

RESEARCH CONFERENCE ON THE CHANGING ROLES OF MANAGEMENT ACCOUNTING AS A CONTROL SYSTEM

- 9 April 2005,
University of Antwerp, Belgium

The inaugural joint workshop by MCA and ENROAC

A tentative model of management accounting and control in the integration processes of mergers & acquisitions

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Abstract

This article combines the areas of mergers and acquisitions (M&As) and management accounting and control systems (MACS) by developing a tentative model that shows the important variables and how they determine MACS' involvement in M&A integration processes. M&As have grown, measured both in numbers and size, in recent decades and have become very popular strategic business tactics to achieve economies of scale and scope. In fact, some believe that they have even exceeded the internal or 'organic' growth of organizations. However, approximately two of every three M&As fail to achieve the intended goals which were the stated reasons for the business deal. The explanation given for this high failure rate is often bad integration management, and this can also be assumed to be true when it comes to the integration of MACS. The aim with this article is to collect the content of the few explicit and the many implicit studies in the field and build a model that can be used for further research. Hence, this article is the result of a comprehensive literature study and it shows that the role and function of MACS in M&A integration processes can be interpreted in many different ways, above all depending on which perspective, view, or theory is used. From this follows, that the research area under investigation can be recognized in the context of three main dimensions. These are a socio-cultural one, a political-ideological one, and a technical one. These fairly theoretical and research dependent variables also have an impact on how more pragmatic variables are described. Five such main groups of more pragmatic variables are defined in this article and the MACS' involvement in M&A integration processes is illustrated.

1. Introduction

1.1 M&As popularity and their main problems in short

The aim of this article is to develop a model of merger and acquisitions (M&As) and management accounting and control (MAC, respectively MACS for such systems)¹ that can be used as a basis for further research. In short, M&As take place when operating enterprises merge with or acquire control of the whole or a part of the business of other enterprises. An ‘acquisition’ normally involves the purchase of another firm’s assets and liabilities, with the acquired firm continuing to exist as a legally owned subsidiary of the acquirer. A ‘merger’ of equals on the other hand is a combination of two firms where a new corporate entity is created by exchanging the shares of both companies for shares in the new company. Most M&As, however, are simple acquisitions since only around three percent of all deals can be classified as real mergers between equals (Buckley & Ghauri, 2002). This is also the reason why most parts of this thesis refer to examples made and conclusions drawn from acquisitions.²

M&As are, among many others, normally seen as strategic business approaches and they are today portrayed as one of the main pattern of industrial globalization. Particularly multinational enterprises choose M&As as a way to restructure their businesses (OECD, 2001). However, M&As are not an invention of recent times. The first appearances of business mergers in high frequency were made at the end of the 19th century, and since then about five cyclic waves have been observable. Each wave emerged due to different strategic motivations, which also required specific integration³ demands (Jansen, 2001). Today, we are in the middle of the fifth merger wave that, according to Jansen (2001), started during 1993. The most often-mentioned motives here are increase in shareholder value as well as globalization. Emphasis is put on the horizontal acquisitions (in general, acquisitions between competing firms in the same industry) and the strengthening of core competencies. Different studies that describe this fifth merger wave show that M&As are growing remarkably in terms of their number and in the amount of money involved (DiGeorgio, 2002; Hopkins, 1999; Jansen, 2001). In fact, a United

¹ Throughout this paper, I use the term ‘management accounting and control’ and there are several reasons for this combined term. The first and main reason is that my thoughts are in line with Macintosh (1994) who adds the term control to ‘management accounting’. His argument for doing so is that organizations also use other related administrative devices than management accounting to control their managers and employees. He gives examples such as “strategic planning systems, standard operating rules and procedures, as well as informal controls” and means that this is “control in the large” (p.2). This is in line with what Chenhall (2003, p. 129) mentions, namely that management control systems (MCS) “is a broader term that encompasses MAS and also includes other controls such as personal or clan controls”. I agree with the statements of Chenhall (2003) and Macintosh (1994) and their definitions are what my combined term stands for in this article. What I believe, however, is that the terms ‘management accounting’ and ‘management control’ not always have been defined this way and that the border line between them is rather vague, as these areas sometimes have been (and still are) used interchangeable. I furthermore found that the Swedish language habitually uses one name, or more a collection of names, for both concepts, namely ‘ekonomisk styrning’, ‘ekonomistyrning’ or ‘ekonomiska styrsystem’ (see e.g., Nilsson, 1997; Bredmar, 2002 ; Ax et al., 2002). Hence, when studying the role of the so-called Swedish area ‘ekonomistyrning’, as I do in this article, one has to look at ‘English written’ research material from both research areas, and this is particularly true when looking at older research material.

² Scholarly literature generally holds the term ‘merger’ to include both activities but this study uses the term M&A (mergers and acquisitions) to encompass both fields. Many academic areas treat M&As as a single phenomenon, especially within management. Within accounting and finance, however, some important distinctions are drawn, which I partly will account for in this article. The biggest difference is that accounting standards and company laws set out certain criteria that allow certain combinations to be mergers, namely when the ‘pooling of interest’ method can be used. In all other cases, ‘purchase accounting’ must be used; hence we are then talking about acquisitions (KPMG, 1997).

³The word ‘integration’ is a complicated one but is at this stage used in a simple way to illustrate that some degree of inter-organizational integration is necessary after an acquisition (not necessarily after a merger). The question is, however, what level of integration organizations choose and implement (Pablo, 1994).

Nations report from 2003 stated that acquisitions as a means for growth have now passed organic growth (Förvärv och Fusioner, 2004). Moreover, cross-border M&As, which are those undertaken between firms of different national origin, have during the last ten years grown even faster, from USD 153 billion in 1991 to almost USD 1 trillion in 2000. They are now, according to an OECD report (OECD, 2001), ‘outpacing’ domestic unions.

Nevertheless, M&As have, despite their popularity, a bad reputation. ‘Consulting’ studies and other research have, during above all the last 20 years, brought up that the success rate of such deals was very low, since these studies in average show that about two thirds of all M&As fail (Allen, 1999; Hudson & Barnfield, 2001; OECD, 2001; Schuler & Jackson, 2001; Slowinski, 2002). This high (believed) failure rate and the many obstacles that took place during and after M&As have also resulted in a wide range of new studies, then mostly summarizing such difficulties in frameworks or models, containing more or less three different problem areas, namely pre-M&A problems, transition problems, and integration problems (Hopkins, 1999).⁴ The subject of ‘integration’, which is the one that is at the centre-point of this article, became only really obvious during the 1990s because previous to the fifth merger wave, financial topics were the primary concern, above all during the fourth merger wave (Galpin & Herndon, 2000). That is, according to Jansen (2001), also the reason why only the fifth merger wave has resulted in a significant increase of acquisition management knowledge but also why the outcome of M&As has been relatively unknown until the 1980s.

1.2 The missing parts and the purpose of this article

M&A integration problems can have all colors and features and it seems like the name chosen (integration problems) is the only thing researchers agree on. Beyond that, however, dissimilar views exist on what the difficulties are and how to solve such problems in the best way. This generally because integration problems often are described in a certain manner that depends on the specific perspective the researcher has (e.g., human resource, technology, systems, etc.) or on the specific levels chosen (e.g., individual level, interpersonal level, collective or organizational level). From this it only seems logical to ask the question, what research tells us about the role of management accounting and control systems during M&A deals. This is a relevant question one might think, but the answers to it are not easy to find. Even though M&As are a popular form of business growth and have been widely addressed within the academic literature for at least 20 years (Galpin and Herndon, 2000; Angwin et al., 2003) the MAC literature does not mirror this in a clear-cut way. Hence, an initial literature review that focused especially on other authors’ reviews⁵ did not result in the finding of an explicit⁶ combination of the areas of M&As and ‘management accounting’ or ‘management control’. Furthermore, an initial electronic search⁷ led to only one study combining these two areas ‘visibly’. This is Jones (1985a) study in which he points out very clearly that MACS are an important area to look at when doing research on

⁴ Pre-merger problems normally include issues such as formulating goals, locating the right company, prospecting and inspecting the target company (Due Diligence) and negotiating on price and conditions. Transition problems are the ones that occur during the time period between when the decision to merge is made and the time when the integration starts. It seems, however, that many researchers do not separate the transition problems from the integration problems, which is the last problem area then, and a possible explanation for this may be the simple fact that it is difficult to separate them. Densai (1999) and also DiGeorgio (2002) on the other hand divide the total process into four stages (prospecting, negotiating, transition, integration) and Galpin and Herndon (2000) in five stages (formulate, locate, investigate, negotiate, integrate). But an analysis of them shows that they basically include the same tasks as what is provided in Hopkins (1999) three step model.

⁵ For example Shields’ (1998) summary of research in management accounting done by North Americans, Luft and Shields’ (2003) recently published graphical mapping of management accounting, and the review by Baxter and Chua (2003) on alternative management accounting research.

⁶ By ‘explicit’ (but even ‘straight-forward’) I mean studies that in an open way provide the reader with information about the area, such as in, for example, the title or in the abstract, and where the purpose of the provided literature mainly is to examine the stated research area.

⁷ This was done during spring 2003 in three often-used databases (Academic Search Elite, Business Source Premier, and Emerald Library) and more information will be given later in the methodology section.

the impact of M&As. He already, at that time, considered it as 'strange' that the literature has not addressed the "accounting-type controls and those revealed disparate views concerning the adaptation of such controls in acquired companies" (p.197), which was also the reason for his study. He believed that the idea that "order and discipline could be instilled in the acquired company by the somewhat mechanical extension of the parent company" is a "naive" (p.197) view, and his findings support his feeling that such a situation may not exist.

Jones (1985a) wrote his first article about twenty years ago but studies and reports that give evidence of such events within M&As and MACS in a straight-forward manner are still very rare. Despite the large number of M&As and the huge amount of money involved, we still know very little about the different dimensions (social, cultural, technical, etc.) of MACS during the integration after such deals. What most academicians (and certainly practitioners) on the other hand know is that the technical niceties of such systems, the way they are described in textbooks, become diffused and modified in real organizations. 'Textbooks' in general contain simplifications as they normally treat one problem at a time, which in reality is not the case. Thus, in real organizations, such systems are surrounded by, for example, technical, social, political, and cultural issues that provide a rich, maybe even perplexing, tapestry.

The lack of studies was also the reason for further investigations, which has revealed that much more knowledge exists than what is presented in the 'straight-forward' literature. Therefore, the purpose of this article is to critically review and evaluate research in management accounting and management control regarding M&A issues but also vice versa and to develop a model containing the two research areas that can be used as a basis for further research. For that reason, the remainder of this article is organized into 5 sections. Section 2 outlines, in short, the applied methodology. The actual literature review is then separated in two sections. Whereas Section 3 offers first the overall assessment of empirical research in mergers and acquisitions, Section 4 evaluates particularly management accounting and control literature. It only is logical that the content of each section is related as much as possible towards the other research area. The presentation of the tentative model will be done in Section 5. The final section, Section 6 will then conclude with how MACS' involvement in M&A integration processes is, followed by some thoughts about reliability and validity but also about further research.

2. Methodology

2.1 The initial literature search to generate research area and purpose

The initial starting point for this study was an interview with a finance manager from a multinational company that had been acquired by another multinational a few years ago. The interview⁸ revealed that their post acquisition work to integrate (or in other ways incorporate) the two organizations' MACS is a very large task with a wide range of complex topics and hundreds of people involved. At about the same time, a preliminary literature search was carried out in all the relevant and accessible databases (the databases written in bold are the ones that were the main contributors to this study)⁹. The first findings then outlined this scenario of multifaceted issues involved, but only after looking at the different areas very closely. Five new search tactics¹⁰ were then used to find all relevant

⁸ Held the 6th of June 2003 (name of company and manager not given here due to confidentiality).

⁹ The following databases were included: **Academic Search Elite**, Avhandlingar, **Business Source Premier**, Digital dissertations, **Emerald Library**, Kluver Online, Link Springer, Svenska ekonomiska forskningsrapportar och artiklar, Thomson Research, and Westlaw International.

¹⁰ These five tactics were: 1) I started with a database search in the above mentioned databases, combining terms such as only accounting in combination with mergers and/or acquisitions which then resulted in the finding of almost a thousand publications. 2) I then followed 'prominent authors' names (who are active within the defined fields) in academic search databases, whereas the first mentioned method (searching according to terms) was used

research material, whereas all peer-reviewed published articles from the following databases were included.

Academy of Management Review Accounting, Auditing and Accountability Journal Accounting Review Accounting, Organizations and Society Administrative Science Quarterly Behavioral Research in Accounting British Journal of Management European Accounting Review European Journal of Information Systems Harvard Business Review	Journal of Accounting Research Journal of Business Finance & Accounting Journal of International Management Journal of Management Studies Journal of Management Accounting Research Journal of Organizational Change Management Management Accounting Research Organization Studies Scandinavian Journal of Management The Journal of Finance
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2.2 Review of the Selected Material for Relevance/Classification

To review the relevant literature, diverse strategies have been used. Generally, reading the abstract or summary of the article, thesis or the book (or parts of it) gave enough information to accept or exclude the material as part of this study. A more intense examination of the literature in question was, however, often necessary since, as mentioned earlier, the two areas under investigation were not clear cut. The outcome of a literature study is very dependent on how successful the literature search has been, but also on how one decides what to include and what to exclude. Limitations are more or less always necessary and here, limitations were unavoidable, especially from a time frame perspective, relevance, but also access. First, only English, German and Swedish language journals and textbooks, etc. were part of the examination. In addition to that, other Swedish-language documents such as dissertations and other research reports were included. The time limit chosen is not the same within all areas since the main argument for including the findings in this study was consistency (with the aims and limitations of the thesis) and relevance (with respect to the research focus). Hence, some articles date back to the 1970s, as the topic still seems to provide answers to today's questions; in all other cases, however, the time limit is 20 years back, and focus is given to the most recent literature since such research (hopefully) includes the results and knowledge of earlier years. Finally, where the possibility permitted choosing from studies that investigated M&A issues respectively MAC/MACS matters concerning certain countries, Sweden and the US were chosen.

2.3 Analysis and summary of the collected literature

To be able to prepare the literature review, the next step was to summarize the significant content of each work and to classify the chosen material with certain keywords and in different chapters. However, many different frameworks have found their way into the wastepaper basket as the research proceeded. The reason for this was that boundaries in the form of easily identifiable variable groups but also the relations between them were difficult to find, and the more the work proceeded, the more multifaceted the picture became. Nonetheless, other authors' combining frameworks helped to decide on the structure of the M&A literature.¹¹ When it comes to M&A research that is relevant in respect to

to gain such names. 3) I continued with brand new articles/books/theses in the defined areas and from that point on went backwards with help of the authors' notes, bibliographies and references, until the content and the issue of the 'material' found did not appear relevant any longer. Therefore, different time frames within different areas are possible. 4) I went through the most important journals, one by one, either 'electronically' or manually. However, since this method was very time consuming, I chose the above listed journals only. 5) I went through the shelves of the libraries of the University of Göteborg, the University College of Borås, the University of New South Wales in Sydney and the library of The Australian Graduate School of Management in Sydney, in order to search for significant material.

