industry. Most likely a larger amount of the acquisitions with a market entry (geographical) actually also included the entry into a new industry, but the information is not easy to come by, as a lot of

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those acquisitions date far back, and several are no longer operating under their previous names, unlike La Calhène. In fact, several times that market penetration was listed as a probable reason, it generally also meant the acquisition of new technology that previously had not been a part of the products or technology of the group. Although asset synergy is only listed as a probable motive in the acquisition of La Calhène, the author has reason to believe that it was an important factor in several other acquisitions, as the creation of the Life Science department implies, but there is not substantial evidence to support this. Some of these acquisitions also lead to consolidation of certain production facilities for the production to be moved to other factories, which implies the motive of economies of scale. La Calhène is somewhat special in relation to other acquisitions that Getinge AB has undertaken, as it is a very complex product and did not reside in line with the previous product portfolio and was therefore difficult to integrate into Getinge IC's sales- and service-function. It is, however, fairly similar to the previous acquisitions in other regards. In fact, the acquisition of La Calhène is rather similar to one of the more standard practices within the industry, as it is marked by a tendency towards technology acquisitions and is rather loosely integrated into the acquirer.

5.5 Analysis of the Impact of Industry on the Acquisition Decisions

As the analysis in section 5.1 has indicated, the highly technical and innovation-based nature of the MedTech industry has immense impact on the decisions in the acquisition-process from what types of firms are acquired and why, to the manner in which they are integrated. It also explains why Getinge AB has distinguished between bolt-on acquisitions and strategic acquisitions, as the definitions of the World Investment Report are more diverse than necessary. Market penetration and vertical expansion are both what could be considered bolt-on acquisitions, which involve considerable less risk for the firm, as these capabilities are either easily integrated, or are already a part of the owner-specific advantages of the firm, while the market entry motives of strategic acquisitions are considerably more risky and differs from the previous motive. The sheer amount of acquisitions observed in the industry is also a natural consequence of the impact innovation and entrepreneurship have on the industry, as well as the costly process of developing products within the industry. This also explains the existence of such a great amount of small firms within the industry, as many have been founded on the principles of innovation and entrepreneurship, and the acquisition trend of the industry points towards a possible consolidation of the industry. One of the underlying factors of this trend is likely the reason that there are a lot of smaller entrepreneurial corporations with successful products that lack the financial strength to grow further, and therefore have reasons to want to be acquired as well as the firms having motives to acquire them. As the analysis of this chapter indicates, the MedTech industry is experiencing change, and there is cause to believe that there might exist a risk of the market consolidating in the foreseeable future.

6. CONCLUSIONS

This chapter contains the general conclusions drawn from the case and answers to the research questions posed in the introduction. The chapter then continues to outline the theoretical and managerial implications of the case, as well as discussing limitations and recommendations for future research. Included is also a discussion on certain points that was not observed in the case study, and a discussion as to why these points were not observed.

6.1 General Conclusion

With a basis in the problem discussion and the theoretical framework placed concerning the field of interest, to analyze the ways in which a corporation implements and integrates an acquisition and what the role industry has in the underlying decisions, three research questions were formulated. By studying the facts and analysis of the case of the acquisition of La Calhène the following conclusions could be drawn:

6.1.1 RQ1: How does the MedTech industry affect the acquisition in the case of Getinge AB and La Calhène?

The role of the industry characteristics seems to have a large impact on how acquisitions are conducted, why they are undertaken and to what extent they are used. The MedTech is, for one, characterized by a large amount of acquisitions being undertaken, and it is not uncommon for a firm to undertake several acquisitions in same year, examples of which would be Getinge AB's eight acquisitions of 1998. The amount of small firms seems to be the cause of this, as it indicates the opportunity to acquire a greater variety of firms with less financial risk than acquisitions in; for example, the automotive industry would experience. As Puranam et al. (2009) concluded, the impact of technology on the acquisition decision is a decisive factor, and an industry in which the acquisition of technology is more common this will greatly impact the decisions taken. The industry will therefore also impact the leniency towards either structural or informal integration, where a fragmented industry driven by technology will lean towards informal integration rather than structural in the cases of the acquisition of stand-alone products, as the likelihood for technology acquisitions would be increased compared to a consolidated industry.

The MedTech industry's effects on the decisions taken in the case described are extensive, as the diverse nature of the industry lends itself to a higher extent of stand-alone acquisitions than might be observed in other industries. The shift towards healthcare outcomes and consolidation also supports an increase in

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complete solutions offers, and therefore a higher extent of acquisitions of this kind. The technological nature of the industry also impacts the specific acquisition, as it was difficult to structurally integrate La Calhène, and the informal integration route was therefore necessary. The MedTech industry did therefore affect the specific acquisition in three ways; 1) a slow consolidation means that acquisitions are easier to undertake than in a consolidated industry; 2) the high technological nature of the industry makes deep structural integration more difficult to undertake; and 3) the drive for health care outcomes drives a need for informal integration in order to offer complete solutions to the customers.

6.1.2 RQ2: What capabilities of La Calhène are integrated Getinge AB, and why?

As the most important strategic (again differing from personal and political motivations) motive for acquiring another firm is that the acquiring firm believes that it can utilize the capabilities or synergies of some form of the firm more efficiently than the firm could autonomously, the logical conclusion is that the capabilities integrated would be those that create greater value from being integrated. This is, however, a very simplistic way of answering the posed question and does not give a sufficient answer to it.

The integration of value-creating capabilities may be referred to as structural integration (Puranam et al. 2009), and is dependent on the motives behind the acquisition. Nancy Hubbard (2001) named six strategic motives behind acquiring a firm determining the subsequent integration; *market penetration, vertical expansion, financial synergies, market entry, asset potential/synergy* and *economies of scale*. Each of these is then correlated with likely, probable and unlikely levels of integration in figure 2.3 (financial controls, restructuring with controls, functional integration or total integration (Hubbard 2001)). Why certain capabilities are integrated are dependent on the underlying motives and the need for coordination (Puranam et al. 2009) but are also dependent on the informal integration chosen.

In the case of Getinge AB and La Calhène, the only structural integration that took place was a restructuring of the sales force that rationalized a small amount of the sales force (primarily UK and parts of the USA sales force) and certain coordination on the managerial level, based on the fact that further structural integration of the sales force would cost more than the firm would gain due to economies of scale and would result in an ineffective sales force. The reason why no further integration was undertaken was due to it being a pure *technology acquisition* of a *stand-alone* product in which further structural integration might very well harm the innovative competitive factors that is important in the industry (Puranam et al. 2009). The risk of disrupting the research and development processes and losing technical competencies would make it foolish to integrate these processes or place further restrictions on the acquired firm. The reason for this was because the strongest motives were market entry and penetration, wishing to acquire certain technical competencies and products as well as research and development processes (Gendron 2004).

Getinge AB appears to be falling in line with the expected structural integration to some levels, but the level of cooperation within the Life Science department and the complete solutions offer is not explained strictly

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by structural integration, that is the integration of capabilities. There is therefore a need to analyze further aspects than is covered by Hubbard's model.

6.1.3 RQ2: How does Getinge AB integrate La Calhène?

According to Puranam et al. (2009) the acquiring firm can integrate an acquired firm through either *structural integration* or informal integration (*common ground*), where the latter can be more closely related to cultural factors. The structural integration is defined by Nancy Hubbard (2001) to be one of four (financial controls, restructuring with controls, functional integration or total integration) that define the degree of autonomy the acquired firm enjoys from the acquiring firm. In Getinge AB, these two different means of integrating and coordinating the acquired firm may be linked to one of two types of acquisitions; *strategic* and *bolt-on* (Huang & Wang 2010), which, in turn, are a simplified version of the three types of acquisitions defined by the World Investment Report (2000); *vertical expansion*, *horizontal acquisition* and *conglomerate acquisition* (strategic). Huang and Wang (2010) went on to conclude that this was likely a more practical approach. This study shows that the strategic acquisition has more in common with informal integration (though exceptions may exist), while bolt-on may be linked to a greater degree of structural integration.

The decision to integrate the firm is, however, dependent on how large the *need for coordination* (Puranam et al. 2009) is, which is dependent on the underlying motives for the acquisition. While Hubbard's (2001) model (figure 2.3) only shows the structural integration required to reach the need for coordination, it fails to address the informal integration that should accompany this structural integration. The market penetration sought in the case of the acquisition of La Calhène, for example, required certain informal integration steps as well, with the exchange of culture and coordination with other managing directors within the Life Science department, and the market penetration motive that acted as one of the reasons to acquire required additional informal integration to function efficiently (seeing as market penetration's most likely degree of integration required would be functional integration, which was not observed). The study of Huang and Wang (2010) also shows that the informal integration occurs on the managerial level, which is also supported by the interview with Peter Palmqvist, which describes the coordination within the Life Science department. The coordination does not, however, fully explain the integration of La Calhène, as the integration of the managerial level within the Life Science department is neither fully an increase in structural integration or informal integration, rather being something in the middle, where the structural integration is slightly above restructuring with controls, as the informal coordination alone does not fill the gap between the need for coordination and the level of coordination with restructuring implies.