¹¹ Five frameworks, namely the one of Haspeslagh and Jemison (1991), Larsson and Finkelstein (1999), Weston et al. (2001), Vaara (2002), and Parvinen (2003), helped to decide on the separation into my four groups. A

management accounting and control, I was able to identify the following four main research streams: The 'Managerial and Strategic Perspective', the 'Process Perspective', the 'HR and Cultural Perspective', and the 'Acculturation Process Perspective'. These four research streams will be looked at in the next section, piece by piece, but they will be introduced with a short part about M&A integration in its wider context, where the main contribution of some theories is presented. The outline of the MAC literature will follow as an introduction in Section 4.

3. Merger & Acquisition Research

3.1 M&A research and M&A integration in its wider context

M&A research is a very broad area and a particular theory that explains the underlying factors and the problems involved with M&A deals does not exist today. To be able to portray this, one has to look at numerous fundamental theories that researchers use to describe organizations and their 'behavior'. Parvinen (2003), for example, summarizes in his extensive literature study (567 M&A related articles) that at least 28 different theories have been applied to investigate M&As. These are ranging from resource dependence theories to psychological theories.¹² What can be pointed out is that most issues within M&A research start with the 'organizational theory' that separates the sociological unit of an organization from the individual organism. This theory also provides us with typical characteristics of an organization such as "hierarchical authority, shared rules, common conceptions and norms, clear boundaries and identity, common resources, and a division of labor and responsibilities" (Brunsson et al., 1998, p. 24). In this area, ideas such as 'integration versus independency', 'centralization versus decentralization', 'homogeneity versus heterogeneity' and 'tight control versus loose control' are central. The 'institutional theory' moreover concentrates on the making of institutions and their perseverance where the survival of an organization requires it to conform to social norms of acceptable behavior as well as to achieve high levels of production efficiency (DiMaggio and Powell, 1991).

The 'contingency theory' on the other hand looks especially at different variables when it comes to decision making and control and combines these with structural factors such as environment, size, technology, competition, etc. (Covaleski et al., 2003). In such frameworks, external and internal contingencies are then often brought in relation to internal organizational variables (as e.g. in Jones, 1985a, 1985b, 1986) where the main objective is to determine if such rules are applicable universally or not, which then means in the different environments of the newly merged entities. Most 'organizational change' studies furthermore describe how ideas translate into objects and actions (but also actors). This is sometimes also-called "the travel of ideas" (as in Czarniawska and Joerges, 1998). Together with

research stream that at the first moment looked very interesting was the 'Financial' one (i.e. in Larsson and Finkelstein, 1999) or, just with another name, 'Capital Market' school (i.e. in Haspeslagh and Jemison (1991)). A closer investigation showed that these streams are mostly interested in finding out if M&A deals create value or not. Hence, these two streams of thought are, to a great extent, represented by financial economics work around the key of the creation and allocation of value through M&As, where the outcome of M&As is evaluated. This is done in many different ways, e.g., by looking at the shareholders' wealth (of host and target company). Therefore, this area is, except for the part in my introduction, only of minor interest to me, since I am not evaluating MACS financially.

¹² Parvinen (2003) evaluated articles in a broad body of 65 core management, business, economics, finance, accounting, law, industrial relations, sociology, and social psychology journals. He found that these 28 theories include: resource dependence, alliances, networks and JVs, legal and institutional frameworks, political power, culture and HRM theories, resource based strategy, competitive strategy, knowledge based view, internationalization, exchange, contingency, communication, decision-making, organizational and population ecology, industrial organization, bargaining, game theory, evolutionary, psychology, leadership, organizational behavior, capital markets, corporate finance, accounting, agency, transaction cost, property rights, and the neoclassical theory of the firm.

M&As, the study of organizational change is an important research area because, as most agree, organizations have to adapt to environmental changes to be able to survive. And factors such as increasing globalization, tougher competition, inventions within technology, the improved mobility of information, but also the increase in M&As, have led to an environment that is changing constantly, at least so it appears. Hence, the ‘thing’ on which an organization is built must develop some kind of new skill, which then often is described as organizational learning (e.g., in Argyris, 1990 or Kloot, 1997). This means that organizations need leaders and employees who know how to deal with such changes, and here, I use both terms, leaders and employees, since not all researchers have the same ideas about who is responsible for the change.¹³

Furthermore, M&A integration has during the last century meant different things as the different M&A waves have brought with them different integration focus (mainly horizontal mergers during the first wave, mostly vertical mergers during the second wave, conglomerate mergers characterized the third wave, a great mixture of deals during the fourth wave but above all strategic mergers during the fifth wave (in e.g., Jansen, 2001; Weston & Weaver, 2001)). Another main issue with M&A integration seems to be the corporate governance problem where the interests of managers and owners have not been aligned, and where the different parts have dissimilar definitions of M&A integration success. The influence of shareholder value propositions on such matters has during the last decades only increased the richness of the discussion of ‘the boundaries of the firm’ (Parvinen, 2003), where above all terms such as ‘strategic fit’ and ‘inter-firm synergies’ (Porter, 1987) have become important again. The next four parts show a more detailed picture of how M&A research deals with integration issues in general and MAC issues during such integration in particular.

3.2 A Managerial and Strategic Perspective on Mergers and Acquisitions

The managerial perspective probably is the one that penetrates most articles and studies in the field of M&A research. This is only normal since such a view in general has dominated many academic fields, especially before the open system models arrived, as can be seen in e.g., Scott (1998). Here, the central theme is that success is dependent on what the manager does and should do; hence that everything more or less can be planned (e.g., Vaara, 2001 and 2002; and Ashkenas and Francis, 2000). Researchers within this stream agree that M&As impose at least systems, people and cultures and there is about the same agreement with the fact that you cannot integrate one part without being able to integrate the others in a reasonable way. Integration therefore takes place on at least two fronts, on an operational one and on a cultural one (Gancel et al., 2002). The operational aspect of integration is then about bringing organizational systems, processes and procedures together. Traditionally, the managerial perspective on post M&A integration processes also argues that the realization of success is related to the choice of integration design and to careful planning of structural and process changes in the new organization (e.g., Kitching, 1967 and 1974; Pablo, 1994). This perspective provides us moreover with the different integration frameworks for managers and other leaders for special times (which an M&A certainly is). It seems to be a relatively straight-forward approach, where, for example, savings in form of synergy effects only are seen as positive. This, however, may be a ‘job losses’ for employees.

The strategic perspective on the other hand focuses on M&As as a strategy to achieve growth in organizations. This research stream combines the theories about the relationship between strategy,

¹³ Many academicians (and probably also most practitioners on a managerial level) describe or look at ‘change’ from a managerial standpoint, which means that managers plan, organize, direct, and control change. In other words they simply manage ‘change’. Another way to look at ‘change’, however, is to focus on individuals who adapt to rules, norms, and routines. Quattrone and Hopper (2001, p.404) call such a view a ‘people view’ or ‘institutional view’. Such a view could be summarized as a modern view of McGregor’s (c.f. in Emmanuel et al., 1997, p.195) ‘theory X’ in which the concept of administration is quite traditional, with ambitious and well-educated people (managers) leading and with led employees who are more or less avoiding real responsibility and who have only moderate ambitions. From an ‘people view’, employees do not simply follow some sort of strong guidance from managers; instead they automatically do what is in their best interest, which sometimes, and in the good cases often, is similar to the organizations’ best. This then is more like McGregor’s ‘theory Y’ where “man will exercise self-direction and self-control in the service of objectives to which he is committed” and where man “learns” and “seeks responsibility” (Emmanuel et al., 1997, p.195).

structure, managerial impact on organizational behavior, and the acquisition integration processes. Here, authors often address the problems of M&A implementation by supporting better pre-M&A analysis and post-M&A planning (Parvinen, 2003). This has sometimes also implied that the steps in the M&A processes should be better defined (Haspeslagh & Jamison, 1991). Basically, the ethical norms of both the strategic research stream and the managerial perspective is the operational view, where operational aspects are put in the forefront, rational models can be used, and strategies can be followed in a quite unproblematic way. Hence, these two perspectives very much contain thoughts and elements that support ideas that better fit into a picture of a 'normative' or even 'coercive' learning process than a 'mimetic' one, if using DiMaggio and Powell's (1983) framework about institutional isomorphism.

Therefore, probably the most important variable that one can find within the managerial and partly also the strategic perspective is the streams' underlying idea, which is 'the assumption' that integration (or the entire M&A) can be 'planned and led' to a great extent. This is not a variable that can be found in the different authors' papers, but it is one that is hidden between the lines of most literature within this research stream (as in e.g. DiGeorgio, 2002; Galpin & Herndon, 2000; Gancel, et al., 2002; Gaughan, 1996, 2002; Hopkins, 1999; Morris, 2000; Shrivastava, 1986). It is the statement that managers are able to manage integration tasks and activities either in the right or wrong way and that all outcomes are dependent on such managerial actions. This assumption is therefore perhaps one of the most used 'abstract' variables. It is a variable that lies behind most frameworks and typologies as authors try to connect contingent variables to the integration process, which then best can be seen in the different approaches within the managerial perspective.

The motives for the M&As are then significant ingredients of such a 'planned' and 'managed' approach as, above all, these two research streams try to find out what kind of an integration approach is appropriate for what kind of motive. The frameworks provided do not, however, give a clear picture of how such motives are linked to certain integration approaches, as we can see quite significant differences between the approach of older studies and newer ones. One can, however, at least see that synergy and integration are closely related as most relatively rational thinking M&A authors agree on this (e.g. Galpin & Herndon, 2000; Gancel, et al., 2002; Hitt, Harrison, & Ireland, 2001; Rock, Rock, & Sikora, 1994). Here, it is more or less the managers' work to create synergy by effectively integrate assets, operations, and personnel. Strategic fit serves especially within the strategic research stream of M&A research as a foundation that leads to synergy creation. Normally strategic fit refers to the effective matching of strategic organizational capabilities, such as operations, R&D technologies, marketing related activities, and management related activities (Hitt, et al., 2001). Hence, the strategic fit perspective covers most of the other synergy arguments as one believes one can achieve special value in the long term by integrating more or less everything.

From the diverse motives mentioned and the integration typologies referred to above, different conclusions can be drawn that have to do with the role and function of MAC, seen from the perspective of M&A researchers. Hence, MAC are generally perceived as 'systems' that have to be designed for coordination, control, and conflict resolution. This then takes place at the 'procedural' or 'task related' level. Also the early study of Kitching (1967) supports this view, even though he emphasizes the connection between such systems and organizational structures. The typologies of most of the above mentioned research groups place MAC under the umbrella of tasks or procedures, moderately separated from human, cultural, and social aspects. In that way, such systems seem more often than not to be a 'hard' variable and as such the foundation of rational and functional actions. Birkinshaw et al. (2000), however, seem to be the exception as they emphasize the value of human tasks to a greater extent than the other authors. How humans are integrated before tasks is another question then, as this seems to be a quite difficult way to go because most authors within the mentioned research streams declare that human integration can take a long time, much longer in fact than the integration of tasks. This is probably also why, all in all, these research perspectives supports managers' view that task integration is more important than human integration, especially in older versions within the literature.

Finally, Jemison & Sitkin (1986), two process perspective authors, mention about eight main reasons for misapplications of managerial systems, and the reason for such mistakes can mostly be found in fundamental ideas that are part of the managerial and strategic perspective. Management systems are then imposed on the acquired firms when/because: 1) parent companies believe to have a more successful management system, 2) the parent is suspicious about its capability to help the subsidiary if this one operates with a different system, 3) the more defensive the subsidiary is about how

it fits into the parent's plans, 4) the larger the difference in size is between acquirer and acquired, 5) the bigger the relatedness of the two entities is, 6) the more the CEO initiates the M&A deal, 7) the lower the 'parents' need is to use the skills/resources of the subsidiary, and 8) the bigger the target tries to resist an acquisition attempt. These eight 'points' are therefore interesting variables to look at when studying MACS during M&A integration.

3.3 A Process Perspective on Mergers and Acquisitions

The process oriented school of the M&A literature questions the ability of the management to foresee differences related to organizational fit (e.g., cultural or managerial differences). That way, they are building on Kitching's (1967) ideas when they suggest that, when studying diverse issues in M&A integrations, greater attention should be given to the processes that are emerging (Galpin & Herndon, 2000; Hunt, 1990; Jemison & Sitkin, 1986). Hence, this stream is about a combination of the strategic school and of organizational behavior perspectives that frame acquisitions as a series of linked phases, of which each has an impact on the subsequent phases and on the final outcome of the M&As (Parvinen, 2003). To fully understand how M&As create value one must study the actions that lead up to the acquisition decision along with the integration and management activities that follow the decision (Jemison & Sitkin, 1986).

The process perspective includes several contributions that are similar to the managerial and strategic perspective regarding the integration processes in M&As. Authors within this stream, however, provide further variables and factors as they look more closely at the process itself, and not primarily at 'before and after the deal'. Hence, the planning and the timing of the process are, in combination with strategic and organizational fit, the variables that are important to secure more positive M&A results. Therefore, managers and others who have a great deal to say about how the process should look like are key people, and this has an impact on if organizational fit is in focus (when line managers decide) or if strategic fit is in focus (when CEO, corporate staff or outside advisors decide). This also includes that information about how the process goes on is essential to be able to 'manage' it in the right way. The integration process then contains certain steps during which certain tasks are more appropriate than others and during which decision makers have to focus on particular issues (i.e., differences or similarities) at specific times. Such a process view must then be applied internally and externally, and the interpretation of economic realities (internal and external) is an important variable to be aware of (as in Löwstedt et al., 2003).

The process view also underlines the importance of a good M&A start as the tone chosen from the beginning has an impact on the entire integration (e.g. Hunt, 1990). However, researchers also emphasize that each M&A requires a certain integration process which by some authors is translated in a way that says that certain types of M&As (i.e., friendly versus hostile) require certain integration processes as well, which then is a very rational and straight-forward approach (Hunt, 1990). This way the process view uses many contingency variables (e.g., time, organizational variables, and strategic variables) that are part of the framework within especially the strategic and managerial perspective to determine the way integration has to be managed. In such frameworks, the process can be guided to a large extent and an acquirer simply has to choose the right way to align the acquired organization.