The conclusion is therefore that Getinge AB integrates La Calhène both structurally and informally, integrating it structurally into their organizational network to some extent as well as through the integration of certain sales functions, and informally through a certain spread of culture and coordination through business development and similar functions. The conclusion of the case study is therefore that both structural and informal integration was required in order to fill the coordination capacity and realize the synergies

sought by the motives of market entry and market penetration.

6.3 Managerial implications

Theory does not generally reflect reality perfectly, and the understanding of the underlying processes may not impact on the process itself, but knowledge about it may offer a path to reach better solutions than would have been reached uninformed. Knowing and being able to pinpoint the specific reasons for wishing to acquire a certain corporation will help a corporation to find the required amount of work that will have to take place in order to structurally integrate the firm to a proper degree in order to reach the desired synergies of the new entity. Knowing what place the product portfolio of the acquired firm will have in the new entity will also aid in understanding how much informal integration will have to take place in order to fill the need required for such a degree of integration. Understanding the nature of the industry will also help understanding certain limitations and risks that may be involved in the acquisitions process, and how to avoid these specific risks when taking decisions as to the level of structural post-acquisition integration to be taken.

6.4 Recommendations For Future Research

Further studies within this field is recommended in order to acquire a deeper and clearer understanding of the process of mergers and acquisitions and further emphasize the importance of proper understanding of this field when in the decision-making process. Subsequent research should either be broadened to map this type of acquisition in several industries, or tilted to show the polar opposite of this type of acquisition in the MedTech industry – that is either a failed acquisition or a fully merged acquisition. The following is a summary of suggested further areas of research:

A study involving several acquisitions of either the same type or industry, or, preferably, both. The analysis of a few acquisitions in two industries with differing dependence on innovation and technology would be recommended.

A study diversifying the levels of integration that may be observed between two firms, accounting for this project-based form of structural integration between autonomous firms observed in this study, and finding the cause of why this is observed.

Another instance in which further research would be recommended is within the asset potential/synergy motive of an underlying acquisition, as it currently is tilted towards the replacement of management, while the practical reality observed in the acquisition of La Calhène is the reason of coordinating the technology into a complete solutions offer. A larger emphasis on this type of semi-informal semi-structural integration would be recommended.

6.4.1 Why No Significant Problems were observed

In the start of the process of gathering information and approaching the problem of this case-study, I initially posed a fourth research question: *what problems arise when integrating and coordinating the acquired firm within the existing organizational hierarchy*. This question was removed from the finalized version of this dissertation, as there hadn't really been any observed problems that would warrant further analysis and discussion than already warranted by the previous three research questions. It is still an interesting side-note, however. The only problem that was observed during the integration and coordination of La Calhène was the difficulty of integrating the sales force, which was due to its complex technical nature, and due to the fact that the greatest extent of integration was informal. The autonomy of La Calhène is probably the reason why this is the only problem of integration noted, as the only level where integration and coordination occurred in any significant amount was on the managerial levels. Therefore, the reliance on informal integration on the managerial levels in a friendly acquisition should not lead to serious problems, which makes the initial question posed irrelevant for the specific case.

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APPENDIX I: INTERVIEW GUIDE

A: Face Sheet Questions:

- 1: What is your role (not title) at the company?

- 2: In what field would you say that you have the most experience?

- 3: Do you have any international working experience?

B: Getinge Infection Control and Acquisitions:

- 1: Getinge Infection Control have a wide amount of business areas. Which would you say is the

- 2: Why do you think your corporation has partaken in so many acquisitions?

- 3: Who chooses what firms are to be acquire, and who is responsible for implementing the acquisitions?

- 4: What steps have Getinge Infection Control in general taken to optimize your production capabilities in regards to your acquisitions?

- 6: How do Getinge follow-up on an acquisition to assess its success?

C: Acquisition of La Cahène:

- 7: How has the integration of La Calhène into Infection Control gone?

- 8: What functions of La Calhène has, seven years later, actually been integrated in to Infection Control, and what functions are still divided from the other parts of the operation? Are RnD-activities still conducted by the firm individually?

- 9: What steps has Infection Control taken in order to further integrate La Calhène?

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10: What functions have been integrated into the Life Sciences division of Infection Control? How is the relationship between La Calhène and that division?

11: Do Infection Control and La Calhène share a joint supply chain? To what extent?

12: Getinge Infection Control proudly states on your website that Infection Control excels in integrating your products into a single comprehensive offer that covers all aspects the customer desires. What role do the products of La Calhène play in that offer? Are the products of your subsidiaries developed with the distinct purpose of integrating them, or are the integration of them handled on a central level?

13: What aspects have been most complicated in integrating La Calhène?

14: How would you describe the relationship between the management of La Calhène and Infection Control?

15: Do you consider the acquisition of La Calhène to have proven to be a successful acquisition? On what grounds?