Modern process views (as in Galpin & Herndon, 2000) provide some deeper analysis of integration processes, where softer variables such as leadership, communication, and HR questions are key variables to achieve integration success. Such frameworks include these topics already in their 'due diligence' where one has to look at how information is transferred between and among individuals, how leaders and managers behave, what the key measures and definitions are, how the company is structured, and what planning and control systems are in place. These 'modern' frameworks are there to help to react to or even to try to preclude 'possible problems' with 'planned actions' and especially the knowledge that such problems exist are attributes of this research stream. The authors here are at the same time also trying to achieve a balance between integrating and not integrating which, however, seems to be a difficult act as most literature looks at this process by having one goal, namely the one of full integration. This in a way is understandable as a process normally has to show the way somewhere. That management system (such as MACS) then have to be integrated as much as possible, is what can be concluded from the authors' presentations.

3.4 A Human Resource and Culture Perspective

From the above one can already conclude that culture¹⁴ and human resource topics are important when it comes to M&As, and the high failure rate of M&As has especially during the last 20 years increased the awareness of such aspects of integration (Torp et al., 1998). The HR and cultural research perspective particularly focuses on actors and actions and applies in that sense a bottom-up perspective compared to the earlier research streams. These actors are described by themselves or in smaller or larger groups, where the largest dimension is the new organizational group (company A and B together) within its environment. Here, culture and people are the backbone of actions and together these actions make everything else, such as systems and processes, work. Culture and people are therefore macro-variables and determine the way M&A integration occurs. Culture is then also part of everything, from the single person to the entire organization or even nation, which also explains why researchers talk about different cultures such as organizational culture, national culture, or multinational culture. It is, however, difficult to draw borders between the different culture types as culture is a relatively abstract variable in the sense that it is not easy to use as a contingency variable when analyzing M&A deals in a rational way. Most researchers agree though that culture can be found somewhere in the different practices (includes then management accounting and control practices) at the organizational level.

Whereas culture by most 'managerial' and 'strategic' researchers but also by practitioners seems to be recognized as a problem area when it comes to the integration after M&As, the HR and culture perspective shows that culture often is used as a 'punchbag' or 'alibi' when there actually are other problems involved (Slowinski, 2002). It is from the M&A literature within this stream furthermore not possible to determine with certainty if 'culture difference' is a variable that can be seen as an advantage or as a disadvantage during the integration processes in M&As, even though the majority of evidence emphasizes that the problems do increase when the cultural distance increases (as e.g. in Schuler and Jackson, 2001; Slowinski, 2002; Bower, 2001; Buono & Bowditch, 1989; Hudson & Barnfield, 2001). On the other hand, an important variable that determines the outcome of integration work seems to be the personal freedom of actors within the merging organizations as reduced freedom leads to negative actor responses (e.g., Cartwright & Cooper, 1992; Larsson, 1989, 1990; Larsson & Finkelstein, 1999; Larsson & Tarnovskaya, 2003). However, the cultural relationship between the merging entities is a variable that most authors see as important to enable the realization of possible synergy as only motivated employees add extra value. Acculturation and socialization are then together with more formal integration mechanisms the tools to achieve success in M&As. The right dimension of leadership at the right time and place is another essential ingredient but one can see a clear difference between more 'old fashioned' (as in Haspeslagh and Jemison, 1991) and more 'modern' leadership styles (above all in Ashkenas & Francis, 2000; Pablo & Sitkin, 2004).

Actors experience M&As most often as executed in a managerial way. The identification with a certain culture, a certain role or the individual identification with him/herself are three other means by which an actor can portray his/her actions (Vaara, 2002). Seen from this perspective, an important variable during the integration process in M&As is the 'legitimacy or illegitimacy' of specific actions but also 'claims' regarding the accountability of particular actors. Narratives of such actors can then, transformed by the different discourses, determine if certain accounts are described as successful or not (e.g. Vaara, 1995, 2001; Vaara, 2002). How top decision makers 'make sense' of what is going on is another important variable since sense making can be rational, emotional, but also socio-political manipulative, depending very much upon if activities or actions are experienced as problematic or not (Vaara, 2000). Mutual 'trust' is another factor that is emphasized within the M&A literature. Trust can be achieved by exchanging information and experience, but above all by experiencing shared norms and shared goals, which then also give the actors a clear sense of what is right and what is wrong (Bijlsma-Frankema, 2001). But the reaction of actors and cultural issues are also related to more rational issues such as, for example, performance because actors of poorly performing companies normally welcome

¹⁴ 'Culture' is a term that can have many dissimilar meanings but there is a general consensus among organizational researchers that, despite the different definitions, culture refers to patterns of beliefs and values that are manifested in practices, behaviors and various artifacts shared by members of an organization or a nation (Hofstede, 1980).

an acquisition. On the other hand, good performing acquired organizations do not like to be changed as they feel that they have a winning concept (Calori, Lubatkin, & Very, 1994).

Culture has been recognized as an important variable above all when it comes to cross-border M&As. Research shows here that culture clashes often increase the bigger the cultural distance is. However, it is especially the way how such differences are treated by management that makes the differences when it comes to integration success, and this particularly when it comes to decision making styles, communication styles, and cooperation styles (Blasko, Netter, & Sinkey, 2000; Calori, et al., 1994; Hopkins, 1999; Lundbäck, 2004).

3.5 An Acculturation Perspective

‘Acculturation’ is a term that has been used to imply the re-adaptive and reciprocal organizational learning during M&As.¹⁵ Hence, acculturation is a word adapted from anthropology and one can see it more or less as the process of change that takes place when two different cultures come into direct contact. Acculturation can be applied on different levels of an organization and its environment, as, for example, with single people, work groups, departments, entire organizational cultures but also with different national cultures, or some of them combined (Nahavandi and Malekzadeh, 1988). From an acculturation perspective, the main variable determining if M&As succeed or not is how the involved organizations deal with the acculturation process. This is a view that is close to the one describing the integration process in general but with the difference that cultural issues are highlighted, and above all, integration is simply seen as one of several ways that can be chosen when two organizations merge. One could say that acculturation is about the different levels of integration (from zero integration to full integration). The different preferences regarding the type of acculturation are seen as a variable and researchers emphasize the conformity of such preferences in order to succeed (e.g. Haspeslagh & Jemison, 1991; Larsson & Lubatkin, 2001; McEntire & Bentley, 1996; Nahavandi & Malekzadeh, 1988). To agree on the type of acculturation may sound like common sense and, as such, as a good idea, but it is exactly what is difficult. Organizational members have their own perspective and with that a perception of their own values but also a specific perception of the attractiveness of the other firm (Nahavandi & Malekzadeh, 1988).

Furthermore, certain acculturation types seem to fit better with certain types of relatedness and certain diversification strategies (Lundbäck, 2004; Nahavandi & Malekzadeh, 1988) and the same seems to be true for the degree of multiculturalism (Nahavandi & Malekzadeh, 1988). ‘Interdependence’ on the other hand is a key variable within integration frameworks that summarizes the post-M&A processes in a similar matter as acculturation frameworks do but by using another terminology and by looking at it from a more micro-perspective (Lundbäck, 2004). Here, strategic interdependence has to be combined with the need for autonomy by using a certain integration approach that can range from keeping things as they are to absorbing them totally. Also, here it seems to be true that integration approaches can change over time and from the literature one can conclude that such changes are mostly towards less autonomy the more time that passes after the M&A deal is accomplished formally.

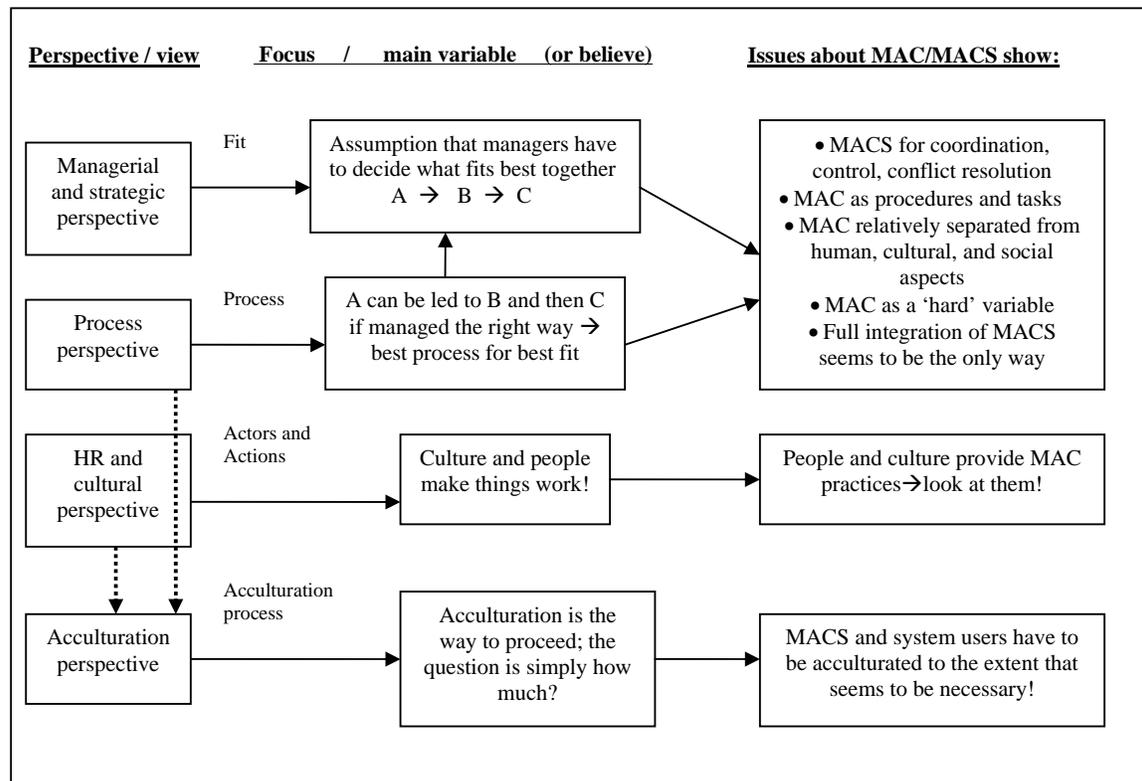
The ‘ordinary’ integration frameworks (as the ones shown above) also show that different levels and functions of the organization can be chosen. Acculturation models, however, do not provide this kind of rational flexibility since culture values do not allow such an easy implementation. Research examining Swedish M&As finds that social control instruments that are based on a more voluntary basis are best to achieve acculturation when there is autonomy (Larsson & Lubatkin, 2001; Larsson & Risberg, 1997; Lundbäck, 2004). However, when the autonomy gets reduced, additional social mechanisms are necessary. But also the additional necessary control mechanisms should, in a Swedish context, have the form of informal coordination efforts, whereas many other countries seem to be using more formal control mechanisms, such as, for example, the US. This perspective reveals that the

¹⁵ McEntire and Bentley (1996, p.156) describe acculturation as “the process of intercultural borrowing through the continuous transmission of traits and elements between different peoples, which results in new and blended patterns”. For Larsson and Lubatkin (2001, p.1574) acculturation in M&As is “the outcome of a cooperative process whereby the beliefs, assumptions and values of two previously independent work forces form a jointly determined culture”.

acknowledgement and acceptance of different culture variables is significant during the integration process in M&As and enables better acculturation and hence also a greater synergy potential.

3.6 Summary of the M&A literature

Above, I mentioned four, to some extent, combined perspectives. The figure below summarizes these four perspectives' main assumptions in a relatively straight-forward manner, whereas more detailed descriptions will be given later, when the tentative model will be built. What the figure preliminarily shows is that the perspective one chooses determines the focus (fit, process, actors and actions, acculturation process), which in turn then also determines the main variables one identifies. These variables, however, are sometimes (or rather often) quite abstract and therefore often simply visible as fundamental ideas (probably in most practitioners' heads) or theories (then in academicians' heads). Such ideas or theories about how integration takes place determine then the way MAC systems and tasks are experienced (mostly practitioners) and described (preliminarily academicians) or to what they are related in general.



The M&A research perspectives, their focus, and MAC/MACS in general

4. Management Accounting and Control Research

4.1 The structure of the MAC literature

The evaluation of the literature within the MAC research area has led to six different groups of studies that deal with the issue under investigation. This is first the literature that is about M&A integration seen from a very narrow perspective and in a detailed manner, and I call this 'a close-up perspective' or the 'textbook view'. The second cluster of thoughts then looks at M&As from 'a more expanded view', but this mostly in a theoretical way as research dealing with such matters often has a rather academic touch. A more pragmatic approach is then presented in the third 'research cluster' that contains explicit studies in the area of M&As and MAC. After that, the level of analysis will be increased since, in the fourth stream, accounting regulations, standards, and practices in general are evaluated and their impact on M&As is presented. The reason for this is that finance related issues from earlier sections emphasize such a separate group. The fifth part then looks at the area under investigation particularly from an information technology perspective and provides evidence of IT's impact on M&A integration and MACS in particular. The last and final research stream then assumes the perspective of individuals, and it is individual's behavior that is in focus here.

4.2 A 'Close up' perspective or the 'Textbook view' of MAC's role/function during M&As

The heading for this part comes from the impression four accounting books¹⁶ give about MAC issues in combination with M&As. The reason for choosing a part called a 'close up' or 'textbook view' is particularly because the approaches found in these works are different compared with other research provided in this literature review, which I will show here. First and foremost, the most noteworthy thing that appears when studying typical accounting books that deal with M&As is that their frameworks almost look like copies, which is understandable when looking at Morris & Blackton (1995) and Morris (2000) as some of the authors shared the project, in the other three cases, however, the close points of similarity between them seems obvious. Hence, the acquisition process includes in all works ten, respectively eleven steps and it is the pre-M&A steps that are at center-point overall. Post-M&A matters, which combines integration and evaluation (a financial one mostly), however, is only paid real attention to in Morris (2000). The other three works are devoting only a very few pages for such matters. This gives the impression that accountants and finance people predominantly work with the M&A deal before one takes place but also that post-M&A matters are not important or are not difficult to handle compared to pre-M&A tasks.

Furthermore, to identify, evaluate, search, screen, and explore the finance function (most often they talk about finance issues) of the possible candidate is a relatively rational approach as the authors mostly talk about "adequacy" and "accuracy". This then indicates, already before the deal is made, very much an attitude of superiority of the acquirer, which is something that penetrates much of the 'textbook' versions in general. Morris (2000) has about the same view but provides at least some other important variables that one has to look at during the pre-M&A steps, namely differences in accounting methods, control systems characteristics, attitude towards control in general, the form and content of control systems, time frames and report occasions, how the information looks like that is provided, and how everything is integrated. This has to be looked at to be able to foresee possible integration problems that could follow.

¹⁶ In this analysis, I have included four accounting related 'textbooks', which are the two editions from Morris & Blackton (1995) and Morris (2000), Willson et al.'s (1999) approach and the new version of DePamphilis (2003), which is a rather impressive construction from a finance perspective to integrate M&A activities. The decision to include precisely these four books was made for two reasons. Firstly, these works are the most comprehensive ones available to me, and secondly, most other material has about the same content as what has been presented in Section 3 before, hence is written from the perspective of M&A researchers. Such material does therefore not provide a new perspective, namely one for accounting professionals/academicians.

The integration process is then the part where large differences exist among the examined textbooks. What is most notable is that the mechanical and rational extension of the acquirer's control system is what impenetrates most frameworks. This is more often than not in agreement with most ideas that have been part of the managerial and strategic perspectives of M&A research. One can see that a functional and rational way to achieve the right organizational climate within the entire organization, which then is a climate where more or less full control is exercised by the acquirer, is the one the four 'textbooks' use. In such frameworks, key variables are then the attendance of accountants and finance people from the early beginning of the total M&A process, the retention of key people, and to understanding the expertise of the accounting and control department (or finance department). Furthermore, that the ongoing business is not interrupted is essential for practical reasons, which presumes that transactions are processed, control is in place, data is summarized, reporting issues are handled, procedures are established, and systems are coordinated. All in all, from the four textbooks' views, these are relatively simple tasks. However, tasks which are described in the accounting books in a very detailed manner, almost in a way as if all organization involved in M&As have the same MACS and hence also the same integration problems to count with. This is as well the reason why I use the term 'close up' for this, to me, particular research stream but also why this approach resembles typical 'textbooks' for undergraduate students, in which one learns the basic laws of how management accounting and control works in organizations. The next part, however, will provide a different picture of the area under investigation, namely the one of organizations' behavior from a more expanded view.

4.3 Organizations' behavior from a more expanded view

From the above description, we can see that the change of systems, practices, routines, and other tasks seems to be a rather straight-forward approach. But such an explanation often only shows a micro version of organizations where everything can be planned step by step and where easy solutions are at hand for difficult problems. This focus is almost identical with the normal view of organizations in its most simple form, namely as one entity, but also as more or less independent from their environment. Such organizations behave then rationally and their important actors are focused completely on identical goals. However, when looking at merging organizations, one is involuntarily looking at several environments, as each company operates in its own surroundings and has its own nexus of contracts (Jensen and Meckling, 1976) and the question that follows is if MACS then must reflect the different situations where they operate or not, which is something the 'textbook versions' do not care much about since an automatic extension of the mother's MACS is the general rule. This can then be in different countries, which normally is described in literature dealing with multinationals (as in Hedlund et al., 1993; Radebaugh and Gray, 1997) but also in the same country but in different environments due to different competition or different technologies (e.g., pace of change and complexity of production methods). Economies of scope and scale are often the main reasons for M&As, and it seem like similar business processes and accounting systems increase the possibility of achieving such goals. This in turn will provide arguments for managers within the acquiring company to force the acquired organization to follow their strategy, and if such an occasion takes place, acquirers would probably try to achieve this by changing MAC processes and practices in the acquired company.

The main concept of the earlier mentioned 'contingency theory' is that structure, strategy and environment have to fit in order to achieve good performance (Burns & Stalker, 1971; Donaldson, 2001). This seems to be a fundamental factor determining how organizational parts have to be related to each other after M&As. Hence, as such it is not a variable but a concept that has had (and still has) much power in the sense that it has found many supporters and through this also provides the fundamental idea of what is right and what is wrong in general. This belief has its expression above all when it comes to 'allowing' subunits to have their own environment, structure, and strategy. However, an issue that appears in general is that research on control in corporate groups and business units during the past most often simply has dealt with the requirements at the corporate level (Nilsson, 2000). One can therefore easily get the feeling that many researchers have a tendency to simplify the real world by putting together different problems that take place at the peripheries of companies and by answering them with one simple solution. And that solution has then to be implemented at the corporate headquarter in the form of some strategy or vision. A question that appears to be an important one is then how to combine two organizational parts without destroying the fit between the structure, the

strategy, and the environment of each part? This problem seems to be a major roadblock to achieving synergy potential in the form of economies of scale as it is about the opposite of the assumption that one can rationalize and achieve economies of scope and scale by increased centralization.

The quintessence of the contingency theory together with M&As will be addressed in the next part, what however is evident from the literature examined is that organizations that are part of research projects are either one entity or multinationals. But there exists nothing in between and the reason for this seems to be that something in between, as is the case during for example the M&A integration stage, is not meant to last for a longer time period, and therefore probably not seen as interesting to observe. The literature about organizations seems in general to show mostly 'ends' and much less 'means', which probably lays in the nature of human beings, as results often count more than the process of how these results were achieved. In the context of multinationals, researchers normally use the terms headquarters and subsidiary and it is the way the monitoring process within such organizations is done that is at center-point. Hence, 'the object of control' and 'the type of control' are then two important variables to look at when investigating M&As as one, depending on the way chosen, also has to use the right mix of tools (Baliga & Jaeger, 1984; Mintzberg, 1979; Ouchi, 1977). When simply the output is in focus, performance control is enough. If this, however, is not enough, behavior must be controlled in some way as well, and this means then tougher and more restrictive control from the acquirer exercised on the acquired part. But organizations in general have an almost built-in mechanical behavior or a tendency. Described in a more logical form, the following five tendencies of organizations can be made out (Baliga & Jaeger, 1984), which probably can be applied to organizations involved in M&As as well:

- 1) The more unstable the environment, the less formalization and centralization.
- 2) The older the organization, the more routinization, bureaucratization, and centralization.
- 3) The higher the quest for power at the headquarter, the more formal is the control chosen.
- 4) The worse the economic situation of the subsidiary, the more bureaucratization and centralization.
- 5) The more important role the subsidiary plays in the entire organization, the less autonomy is admitted.

A closer examination of some of these general tendencies will be examined further in the next part, which gives a summary of the main content of the explicit studies of the research area of this article.

4.4 Studies combining MAC with M&As 'explicitly'

The above illustrated that MAC issues normally are discussed together with structure and strategy in the form of enterprises as one entity or as multinationals, which then also is an entity of some sort. Studies that look at this together with the integration process in M&As are the exception. However, there are a few studies that bridge the gap that exists between 'the textbook view' and the more 'expanded view'. Jones (1985a, 1985b, 1986, 1992) for example comes forward with numerous factors that are influential on MACS in M&As, during especially the two first years after the deal has taken place (unfortunately only two years in all of Jones' studies). The results of his different investigations and the ones by three other authors (Nilsson, 1994, 1997, 2000; Roberts, 1990; and Granlund 2003), however, do not provide a clear picture of the implication of different variables.

The 'difference in size' between acquirer and acquired company seems to be a determining variable for changes in MAS, and the fact that the results from Granlund's (2003) study differ compared with Jones' four studies only underlines this argument, as they come from organizations of similar size, and not from organizations of much dissimilar size, as was the case in Jones' examinations. 'The type of the acquisition' can, however, not with certainty be seen as such a driver as the results of the different studies point into dissimilar directions. 'Time' appears to be a variable as such, as MAC changes that are important to the acquirer are done as early as possible (Jones, 1985a, 1985b), and some evidence exists that supports the fact that fast changes result in better outcomes than slower ones (Jones, 1985a, 1985b, and 1986). 'Performance' is a further variable that appears to be important as control becomes tighter when the acquired organization's performance declines (Jones, 1985a). A further variable is

'politics' or 'ideology' as several of the above studies (e.g. in Jones, 1985b; Roberts, 1990) underline that the design of MACS is done more according for such reasons rather than in accordance with structural logic. Hence, it seems like systems are designed more according to possibilities than according to needs.

The above studies also provide some interesting findings when it comes to the role of MACS during the integration processes or more often how the role of such systems changes throughout such processes. Apart from the study by Granlund (2003), there is evidence that the acquired organizations' MACS are becoming more important after the acquisition when looking at the more strategic and long-range functions of them. Operational functions of such systems on the other hand lose some of their importance. Thus, this is in line with earlier findings that showed that focus is shifting from internal control to more external control by the acquirer. However, it cannot be determined with certainty if report frequency increases or decreases as different results point in different directions. Nor can it be determined if there are certain roles for such systems for certain types of acquisitions. What, however, can be noted is that MACS are changed towards the acquirer in almost all cases (all except Nilsson's and Granlund's studies) and the evidence of above all older studies shows that this is normally done relatively quickly after the acquisition, namely within about one year. In Granlund's (2003) study, however, this takes a much longer time, and the explanation for this seems to be that Granlund looks at such systems from a socio-cultural perspective, and not from a more rational system-technical perspective (which is the sort of name I would classify for example Jones' studies with). As we have seen from earlier parts, culture seems to need more time to be changed and implemented than systems, which then could be the explanation for the different time frames found.

Furthermore, non-financial information (from the new 'subdivision') seems to gain weight after M&A deals as the headquarters focus more on forecasts and long-range planning to direct the new subdivision (in Jones four studies and Granlund's study). This can be summarized by saying that the MACS's focus changes towards a more future orientation. The content of the studies above underlines moreover that the volume of data and the frequency of formal reporting increases, which certainly provides a great work burden for the involved departments during a time when there is much going on anyway.

Problems found during the integration processes are other issues that need to be summarized here. One can clearly see that MAC problems only are a part of all problems mentioned by accounting and control related managers (all persons interviewed in the studies seem to have been managers). From the content of all studies and particularly the results of Jones' first study (1985a), one can draw the conclusion that about half of all problems are related to such systems more or less directly, and the other half to other management issues. To change strategic and long-range topics appears to be more difficult than to change operational issues and another problem seems to be the quality of the accounting information provided, as this one diminishes. The political and ideological forces furthermore contributed that MACS were not designed to fit functionally. A final finding is that mostly informal and less formal control mechanisms were destroyed in the acquired organizations, but the researchers could not tell if this was done on purpose or not (can be seen above all in Jones, 1986).

It is (of course) 'the right balance between coordination and adaptations' that seems to be the essential ingredient for M&A success (Nilsson, 1994, 1997, and 2000). Nilsson's studies show that M&As with a high need for functional integration also need much co-ordination and the best way to achieve this is to use MACS, and specifically budgeting. Financial acquisitions on the other hand need the least co-ordination and hence also the least harmonizing strategies. Budgets are regularly used in addition to strategic planning tools for such matters. The Swedish evidence from Nilsson furthermore shows that MACS are in Sweden generally not used in a mechanical way to control the new subdivision to the same extent as in the other examined countries, which above all is true for the UK and the US, but not really for Granlund's (2003) Finnish organizations. The evidence also shows that co-ordination and integration were subgoals in Swedish organizations compared to the situational adjustment that was more important.

4.5 Increasing the Frame: Accounting regulations and standards in general

The above three parts have revealed quite different pictures of the area under investigation. What, however, is evident from all parts is that accountants and managers working with M&A deals have to

consider a great variety of issues that normally are classified as ‘financial accounting’ and not ‘management accounting’. The content of the four ‘textbooks’ underlines this as much of the ‘close up’ is about issues that have their roots in accounting regulations and standards in general. The ‘great divide’ in this respect is the national versus the international M&As and the main reason for this is that the different accounting regulations and standards around the world still mostly follow the national borders. According to different authors (i.e. Flower & Ebberts, 2002; Mueller, Gernon, & Meek, 2001; Nobes & Parker, 2002) accounting is in Sweden for example done more in accordance with such societal characteristics as government rules, tax laws, economics in general, and sound judgment (true and fair view), which are determinants for very macro-uniform accounting systems. In the US on the other hand, accounting systems are more business aligned, micro-based, pragmatic, detailed, and stock market oriented.

Furthermore, authorities’ demands for the resemblance of accounting reports have led not only to accounting standards when it comes to reporting for external purposes but also to accounting standards for internal purposes. This is mainly because accounting software today provides integrated programs, which are used by a great majority of organizations. In Sweden, for example, about 95 percent of all enterprises use the BAS accounting plan (BAS-kontogruppen, 2003), and this software is then also used for internal management and control by adding additional account classes and sub-accounts (Ax, Johansson, & Kullvén, 2002). Standards are then mostly the reason why adjustments have to be made after, for example, M&As, when two organizations’ MACS have to be aligned in order to produce homogeneous reports. Difficulties will then normally turn up within the accounting system as every organization uses their own and specific sub-accounts.

Hence, when talking about international M&As, macroeconomic and social patterns in different countries are the reason for certain perspectives with accounting systems in general. One can say that the further apart two organizations are when it comes to values and societal characteristics, the more of financial reporting practices are part of the change process (Riahi-Belkaoui, 2000). However, prominent authors within the management accounting and management control field show that societal characteristics also have a strong influence on the internal accounting parts, and that we still are far away from global ‘management accounting and control practices’ (e.g. in Ahrens, 1996, 1997; Bhimani, 1999; Bhimani, Ask, Ax, & Jönsson, 1996; Chow, Kato, & Shields, 1994; Drury & Tayles, 1995; Granlund & Lukka, 1998; Harrison & McKinnon, 1999; Hofstede, 1980, 1998; Schwartz, 1999; Smith, Peterson, & Schwartz, 2002). From these studies, one finds out that people seem to work differently when it comes to certain aspects of daily managerial tasks in organizations and this particularly due to their socio-cultural heritage. Strange enough, however, Granlund’s (2003) study is the only one that tries to dig deeper when it comes to give answers to socio-cultural aspects of MAC issues during M&A integration processes, but even he does this more or less simply in form of organizational culture practices and not national ones. What though remains unanswered is how strong national socio-cultural patterns determine MAC issues during M&A integration processes.

4.6 Information Technology in MACS and M&A integration

Today, most accounting and control is realized by using information technology as the use of such a medium to support business processes has increased “dramatically” during the last decades (Granlund and Mouritsen, 2003). One can therefore say that when we these days talk about management accounting and control, we automatically talk about information systems (McLeod & Schell, 2001). An information system that is very popular, especially in large companies, is the so-called Enterprise Resource Planning (ERP) system, which can perform more or less all the firm’s computer processes, from data processing tasks to the preparation of management information (O’Leary, 2000). Around 60 percent of all multinational companies in the world are today owners of such systems and there are two very often-mentioned reasons for this popularity (O’Leary, 2000). System buyers wanted, firstly, to be able to increase the organizations’ information system security, which was especially the case before the millennium ended, because of the year 2000 panic. A second major desire is to augment the integration of key business processes globally, and to improve organizational coordination, efficiency, and decision-making (e.g., Granlund and Mouritsen, 2003, Laudon and Laudon, 2002, O’Leary, 2000). What is especially interesting for this study is the fact that many companies choose information systems, such as ERP systems, as a main tool precisely to coordinate ‘after merger activities’ and to

increase the speed of the implementation process that is necessary to bring the two or more firms together (c.f. Hyvönen, 2003; O'Leary, 2000).