D: Cultural Issues:

15: How would you describe the corporate culture of Getinge?

16: Since Getinge is such a nationally diverse firm I would like to know if the issue of culture has been perceived as a problem or threat to the corporation?

17: How do you deal with cultural issues, should they arise? Do Getinge have a set policy for such events?

18: Are the cultural aspects problematic in communication with the executives and employees at La Calhène?

19: Have you (Getinge) made steps to integrate the corporate culture of Getinge into La Calhène?

APPENDIX II: GETINGE'S ACQUISITIONS

The following is a chart covering the acquisitions Getinge has partaken in, and, when available from accessible sources, clarifying the motive behind the acquisitions to the extent as possible starting 1973 when the first acquisition was made up until 2009. Years worthy of notice are 1964 when Getinge was acquired by Electrolux, and 1989 when it was acquired by Carl Bennet and Rune Andersson.

Acquisition	Year	Business Area	Probable Motive for Acquisition
Vaxjö Rostfritt	1973	Disinfection	Market entry, market penetration
CTC	1973	Autoclaves	Market entry, market penetration
Sterilizing equipment company	1975	Sterilizing	Market entry
Lequeux	1981	-	Market entry (geographical)
Fred Clark Pty	1983	-	Market entry (geographical)
ZK Hospital	1985	-	-
Scott Western	1990	Disinfection	Market Entry (geographical industry)
British Sterilizer	1993	Sterilization	Market Entry (Geographical)
Stirn Industries	1993	Disinfection	Market Entry (Geographical), Economies of Scale
Lancer	1994	Disinfection	Market Penetration, Economies of Scale
Arjo	1995	Hygiene, patient handling	Market Entry (New industry)
Anzy Sterilizers	1995	Hospital Sterilization	Market Entry (Geographical)
Lic Care (now Lifco)	1995	Distribution	Vertical Expansion
Peristel	1995	Hospital Sterilization	Market Entry (Geographical)
MDT Corporation	1996	Sterilization	Market Entry (Geographical), Economies of Scale
Kemiterm	1998	Autoclaves, etc.	Market Penetration, economies of scale,
MTP	1998	Disinfection	Economies of scale, Market Penetration
Omasa	1998	Sterilization	Market Entry (Geographical)
Royal Linden	1998	Sterilization	Market Entry (Geographical)
SMI/BBC	1998	Sterilization	Market Penetration, Economies of Scale
Pegasus	1998	Patient handling	Market entry (industry)

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Egerton	1998	Patient handling	Asset synergy, economies of scale, Market penetration
Medibol	1998	Patient handling	Market entry (Geographical),
Parker Bath	2000	Patient handling	Market entry (Industry)
Lenken Healthcare	2000	Distribution	Vertical expansion
Gestion Techno-Médic	2000	Hygiene	Market Entry (new industry)
Maquet	2000	Surgical Systems	Market Entry (New industry), economies of scale, Market Penetration
ALM	2001	Surgical Lightings systems	Economies of scale, Market Entry (new industry)
Heraeus	2002	Medical systems	Market Penetration, product portfolio diversification
Siemens LSS	2003	Ventilators	Market entry
Jostra	2003	Open-heart surgery equipment	Market Penetration, Market Entry
BHM	2004	Patient handling	Market penetration, Market entry (new industry)
La Calhène Group	2005	Sterilization	Market Entry (New industry), Market Penetration, (Asset Synergy)
(agent in Czech republic)	2006	-	Vertical Expansion
MEDICAL SYSTEM COMÉCIO E OMDÚSTRIA MÉDICA LTDA	2006	Cardiopulmonary	Market penetration
OTY GMBH	2006	Tele-medicine	Market Entry (new industry)
Huntleigh Technology PLC	2007	Patient handling	Market Penetration, Economies of Scale
Boston Scientific Corporation, divisons: Cardiac and Vascular surgery	2008	Surgical instruments	Market Entry (New industry)
Datascope Corporation	2009	Surgical instruments	Market penetration, economies of scale.

Table 4.1: Getinge's Acquisitions between 1973 and 2009.

Sources: *Getinge Annual Reports (1998, 1999); Getinge AB 2000a-c, e; Getinge AB 2001; Getinge AB 2004; Getinge AB 2005; Getinge AB 2006; Getinge AB 2007; Getinge AB 2008; Getinge AB 2012; Getinge Asia 2012; Business Library 1996*

Information in the column “probable motive for acquisition” was determined based on the stated needs of

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integration and acquisitions-motives found in press-releases, the relocation of production capabilities that followed, and the product portfolio of the specific acquisition. In instances where this kind of information was scarce assumptions have been drawn using exclusively the Getinge corporate website outlining the company's historical progression.