From this, it follows that ERP systems almost certainly must be part of at least one of the organizations (as far as they are multinationals) that are involved in M&A arrangements, either in form of the acquirer or the acquired. However, what impact this has on M&A integrations cannot be found yet in the many studies as they often simply describe how ERP systems change your business, in most studies to a better one of course, or how to implement such systems in general (Davenport, 1998, 2000; Mudimigh, Zairi, & Al-Mashari, 2001; Ribbers & Schoo, 2002). From the few management accounting related studies about ERP (Caglio, 2003; Dechow & Mouritsen, 2003; Granlund & Mouritsen, 2003; Hyvönen, 2003; Lodh & Gaffikin, 2003; R. W. Scapens & Jazayeri, 2003), I conclude that such systems have an impact on accountants' traditional role as they enforce integration, which leads to more complex roles of managers and leaders as networking is unavoidable. At the same time non-accountants need to have some accounting knowledge to be able to work with the systems. The systems also impose more standardization which, however, is not easy when having organizational boundaries instead of the boundaries the system requires. Moreover, routine work is mostly done automatically by the ERP system but this then also leads to a change in power as the central part of the system, where the programmers and information users are situated, now can decide how things have to be done.

Hence, when it comes to ERP systems, much is said about its positive side and about its implementation. How things, however, have to be 'kept alive' is a question that still needs to be answered (Dechow & Mouritsen, 2003). What though has been lost totally is how things have to be changed after they have 'gone alive'. Evidence for such system changes is still missing and this is not strange as the new versions of ERP systems have not been on the market for many years. Anyway, imagine now the implementation of such an ERP system that is very costly (up to several hundreds of million dollars in very big organizations), very complicated, and very time consuming (often many years). Imagine then as well that everything is in its place and everybody eventually is satisfied. Imagine then that this organization will be acquired by another organization that has another system and therefore wants to change the acquired organization's system due to reasons I have written about earlier (i.e. comparability, rationality, control, economies of scale and scope, etc.). And imagine now the consequences! Our imagination is the only thing we can use today for such a scenario since there is no such study that has looked at this.

4.7 Individuals, 'change' and resistance to change in general

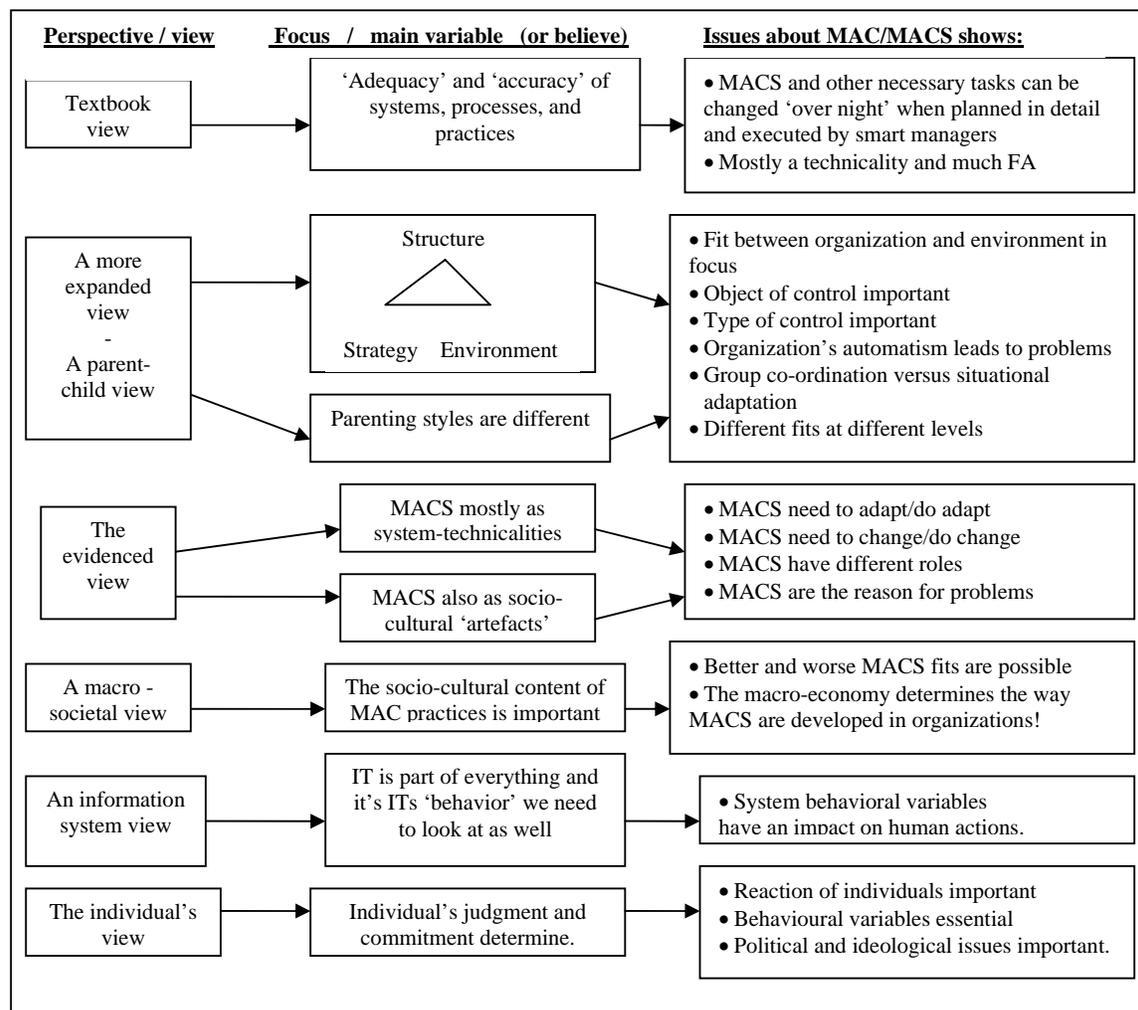
Many of the earlier sections confirmed that a systematic and relatively rational way of integrating organizations after M&As is very often believed to be possible. However, some authors have also shown that it is individuals and not organizational factors that resist new MAC (above all in Jones, 1985a, 1985b; and Granlund, 2003). Individuals play an important role when things change in general as individuals normally are sensitive to what is going on. Individuals' judgment and commitment is therefore an important variable when looking at organizational changes and what is especially vital to take into account is that individuals attach emotional feelings to old systems but also old routines and practices, although they may have been relatively bad ones. Granlund (2001), for example, found MAS to be "inherent" stable and that much of this has to do with the "poorly understood human factor". For him, resistance to change can occur as people often feel comfortable with routines as they provide the feeling of security but also because changes can imply an increasing work overload. Jermias (2001) finds that people's judgment about the usefulness of costing systems is influenced by their commitment to their favored system. His experiments show that humans consider only a subset of their knowledge to support their desired conclusion. The consequences of this are that people who are committed refuse to change their chosen system even when facing negative feedback from it.

Moreover, that the strategic planning of change processes often seems to ignore softer change issues such as education, sponsorship, the creation of internal commitment, the distribution of power, and legitimizing new systems is another main barrier during accounting change (Kasurinen, 2002). The inability to find the right relationship between the different languages spoken in the organization (such as production and accounting) is another variable that has to be thought of when investigating M&A change in organizations (Scapens & Roberts, 1993). Hence, a possibility to increase the value of the outcome of change processes seems to be to identify 'motivators, facilitators, catalysts, confusers,

frustrators, and delayers'(as in Kasurinen, 2002), and to pool them in the right way, which is then probably what 'change management' is all about, and what to some extent reminds of the managerial, strategic, and process perspective of the chapter before. Other authors, however, show that such a process is, from the perspective of individual actors, done by 'intuition' and 'interpreting' (Crossan, Lane, & White, 1999). This because groups are only able to 'integrate' when shared understandings are in place (as in Nilsson, 1997 and in Granlund, 2003), but it takes quite a while until routines develop. All in all, when looking more closely at individuals, one finds that system implementation success is very much dependent on behavioral aspects, probably more than technical aspects and this can be seen in many management accounting related studies (Granlund, 2001; R. W. Scapens & Roberts, 1993; Shields, 1995; Simons, 2000). However, the picture of individuals' reactions to M&A changes in respect with MACS is a vague one as research examining such issues is rare.

4.8 Summary of the management accounting and control section

The figure below summarizes the six views I have included in the 'MAC' part and which I believe to be the major ones that can be found concerning the area under investigation. I furthermore believe that the ideas in this figure are more appropriate in practice than the ones in the figure summarizing Section 3. This seems to be logical as well as the figure below describes MAC directly through the 'eyes' of mainly accounting related research whereas the studies in Section 3 have their background in M&A related literature.



The MAC - research 'views', their focus, and MAC/MACS systems in general

5. The Construction of a Model

5.1 A mostly theoretical approach: 'dimensions' of how you look at integration

The two summaries above demonstrate clearly that the perspective, or also 'theory' or 'view', a researcher uses is something that, to a great extent, determines how M&A integration is described and how MACS are understood in relation to such business phenomena. By looking at these perspectives, theories or views about three different main 'dimensions' can be identified in the literature, namely a socio-cultural one, a political/ideological one, and a technical one. The socio-cultural dimension is the one that focuses specifically on the social and cultural differences that can be found in the different organizations that merge, and hence also in MACS of such organizations. Within the M&A literature, above all the HR and the cultural perspective, but also the acculturation perspective, deal with such issues. However, the socio-cultural dimension is the one that is not well documented when looking at MAC literature that is related towards M&A integration, and a main reason for this seems to be that the 'explicit' studies more or less only look at these business deals in a national setting, and not in an international one.¹⁷ The political or ideological dimension on the other hand is the one that is needed to gain legitimacy for the actions taken and this particularly when other instruments are not sufficient. This dimension probably is closely related to the socio-cultural one as it has much to do with values, norms and attitudes that derive from societal but also organizational characteristics. This dimension is, except for a few studies (e.g., Jones, 1985a and 1985b; Nilsson, 1997; Granlund, 2003) not well described in the MAC literature and it seems like it is difficult for the researchers to get access to data on political or ideological issues when decisions are taken about MAC issues during the M&A integration process. However, it is very often this dimension that seems to be the reason for what is going on in the organizations which primarily can be seen in the different studies of Vaara (1995, 1999, 2000, 2001 and 2002), then not management accounting/control related though.

The technical dimension finally is the one that describes the problems that arise during the M&A integration mostly in a functional or rational way. I use the term 'technical' as this dimension above all sees actions that have to be taken as something that simply has to be pulled off or started like a machine, and where tasks are performed in a rather 'automatized' way. This dimension is the one that is most often described in textbooks or in the managerial and strategic research stream literature. It probably is most similar to the tasks included in the 'procedural level' of Shrivastava (1986) and it is also this dimension that has been looked at particularly in the 'explicit' studies of above all Jones (1985a, 1985b, 1986, and 1992) but also Nilsson (1994 and 1997). Hence, the technical dimension seems to be the one in which integration typically is as a straight-forward approach where necessary adjustments have a rather limited impact on organizational actors and other system users.

From the analysis of the literature, one could argue that the technical dimension is the one that is situated inside the other two dimensions as it is more limited in its scope. The political / ideological dimension on the other hand already includes more complex components of integration issues, not solely the more technical ones. The largest dimension appears to be the socio-cultural one as this dimension also influences the political and ideological behavior of managers, actors, system users, but also the researchers describing them. The perspectives and views from the earlier part could then be seen as the largest 'dimension' even if it has not exactly the same character as the real dimensions mentioned here. Perspectives and views, however, influence how the three dimensions within are looked at. Most of the research I have reviewed in this literature study does simply present one dimension of the integration process to explain MAC issues together with M&As. Studies that provide a more holistic framework in the form of, for example, all three dimensions, however, are rare. This in turn is also the reason why this article contains so many different approaches explaining approximately the same process, namely the integration process that follows after M&As. Despite this variety of perspectives, views and dimensions, there are vague clusters of thoughts that can be found containing

¹⁷ Strange enough, most authors of studies within the area of MACS seem to assume that socio-cultural issues only are important enough to study when organizations with different national origin are part of the investigation, which for example can be seen in the study of Chenhall (2003) or Harrison et al. (1999). Hence, organizational culture differences without the factor of national difference appear to be looked at as unproblematic in general.

variables and groups of variables that are more pragmatic and logical. To present them and also the logic behind them is what the next parts are about.

5.2 More pragmatic and logical variable groups

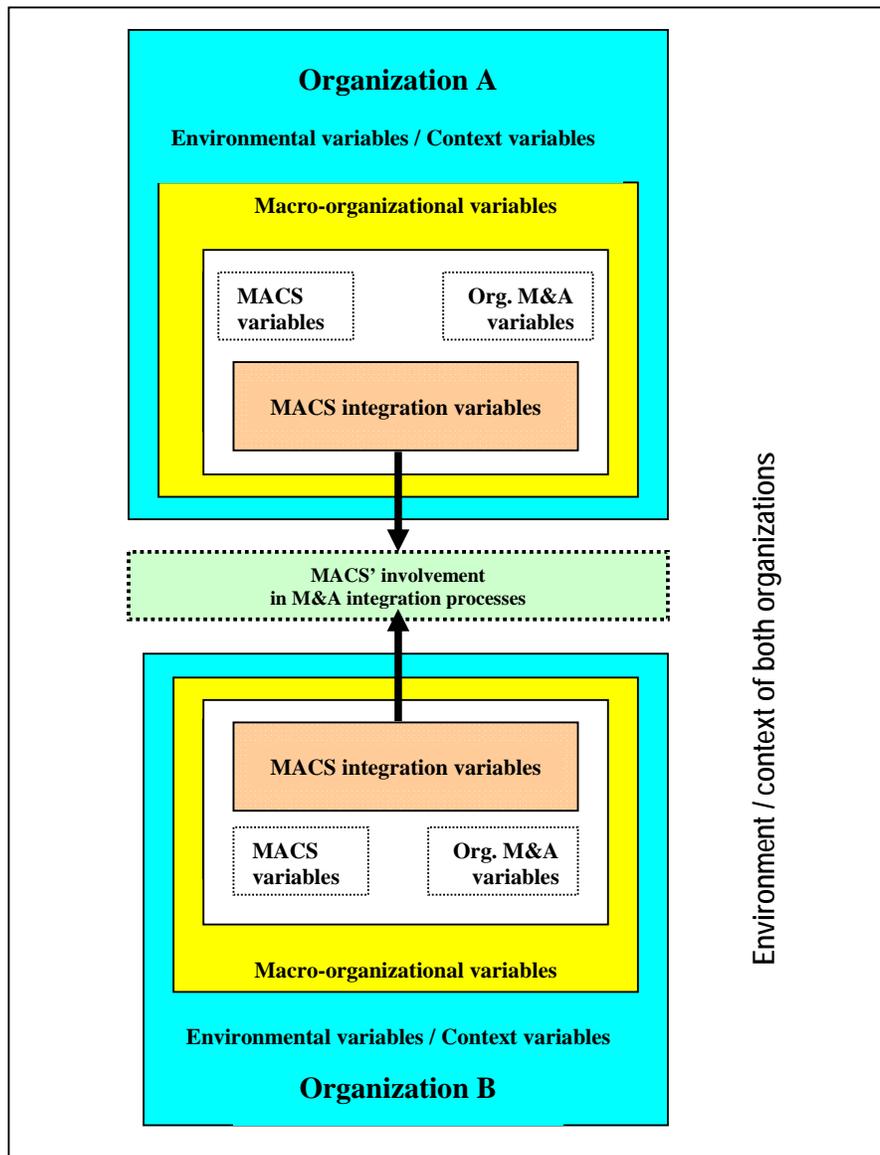
The two models illustrated above provide the foundation for more pragmatic variable groups. It is, however, not easy to offer a detailed description of how the following grouping has developed as this has been a rather complicated process, involving much back-and-forth. The fact that little 'explicit' research exist within the area under investigation is certainly a reason for this and also why the grouping of variables is simply tentative. Furthermore, boundaries are only vague and the relationship shown in the following model are preliminary conclusions drawn from what is available. The main finding from the literature study is that each M&A deal is special as such arrangements involve particular organizations that are situated in particular environments. Hence, the context in which MACS can be or have been studied is different from case to case, which certainly is the biggest explanation for the dissimilar outcomes of the studies done. This generally should show a flag of warning when it comes to generalizations made, but this is in line with the history of conventional ideas of the contingency theory where the epistemology had been the guiding motto that "the appropriate design (s) of MCS will be influenced by the context within which they operate" (Chenhall, 2003, p. 128). Therefore, it seems to be legitimate to determine the design but also the role and function of MACS when it comes to M&A integration processes without being afraid that generalizations may be impossible simply because each M&A deal is special.

However, from my own review, I make out particular variable groups where not all variables are put into the large classification 'context variables'. First of all, variables that have to do with macro-organizational characteristics (size, age, structure, strategy, culture, management style, etc.) are therefore the fundamental starting point for the analysis. Environmental variables on the other hand have a great impact on organizations and this is an entity that seems to be larger than the organizational variables mentioned earlier as such variables normally determine how organizations look like and not the other way around. I, however, combine this category with the term 'context variables' since I cannot decide upon which abstraction that is most adequate. Furthermore, some environmental/context variables seem to determine changes of solely one organization, some others however, can have an impact on both organizations.

A third group of variables, on a somewhat lower level than the two first mentioned groups, can be identified by looking at above all research from the M&A section, where one finds the different organizational M&A characteristics to be the main issue. In addition to that, also most 'rational' studies in Section 4, and the ones applying contingency thoughts support the idea that particular features of the different organizations' M&A tasks are a main group. This includes factors that have more to do with the specific M&A process that is going on when the organizations try to integrate (or co-ordinate) their businesses after the M&A deal. Here, it is the way such integration takes place and in what environment this happens that is in focus. M&A motives and strategies, but also expectations with such business arrangements, are now central as well as decisions about the integration type, the integration tasks, and the time chosen to do these certain tasks. These variables have also to do with the degree of integration experience, integration participation, and integration planning in general. Hence, this group of pragmatic variables is a particular part of the above mentioned organizational characteristics since these elements of it only look at a specific aspect/task that takes place within the involved organizations, namely the M&A process, and not the entire organization.

When looking more at the content in Section 4, one can find another group of variables that is part of the organizational variables but constitutes a large entity itself. This includes particularly the skill, structure, technology, purpose, and type of MACS that is used in the different organizations. The variables of this group seem as well be determined by organizational attributes; hence, is on a lower level than organizational attributes and characteristics but separate from the second main group, the organizational M&A characteristics. Finally, a last group can be specified and it is a group that is not as visible as the other ones in the literature review simply because of the limited number of studies describing such issues. I name this variable group 'MACS' integration variables as it contains the planning and execution of such issues, but also the MACS' integration logic itself. Furthermore, peoples' reactions to such integration tasks are included here as such reactions then again are the topic

of new management actions.¹⁸ This fourth group is the one that seems to be determined by all other main groups in some way and in the literature study, it is above all the content of the ‘explicit’ M&A and MACS’ literature that has described such issues. Since ‘explicit’ research is rare when it comes to the area under investigation, it is relatively unclear how variables that are part of the other main groups determine MACS’ integration management variables. The following tentative model shows the different levels of the diverse variable groups and how they are related to each other. Furthermore, one can see that it is above all the smallest variable group, MACS integration variables of the two organizations, which determine the area that is at center-point in this article, namely MACS’ involvement in M&A integration processes. The next four parts give a more detailed description of the model.



Relationship between more pragmatic variable groups on different levels

¹⁸ It could be argued that a separate group should be provided for peoples’ reaction to MACS integration tasks. The problem with such an approach, however, would have been to place it in relation to the other groups and above all the last group, the MACS’ involvement in M&A integration processes.

5.3 Environmental/context variables

I labeled my largest variable group in the tentative model above environmental or context variables. However, when talking about the context or environment of organizations involved in M&A deals one has, at least, to look at three topics at once, namely the environment, the structure, and the strategy of the organizations. The reason for this is that it almost seems impossible to separate them when trying to get a true picture about integration issues after M&A deals. And such a separation is not even desirable as the main argument for each of them is its connection to the other two. Hence, the right fit between the structure, the strategy and the environment of the involved organizations is a fundamental requirement to achieve good performance according to primarily contingency theorists (i.e. Jones, 1985a, 1985b, 1986, 1992) but also most other studies in this field (i.e. Kitching, 1967; Nilsson, 1994 and 1997). It therefore seems only logical that the more different the two environments of involved organizations are (geographically, structurally, but also strategically), the more difficult it appears to achieve such a fit when integrating them. According to ideas of economies of scope and scale, which, as we have seen, often are the reasons for M&As at first hand, overall organizational integration needs to be done to achieve them. From this, one can draw the conclusions that no matter what, you have to struggle with principally two main forces when dealing with M&A integration issues. This is first the force of organizational fit regionally into the environment of the old entity (according to the contingency theory) and second the force of organizational fit into the new large entity, together with the new entity, in accordance with theories of economies of scale and scope.

These two elementary forces, as the content of this literature study shows, probably have an impact on most other variables that are part of MACS integration after M&A deals. In some way or another, the two in exactly the opposite direction pointing forces have an impact on how 'fit' is achieved, be this organizational fit or environmental fit. The biggest problem though appears to be that this 'fit' problem is a difficult one to describe, and the only way to do this is by looking at certain parts of it. However, by doing so, the holistic design of the problem falls apart and no longer exists. This also has an impact on the different variables when studying them, since, for example, the precise structure of the organizations involved can hardly ever be seen as a concrete variable in studies. The reason for this is that only together with the other important variables that comprise the entity, for example, the environment and the strategy of the organizations involved, does the structure makes really sense.

Furthermore, researchers primarily focusing on the issue of organizational culture emphasize that the link between structure and culture in the organization is essential to adapt externally since external forces can 'falsify' these parts of an organization, and that such cultural adaptation also requires the right fit between the structure, the strategy, and the external environment to enable efficiency (Bijlsma-Frankema, 2001). In a multinational context, structure furthermore has been categorized and enterprises have been sorted into such categories. Here, above all, Ghoshal and Nohria, (1993) have shown that some organizations use normative control mechanisms to a much larger extent than others to integrate the different subunits spread all over the world. Such frameworks, however, do not explain how organizations deal with uncertainty that comes from different environments. Here, it seems like the old rules still are true, namely that the more dynamic, complex, diverse, and hostile the environment is, the more uncertainty the organizations meets, and this in turn requires lower levels of formalization and centralization (Baliga and Jaeger, 1984). Despite that, much research exists that shows that there are national differences when it comes to how to structure an organization. Swedish organizations are, for example, often relatively decentralized in comparison with the organizations of many other western countries and this also has an impact on how much emphasis is put on conformity and co-ordination tasks selected after M&As (e.g., in Nilsson, 2000).

Finally, my intention with the word 'context' in combination with the environment of the organizations involved is that organizations are not part of a vacuum but always embedded in a certain time and a certain place (or mostly two places), which to me is the particular context. The five merger waves for example show that during each wave, certain integration focuses (horizontal, vertical, etc.) were part of organizational members' preferred thoughts. During such particular times, people intended to believe that some particular integration process was better than another one simply because it was fashion, but also because the economy in general was the way it was. However, which exactly 'these' context variables are and how they determine other variables is not clear at all as research mostly has ignored this area.

5.4 Macro-organizational variables

The performance of the organizations involved

The performance of the organizations involved in M&As is a first main variable I can identify that is part of the macro-organizational variable group. The performance of the acquired organization very strongly determines how much autonomy it normally deserves. Good performers, and here I am talking about the acquired organization, are then invited to participate in integration work but bad performers receive 'hands on' in the form of supervision, power centralization, system standardization, and also by preaching liberation (i.e. Baliga and Jaeger, 1984; Hunt, 1990). However, the lower the performance of the acquired company, the higher is the possibility to improve and this has an impact on the 'attitudinal performance' when asking the employees in the acquired organizations (Calori et al., 1994), This then is also positively correlated with above all informal communication, cooperation, and personal efforts of the managers of the buying firm, but less with formal ones. As actors of poorly performing organizations often welcome a new management more than good performers, M&A integration tasks should be easier to carry out in such organizations than in the ones that are performing well.

However, the question that could be asked is how poorly performing acquirers 'legitimate' changes within good performing acquired entities; as such research results do not exist. Furthermore, some research shows that even tougher control is exercised when performance in the acquired organizations declines (Jones, 1985a, 1985b and 1986) which then often leads to even more conflicts and resistance, lower moral and reduced support for integration matters. This then looks like a vicious circle. Finally, it can be concluded that the general trend is that the more limited the contribution of the new subsidiary is to the entire group, the more delegation is normally given. The same is true when the subunit serves mostly as a host market (Baliga and Jaeger, 1984).

The size and the age of the organizations

The difference in size between the acquirer and the acquired organization is a variable that has been part of several studies, not at least since it is a typical 'contingency variable'. Not all results point in the same direction though. Kitching (1967) and also Pablo (1994) find that a big difference in size more often leads to integration failure in total as no attention is given to the small acquired company due to its relatively limited contribution to the total result. Jones (1985a) furthermore reports that such a difference is the main driver for changes made within MACS. Also, Jemison and Sitkin (1986) believe that management systems are more often imposed on acquired companies when the difference in size is significant. The results from Granlund (2003) point in the same direction but here it is more that management accounting implementation task problems increase due to the fact that the involved organizations have about the same size. Hence, equal size appears to influence the M&A integration process negatively, which often also can be seen when looking at 'real' mergers of equals (as in Blasko, et al., 2000), and the issue that may be the main driver for confusion is the relatively equal power within the two parts. The questions then are, which one has to give up a part of itself in order to be able to achieve economies of scale and scope, and which systems have to be replaced.

When it comes to the age of organizations involved in M&As it can simply be stated that older organizations generally have a tendency to increase the activities in a routinizing, bureaucratizing, and centralizing manner, and this is true even independently of the uncertainty of their environments (Baliga and Jaeger, 1984). This in turn seems to have an impact on the integration processes as older organizations then probably have more difficulties in changing business structures and practices.¹⁹

The type of culture of the organizations

Culture, whether organizational culture or national culture, is a topic that can be discussed forever without being able to reach clear answers. This is my impression from the rather deep analysis of the topic in this literature study. From this, I am able to determine culture with all certainty to be a main variable when investigating M&A integration processes. Away from that, however, clear conclusions

¹⁹ Furthermore, if both organizations involved, the acquirer and the acquired one, are old enterprises, one could imagine that change problems could be even bigger, and a very interesting case for the future would be to observe the acquisition of a very old and large organization by a young and small one.

are rare. It is first of all not exactly obvious what kind of culture one is talking about when looking at this matter in the studies the way I have done. If we are looking at M&As involving organizations in the same nation, national culture problems may not be the issue to look at. International M&As on the other hand involve such topics as well and here it seems that most researchers believe that problems will increase the bigger such cultural differences are (e.g., Blasko et al., 2000; Cartwright and Cooper, 1992). There are, however, some researchers that underline the positive effect of greater cultural differences as one can choose best practice of each culture and try to complement each other (i.e. Hopkins, 1999; Larsson, 1989). How this is done in practice is, however, still the question as these authors hardly ever provide such answers.

All in all, one could say that almost everybody writing in this genre agrees that the neglected attention to cultural issues must be seen as a main reason for integration problems and M&A failure (e.g., Schuler and Jackson, 2001; Slowinski, 2002; Bower, 2001; Buono and Bowditch, 1989 and 2003; Hudson and Barnfield, 2001) and that a positive cultural relationship increases the synergy potential (Larsson, 1989 and 1990). The main questions, however, seem to be if such a relationship can be built during the integration process after M&As, when differences are large, or if such a cultural change management is a waste of time. Hence, it is impossible to say here that bigger cultural differences have less chance to result in M&A success. What can be mentioned, however, is that the multicultural acquirers, which are the ones that combine many different cultures within their organization, more often consider diversity as an asset and therefore also allow the acquired firm to retain its own culture and practices (Nahavandi and Malekzadeh, 1988). Moreover, cultural integration can be promoted by mutual trust which in turn can be built by shared goals, by dialogue, and by looking for shared norms (Bijlsma-Frankema, 2001).

Another issue that is important when it comes to culture within organizations is that it is something that takes time to change, most often more time than is needed for changes of simple procedures and systems. However, culture is to a large extent part of procedures but also systems and from that it follows that many planned changes or implementations of new systems and procedures in fact are not really finished as people first have to become accustomed to and accept these new ways of doing things, before one can talk about them as integrated. The important lesson from this is that it is the people's experienced change that is essential to look at as well, not solely the stated status of integration on paper (Buono and Bowditch, 1989). And because cultural adaptation goes at a slower pace than the structural one (Schein, 1989) it is impossible to evaluate integration processes in M&As after only some months or even one or two years. Hence, it is not certain at all that the entire range of cultural issues is part of how new things work after only such a short time period.

Shared perceptions of daily practices in organizations are part of the culture of the organization (Hofstede, 1991) and it seems to be normal that adjoining culture types are easier to integrate than others since everyone normally wants to retain his/her own culture (Cartwright and Cooper, 1992). Organizational actors, however, do not experience culture only at one level. Such actors, part of organizations involved in M&As, see culture in many different ways, namely together with the former separate organizations, together with the national identity (if from different countries) or as different cultural sub-groups in the form of different work- teams, job categories or even divided into different educational groups (Vaara, 2001 and 2002). Therefore, culture integration takes part on several levels in the organization and this is important to have in mind as one can achieve integration from the bottom-up instead of top-down integration. Today, it seems that this is done more often than before in the form of socialization programs, training sessions, and other culture exchange activities. Finally, culture is often simply supposed to be the reason for problems, even though the real reason for difficulties is often something different (Bower, 2001; Vaara, 2000).

The organizational management style

The management style of the organizations involved in M&As is a variable that in about the same way as 'culture' determines the integration process. Management styles are very much the result of the socio-cultural environment of which the organizations are part. Management control systems can be seen as a part of the entire management spectrum that can be found in organizations and different management styles have therefore a great impact on how such systems are developed and used. The sections in this article have provided different forms of management styles, sometimes more described as leadership styles, parenting styles, management control styles or yet something else. It is difficult to

keep these terms separate as they can mean the same but also different things, often depending on the intention the author has. From the literature study what appears to be essential is that management styles are different in different organizations and that M&A integration processes often follow the logic of the management style of the acquiring organization.

More formal control mechanisms are, for example, chosen by headquarters' management that has a high quest for power, which then generally leads to bureaucratization and centralization (Baliga and Jaeger, 1984). An important task when it comes to management styles is how management in general monitors its different parts as different ways can be chosen by management. The two probable major classifications are to control via monitoring the output (ends) or to control via the actions that are performed (means). In such frameworks, the type of control (bureaucratization and formalized control versus pure cultural control) has to be aligned with the object of control (output or behavior) and this determines in general how management accounting and control tasks are activated (Ouchi, 1977).

In a Swedish context, management styles seem to be relatively oriented towards more social, cultural and behavior control mechanisms and less towards the bureaucratic control mechanisms compared with many other countries (i.e. Nilsson, 1997 and 2000; Larsson and Risberg, 1997). Therefore, acculturation seems to be easier to achieve within Swedish organizations than in many other ones (Larsson and Lubatkin, 2001). However, studies also show that foreign acquirers with very different management styles can achieve integration success in Swedish organizations when showing respect to the management style of the Swedish organization (Lundbäck, 2004). Finally, management styles also determine to quite a large extent what finally 'makes sense' to managers and this is a very important element when it comes to understanding what seems to be right or wrong (Vaara, 2000).

5.5 Organizational 'M&A' variables

M&A motives, goals, and expectations

There exist many different M&A motives and the picture one gets from the different approaches is not easy to categorize. What, however, is easy to understand is that the real motives the acquiring and acquired organization have with the deal very often are relatively unclear. M&A goals are often either too many or too few (i.e. Granlund, 2003). Another issue that comes up relatively often is that expectations are far too different when looking at the two organizations that pose such expectations (i.e. Jemison & Sitkin, 1986; Bijlsma-Frankema, 2001; Granlund, 2003). It is, however, not only that such expectations are unclear or not well-matched but very often as well, such goals are set too high. Even though the ones that most often have claimed this are HR and cultural researchers, such claims can be seen more and more often also within the streams of more rational thoughts such as in strategic or managerial approaches.

M&A motives and goals have during the 1960s and 1970s found their way to studies that mainly have tried to find certain patterns, such as, for example, in Kitching (1967). Thus, M&A motives and goals have, as such, been used as contingency variables already from an early beginning, which later on also became very obvious in the face of Jones' different contingency studies. But those who expect to see clear conclusions that point into a certain direction when it comes to the connection between M&A motives and the involvement of MAC systems will be disappointed. I have, in earlier analysis sections, already mentioned that, for example, Jones has not found much evidence for the fact that certain styles of acquisitions show the way for certain roles of management accounting techniques. When it comes to certain motives or goals it is even more difficult to say what this link between them and management accounting and control issues looks like. The reason for this is that this issue is under-examined, and the evidence that exists is written in such a way that an interpretation of it could give the wrong picture.

Another main impression from the literature provided is that the rationale for integration very often is to achieve strategic fit and not organizational fit (Jemison & Sitkin, 1986). This is a logic that automatically leads to several goals with the M&A deal and also its integration, as the operational part of the acquired organization always will have a tendency to be oriented towards organizational fit. A focus on the integration process instead of strategic or organizational fit can be the solution, but this then only reduces the level of action as the integration process normally also is oriented towards strategic goals.

Furthermore, several authors underline that shared goals are the best way to achieve integration (Bijlsma-Frankema, 2001, Galpin & Herndon, 2000) but the problem often seems to be to agree on such

goals. The solution appears to lie in that one has to establish small goals within small entities of the organizations involved, goals that are used to motivate people and to bring them together. Such goals need the sharing and exchanging of information and the co-operation and socialization among members of the different organizations. Such shared goals then built trust which is a major element for the decrease of misinterpretations of expectations (Bijlsma-Frankema, 2001). Hence, trust is then the control mechanism chosen which then also makes many other supervision tasks unnecessary.

M&A types and integration levels

Above all contingency studies have tried to find out which M&As (vertical, horizontal, conglomerate, etc.) require which kind of integration in the form of level and tasks involved. The results of these studies, however, do not follow the same direction, even if there is a certain trend that, for example, shows that the more related the two involved organizations are the more exhaustive is the integration (i.e. Nahavandi & Malekzadeh, 1988 or Jones, 1985b). Other studies show that it is above all the activities shared that determine how much co-ordination is necessary or at least chosen, and this trend above all says that financial acquisitions, for example, necessitate less integration in general than acquisitions that are made particularly to achieve operational synergies (i.e. Nilsson, 1997; Thomson, 1967). Hence, it is therefore normally assumed that the bigger the relationship of the involved organizations is, the more the management control system of the acquired company changes towards the acquirer one since there is a great belief that the parents can run the 'subsidiary' in the same manner as they run their 'home office' (Jemison & Sitkin, 1986).

If this issue is looked at from an international perspective, the situation appears a little different. Integration can then be different even at the macro-level of a multinational organization as some industries have stronger forces for local responsiveness than others. The same is true for the force that goes into the other direction, namely the force for global integration (Ghoshal & Nohria, 1993). The biggest problems seem then to arise in organizations that have strong forces into both directions, such as, for example, the automobile industry. Generally, however, there is evidence that the more multicultural an acquirer is, the lower the integration level chosen (Pablo, 1994).

Furthermore, many rather old studies have investigated if there is a difference in the integration level chosen depending on if it is a friendly or hostile acquisition (i.e. Kitching, 1967; Shrivastava, 1986; Hunt, 1990) and the results do more or less only point in one direction. The more hostile the acquisition is, the more integration follows normally as there is a resistance that has to be overcome and this usually is made by taking away the autonomy from the acquired organization. However, hostile takeovers often have exposed the worst results and this probably is also the reason why the number of this kind of acquisitions has steadily gone down during recent years.

All in all, the literature review provides a quite large number of different frameworks in which the M&A integration process is separated in different parts (Shrivastava, 1986), sets of issues (Pablo, 1994) or levels (Birkinshaw et al., 2000). Management accounting and control can, however, be found as something that covers more or less all levels of these different classification groups. Due to that, it is difficult to gain a deep knowledge about integration matters regarding 'MACS issues' when looking at typical M&A research. The general idea of most authors, however, is that rational integration tasks, when it comes to such systems, are most important compared to, for example, political or organizational ones (Pablo, 1994). The reason for this seems to be that more rational integration tasks (e.g., procedures and physical issues) are easier to integrate than the ones that are of rather intangible nature (e.g., socio-cultural habits and management styles). Hence, a normal recommendation is that integration success is attained early in the integration phase when integrating easy tasks or areas. Hence, one has to start with task integration and not the human integration. Some, however, underline that 'human' and 'tasks' need to be integrated simultaneously when possible, but when this is not possible, the 'human task' may even be more important to start with (Birkinshaw et al. 2000).

M&A integration process planning and execution

Mainstream literature and textbook writers illustrate M&A integration solely as one of about ten steps that have to be executed, and this integration step does not seem to be a major problem area when looking at the place provided to discuss it. Hence, the pre M&A steps seem to be the essential ones for accountants and managers and the reason for this is probably that the pre-M&A steps can be planned better than the ones that follow the business deal. The majority of all frameworks furthermore sees

integration very much as a straight-forward approach that assumes only rational decision-makers and above all, more or less forgets about decision-receivers.

However, when looking at such frameworks from the other perspective, one is talking about acculturation and people integration, and this is then best achieved when using social control mechanisms (Larsson and Lubatkin, 2001), above all because people themselves want to create a joint organizational culture. This then very much sees integration by looking at the parts involved through the eyes of the concepts of the 'Theory Y', in comparison to the more fundamental idea of more rational and managerial frameworks that employ the eyes of the 'Theory X' more strongly when talking in terms of McGregor's framework. Theory Y, however, automatically requires that the acquired organization is given more autonomy. And here we know that Swedish acquirers generally use more social control mechanism than, for example, US acquirers to integrate their new subunits (i.e. Larsson and Risberg, 1997).

M&A integration process planning is an important task and determines how the results of the integration will be. At the end, you have to integrate what you have chosen to buy. But these results are still very much dependent on how the integration process is managed. The most essential idea here seems to be that every deal is unique and that most integration frameworks therefore simply can provide some help tools but not real solutions. Such advice, for example, says that you have to be aware of differences, such as national and organizational differences within the organization. If dealt with in the right way, the result will be a higher degree of acculturation and lower employee resistance and therefore a higher synergy potential (Larsson and Risberg, 1997). Furthermore, accounting experts have to be part of the deal from the very beginning and the tone chosen is what makes the difference. It is, moreover, important to know if you have to focus on similarities or on differences during certain moments or phases in the integration process because different stages require different logics (Löwstedt et al., 2003). And this even includes the external environment as this aspect has to be taken into account during the internal integration. One has furthermore to consider if there are different integration mechanisms necessary for different functions within the acquired organizations.

Finally, most frameworks seem to have a tendency to focus more on 'strategic fit' than on 'organizational fit', and I believe that a main reason for this is that this logic is easier to model or describe. That outside advisers, who often follow certain frameworks, normally focus more on strategic fit than on organizational fit (Jemison and Sitkin, 1986) only underlines my belief.

M&A integration timing

The timing of the integration process is another issue that has been exposed quite extensively in the literature of both research fields. Probably due to this, quite different solutions exist as well when it comes to this topic. The main impression is that it is the perspective chosen of the researcher that influences most how integration process timing determines M&A integration outcomes but also how MACS have to function during such integration. In older studies, such as in Kitching (1967) or in Shrivastava (1986), such systems have to be changed rather quickly after the deal was agreed and this is still the case in newer studies where rational views are used (e.g. in Galpin & Herndon, 2000). Other authors, however, complain that the speed of integration in general often is too high and that this high speed leads to major failures (Jemison and Sitkin, 1986).

Each M&A deal is unique and Galpin and Herndon (2000) therefore believe that there cannot be any given timeframe that is universally applicable, even though they give many examples of how this can be done. These examples also show that a timeline up to two years is about what is required to integrate more or less all areas. Although, this is then a timeline that is far too short for most HR and culture researchers, as they believe that people issues take a longer time to integrate. Speed seems to be a variable that has more importance in consulting type studies than in other literature and it also seems that there is a discrepancy between American and British sources compared with Scandinavian and continental European ones. As many 'explicit' studies measure integration outcomes in the form of performance and changes about only one or two years after the deal is officially made, one can imagine that this can be one of the major reasons for why so many M&As result in bad performance.

5.6 'MACS' characteristics as variables

Type of MACS in the different organizations

This literature review has shown that authors in the investigated fields use very different terms when it comes to systems that are used primarily to monitor, measure, and sanction the actions of organizational members. Hence, not all studies referred to in this article describe exactly the same systems. Attention must therefore be paid in the analysis of them, which indicates that only a few generalizations can be made from this study when it comes to this specific issue. We have seen above that there is something like an organizational law that says that the older organizations generally are, the more formalized and bureaucratized they become. This is also true when one looks at the size of the organization, as bigger organizations normally have more formal and bureaucratized characteristics. This then often implies that when an organization has a certain system, this organization also believes that other systems, such as the one of the acquired organization, have to be in the same way. This rationale follows that management systems are integrated the wrong way simply because the new 'parent' organization is used to a certain management system type.

In an international context one can say that the further away (in a socio-cultural meaning) the organizations that are involved in M&As are situated, the greater the possibility of differences are when it comes to mainly financial accounting systems but also management accounting systems. Accounting practices differ in organizations as they are the mirror of the economic development of the nation, of the business complexity, of the political persuasion, but also of the system of law (Riahi-Belkaoui, 2000). Cultural typologies such as the one of Hofstede (1980 and 1984) furthermore show that there are quite large value differences when it comes to the two countries, Sweden and the US. His framework has furthermore been applied in many MAC studies and the results show more often than not that there are differences in the way organizing, planning, evaluating and rewarding is done in the organizations in different countries. From this, one can assume that such systems in general are different as well. This is without doubt the case within financial accounting practices but is not as evident within the management accounting practices. Management accounting practices do not automatically differ simply because one is situated in a different country. Here it seems more like you have to look at different levels within activities, such as behavioral patterns and styles of information which can differ from country to country, as seen in Granlund and Lukka (1998). However, ideas, concepts, and techniques used can still be the same.

Moreover, many studies provide evidence that MAC issues are dealt with differently in different organizations, even if they are situated very close to each other (above all in Jones, 1985a, 1985b, 1986, 1992; Roberts, 1990; Granlund, 2003). Despite this, there are only a very few studies that look at Swedish MAC issues from a national perspective, and then compare them with other countries. Most such studies come from 'overseas' and compare the systems of US organizations with above all the ones of Asian organizations. Finally, most studies that in a more explicit way looked at MACS and M&A integration processes have stated that the types of systems of the organizations they investigated were different, and this in a national setting (i.e. Jones, 1985a, 1985b, 1986; Roberts, 1990, Nilsson, 1997) but also in an international setting (i.e. Scapens and Roberts, 1993).²⁰

Role and skill of accounting and finance people

About the same as above can be mentioned about this variable since there do not exist many studies that provide comparable research that looks at the role and skill of accounting and finance people in different countries, apart from those from 'overseas' of course. It is therefore risky to say that such roles generally differ from country to country or even from organization to organization. In particular, most international studies that examined M&As and MAC issues concluded that work is done differently in different organizations (i.e. Jones, 1985a, 1985b; Granlund, 2003). It furthermore seems that such differences increase when the socio-cultural distance increases (i.e. Ghoshal & Nohria, 1993). Some studies underline that the role of accountants or controllers is not the same everywhere

²⁰ It also seems logical that you only investigate organizations with different systems to be able to find system changes after M&A deals. This was also the reason for me to search for answers about such system differences in general and on a more macro-level. But this was not an easy task as evidence describing such general frameworks is rare.

(e.g. Granlund and Lukka, 1998; Ahrens, 1996 and 1997) even though the skill and education may be about the same, as such professions can act in different ways because they interpret happenings differently. How such differences determine MAC issues during M&A integrations, however, is not well documented. The descriptions in the 'explicit' literature on this issue mostly provide indications of such differences but as the main perspective chosen of these researchers has been the functionality of the systems involved, and this from a rather technical perspective and not the more behavioral aspects of system users, such evidence is rare.

MACS technology particularly

Earlier parts showed that information technology (IT) is today part of more or less every MACS in larger organizations. ERP systems have most of all become popular because they are, among many other things, supposed to increase integration of key business processes and organizational coordination in, especially, multinational enterprises. Integrating business processes after M&As is therefore an often-mentioned reason for an ERP implementation. However, ERP systems do not simply increase the speed of interoperability after M&As because such systems can be difficult to connect with new entities (Strassman, 2003). There are furthermore often problems involved with the applicability of such systems at different sites, as they require different systems as well, and the transfer of information is not always easy since different legacy systems normally are built on different logics (i.e. Scapens & Jazayeri, 2003). Another mayor disadvantage of ERP systems is their high complexity and high integration factor, which makes them very inflexible and difficult to change after they have been implemented in enterprises. This then implies that organizational structure and culture changes are necessary when changing such systems due to M&As (Scapens & Jazayeri, 2003).

But this technology has also an impact on M&A integrations as terminological changes within ERP systems, for example, have immediate behavioral implications (Lodh & Gaffikin, 2003). Hence, they change the role of the people who work with them as accounting information is spread in the organization. Thus manager roles can change as well since more process thinking has to be employed. This can furthermore lead to the 'hybridization' between accounting people and other managers, which then reduces the role of accountants in general in these organizations (Caglio, 2003). ERP can, moreover, change working routines (more integration, more teamwork, greater cross-functionality) and practices (more standardization, routinization, and centralization) which in turn shows the way to a change in power from the subdivisions to the headquarter. From this point of view, ERP systems that are part of organizations involved in M&A integration processes do increase the change of power from the subdivision towards the central entity. But this then presumes that the acquirer is the one that is changing the ERP system of the acquired organization towards its own. Research examining such a phenomenon, however, is still missing.

Financial accounting differences and internal accounting plans

Particularly the 'textbook' view showed that financial accounting issues play a major role during M&A integration processes. Financial accounting very much seems to determine how management accounting is done or has to be done, which then also explains, to some extent, the approach chosen by the 'textbook' writers. Therefore, financial accounting differences are important variables to be aware of when looking at the integration process of M&As. Financial accounting as a variable, of course, is not very important when the organizations involved in the M&A deal are situated in the same nation, as such financial accounting primarily is the mirror of national characteristics. National, or even regional (EU, etc.) accounting regulations, standards and principles are moreover important variables as they indirectly have an impact on MACS involvement in M&A integration processes. The particular reason for this is that such regulations have an impact on the before mentioned financial accounting practices but also on management accounting practices directly. For example, Sweden's organizations are very strongly connected to governmental rules and tax issues and this is about the opposite of the American accounting logic that puts the business at center stage to a much larger extent. Such principal differences then have an impact on how accounting is done and this is true even when it comes to management accounting.

Furthermore, as different authorities (government in general, tax authorities, stock exchange, etc.) have different requirements on the organizations within their borders, consolidated statements have to be used as soon as there is more than one country drawn in. And this is another matter that has an

impact on how MACS are involved in M&A deals. Here, I am particularly thinking of issues such as goodwill and other intangibles, inventory measurements, how R&D is expensed, and how disclosures have to be treated in general, which are the main topics when it comes to accounting differences in, for example, Sweden and the US, and it is generally recognized that the further apart nations are situated, in socio-economical terms measured, the bigger are such requirement differences (i.e. Riahi-Belkaoui, 2000; Radebaugh & Gray, 1997; Nobes & Parker, 2002).

The last micro variable within this group is more or less only an extension of the thoughts already mentioned here. It is the different software programs that can be found on the markets and which in many cases (as can be seen in Granlund and Lukka, 1998 or BAS-kontogruppen, 2003) are required by the national authorities. Hence, external accounting functions are then by accounting software programs translated into internal accounting functions by adding sub-accounts. By doing so, such software providers then try to include the features and characteristics of the society where the programs are used. It seems as if such software increases the importance of financial accounting and this in turn also increases the role of financial accounting differences when it comes to M&A integrations as such differences have to be overcome in order to produce homogeneous reports that can be understood by everybody in the organization but also by the ones outside of it. Hence, externally, such an alignment is often required by law; internally, however, is it an important function in order to know how the organization is doing but also for control.

5.7 'MACS' integration variables

Planning of the MACS' integration process

The focus of this article is above all on the integration step after M&As. The evaluation of the literature, however, has shown that one cannot ignore the pre-M&A steps totally when talking about M&A integration and MACS involvement. In fact, typical 'textbook' authors for accountants and managers almost only talk about the pre-M&A steps and provide very limited space to post-M&A issues. The first main message from such works is to investigate the MACS before you buy the organization to make sure that you buy something that is worth being bought. Financial topics are here in main focus and the attitude of 'do not trust what they say, investigate it yourself' is king. The second main message from the literature is that you have to plan a transition team, make priority lists with the most critical areas that immediately should be under control, guarantee the flow of the ongoing transactions, prepare formats for consolidated statements, set up procedures, assign responsibilities, prepare lists of information the new management wants to have immediately, look for compatibilities of policies and procedures, and finally transfer supervisors. For all this, you need good accountants from the very beginning of the integration process. The third main message is that when you have done all this, integration problems can be avoided to a large extent because you then simply buy organizations that have 'adequate' and 'accurate' accounting and control systems.

From this one can see that it is a rather straight-forward approach, and this is more or less also the only approach that can be found that describes the planning of the MACS' integration processes. Hence, other approaches are remarkable for their absence, as the studies which have applied a more realistic approach merely look at the execution of the integration process or the outcome of it, and this will be looked at below.

Execution or 'logic' of the MACS' integration process

The title chosen here looks somewhat strange but the reason for it is that the execution of MACS' integration processes more often than not follows some sort of automatic logic rather than real needs. This logic then almost looks like the 'law of MACS integration after M&As' and one can in this paragraphs find the following issues. The less trust there is between the acquirer and the acquired company the greater is the possibility that MACS in the acquired company will be replaced with the ones of the acquirer (Jemison & Sitkin, 1986). The bigger the relationship is between the involved organizations, the more parts of the MACS of the acquired organization are changed towards the ones of the acquiring firm. This also is true the lower the parent's use of the skill and resources of the new subsidiary. Parent companies, furthermore, have a tendency to believe that they have a better management control system, no matter what. Moreover, power is often removed from the acquired organizations' senior executives and the quality of the information produced in the acquired

organization often is reduced (Jones, 1985a). Finally, the management accounting techniques that by the acquiring organization are seen as the most important ones are changed/introduced first within the acquired organization (Jones, 1985a).

The 'textbook' logic also shows that the execution of MACS integration is a rather straightforward approach that is simply about tasks that can be planned and executed in a functional way, where one immediately understands the competency of the acquired organization. It moreover seems to be a logic in which full integration is seen as the only alternative. There is also no question that this approach is moving in the direction of less autonomy within the acquired organizations' accounting and finance department, as such rational approaches normally do not recognize the fact that one first has to make sure if something really needs to be changed. Trust as such is not something that can be found or built in organizations after M&As when looking from textbook views. It is rather supervision and control. Hence, the automatic extension of the acquirer's system is in today's framework still about the general idea, even though studies dating back to the 1970s have shown that order cannot be installed by the mechanical extension of the acquiring organizations control systems alone (i.e. Kitching, 1967, Jones, 1985 and 1985b; Granlund, 2003). Hence, one wonders if many textbook writers do ignore such investigations or if they simply look at findings which reflect the mainstream literature.

In a more Swedish context, however, studies show that there is a somewhat different MACS' integration logic. Here, it seems more that the activities shared determine how much co-ordination is necessary (financial acquisitions less than others, for example) and the more co-ordination that is needed, the more management control systems are used to achieve this (Nilsson, 1997). The mechanical extension manner described in the logic above is here not visible to the same extent. In fact, Nilsson (1997) shows how integration decisions followed structured discussions, in which the pros and cons of situational adjustments versus centralization were talked through. Hence, the idea of the contingency theory was more applied in Swedish enterprises than in, for example, British ones. That different nations generally react differently when it comes to what level of operational control has to be used also is shown in the investigation of Calori et al. (1994).

Accounting peoples' reaction/role in MACS' changes during M&A integration processes

When looking at accounting peoples' reaction and role in MACS changes during M&A integration processes one thing is obvious: there is little research that evaluates these issues. Most findings that are presented here come from M&A research and only a few hints can be made derived from the 'explicit' MACS' literature dealing with M&A integration. The reason for this is once more that the majority of these studies have chosen rather system-technical perspectives and hence put system's behavior at center stage. Nonetheless, some conclusions are possible. The major term used when it comes to peoples' reaction is 'resistance' and such resistance is generally seen as more negative than positive. However, the importance of people during such changes is not acknowledged by all to the same extent. To Shields (1995) it is individuals' behavior that determines implementation success, whereas others simply mention that the retention of 'key talent' is essential to achieve M&A integration smoothly (i.e. Morris, 1995 and 2000). Other studies furthermore show that if integration speed is too high, resistance will increase (Jemison & Sitkin, 1986) and if personal freedom is decreased, the same thing will normally happen (Cartwright & Cooper, 1992). Tougher control from the side of the acquirer often also reduces the motivation of senior level managers in the acquired organizations as this reduces their freedom (Jones, 1986). Moreover, when performance in the acquired organizations declines, control normally becomes even tougher and this leads to even more conflicts and resistance, lower moral and reduced support for integration matters (Jones, 1986). Whereas Scapens and Roberts (1993) believe that resistance is the result of real concern and fear, others have shown that resistance often can be generated as soon as people's commitment to their chosen system is changed. Hence, the reason for resistance is then more the 'emotional attachment' to the old system, which is normally the one that is chosen, than real fear (Jermias, 2001).

But peoples' resistance can be overcome and here, different approaches exist. For Larsson (1989 and 1990) it is the acculturation process that can help avoid employee resistance and this is particularly important when resistance occurs due to cultural differences. Such an acculturation is then, however, accomplished with the help of the right adjustment of the HR systems in the two organizations (how jobs are designed, how reward systems work, how personnel policies are conducted, and how career planning is administered). Hence, the total management style is here again important even though one is

looking solely at resistance that may be the result of MACS changes. Traditional textbook writers often seem to forget about softer change issues such as education, sponsorship, the creation of internal commitment, the distribution of power, and securing the legitimacy of the new systems. What they often recognize, though, is that it is important to look at dominant employee groups' preferences, goals, strategies, agendas, skills, and resources when implementing new MACS.

The role-behavior actors have is an ingredient that one has to be aware of during M&A integration processes as conflicts can be the result of a misinterpretation of other's roles (Vaara, 2002). The same is true when it comes to the languages spoken in the different organizations as the history of the company and the activities that were performed determine what language is spoken (Scapens and Roberts, 1993). Moreover, much literature underlines the fact that systems are very much identical with stability as they are 'inherent stable' (Granlund, 2001). This then is also the reason why systems are not easy to change, and this inherent stability often leads to resistance as systems go hand in hand with routines, and routines give the people working with these systems the feeling of security; hence they do not like to change them (Granlund, 2001). From all this, it follows that people determine how MACS are involved in M&A integration processes since people are the ones who react to changes and to management decisions. Hence, the human factor is an important variable to be aware of when investigating such integration processes, probably the most important one.

6. MACS' involvement in M&A integration processes – the final model

6.1 MACS' involvement

The parts above have summarized the variables that researchers have found to be important when studying MACS in the integration process of M&As. In identifying the variables, I have also given information about the impact they have on MACS. This section will only sum up the most essential issues by illustrating how MACS are involved in M&A integration processes. From the literature study, a very complex picture of the relationship between MACS' role and function (involvement) and M&A integration processes emerges. It is an unclear picture as answers point in different directions. Moreover, it is above all a picture that still misses much of the color that is needed to make it complete. One such missing part is that MACS' involvement in M&A integration processes almost exclusively has been studied by investigating the acquired company. The acquirer's systems, however, were in almost all cases overlooked. No doubt, the logic behind this may be the fact that changes mostly occur within the acquired organizations, which the results of the few studies examining both sides underline (i.e. Jones, 1985a and to a certain extent even in Jones, 1985b and Jones, 1992, but also in Nilsson, 2002). However, as acquirer's MACS hardly ever have been part of investigations, we do not really know what happens there.

Furthermore, performance is often a legitimizing element when it comes to the evaluation of actions and within the field of MACS changes due to M&A integration processes one can find contrasting statements. Whereas Jones (1985b) finds that conformers (changes towards the headquarters) performed slightly better than the ones with a decentralized strategy when it comes to such systems, the findings of Nilsson (1994, 1997, 2002) show that 'decentralized' MACS were good performers as well. The results of other studies are not as clear regarding this matter (i.e. Roberts, 1990 and Granlund, 2003). Additionally, we can find statements saying that fast MACS changes result in better performance (Jones, 1985a) but also the other way around (then often claims of HR researchers). But can the simple fact that the performance of an organization is good explain that the MACS' integration level chosen was appropriate? Is it not almost impossible to know if the MACS' integration level is the explanation for the outcome or if other things (wrong product developments, bad investments, etc.) were the main drivers? This question remains here unanswered because researchers have not paid much attention to such issues even though it seems to be an important part of the context within the organization and therefore probably also determine MACS functioning/role.

Once again, when it comes to MACS' involvement in the acquired organization, the results of the explicit studies point into different directions. Whereas Jones in three of his four studies declares that the management accounting techniques in the acquired organization become more important after the acquisition, Granlund (2003) provides evidence of the opposite. Furthermore, the report frequency within the acquired organization diminishes in Granlund's (2003) study but increases in the older studies of Jones (1985a and 1985b). The latter also finds that information in general increases in importance after M&As and that above all non-financial information gains in importance after such business deals. Jones (1986) furthermore reports on the increased use of formal reporting information compared to informal information, and one can see that most studies conclude that formal control mechanisms gain in weight after M&As. An explanation for this appears to be that all change has a tendency to increase the use of formal control mechanisms as senior management often is afraid that things could go wrong if they are not in full control. Granlund (2003), in a Finnish setting, on the other hand, finds that informal cultural control tasks were used more often to facilitate change. Conferences are something in-between, and Roberts' (1990) study gives a hint how they can be used to facilitate MACS change; almost in a manipulative manner.

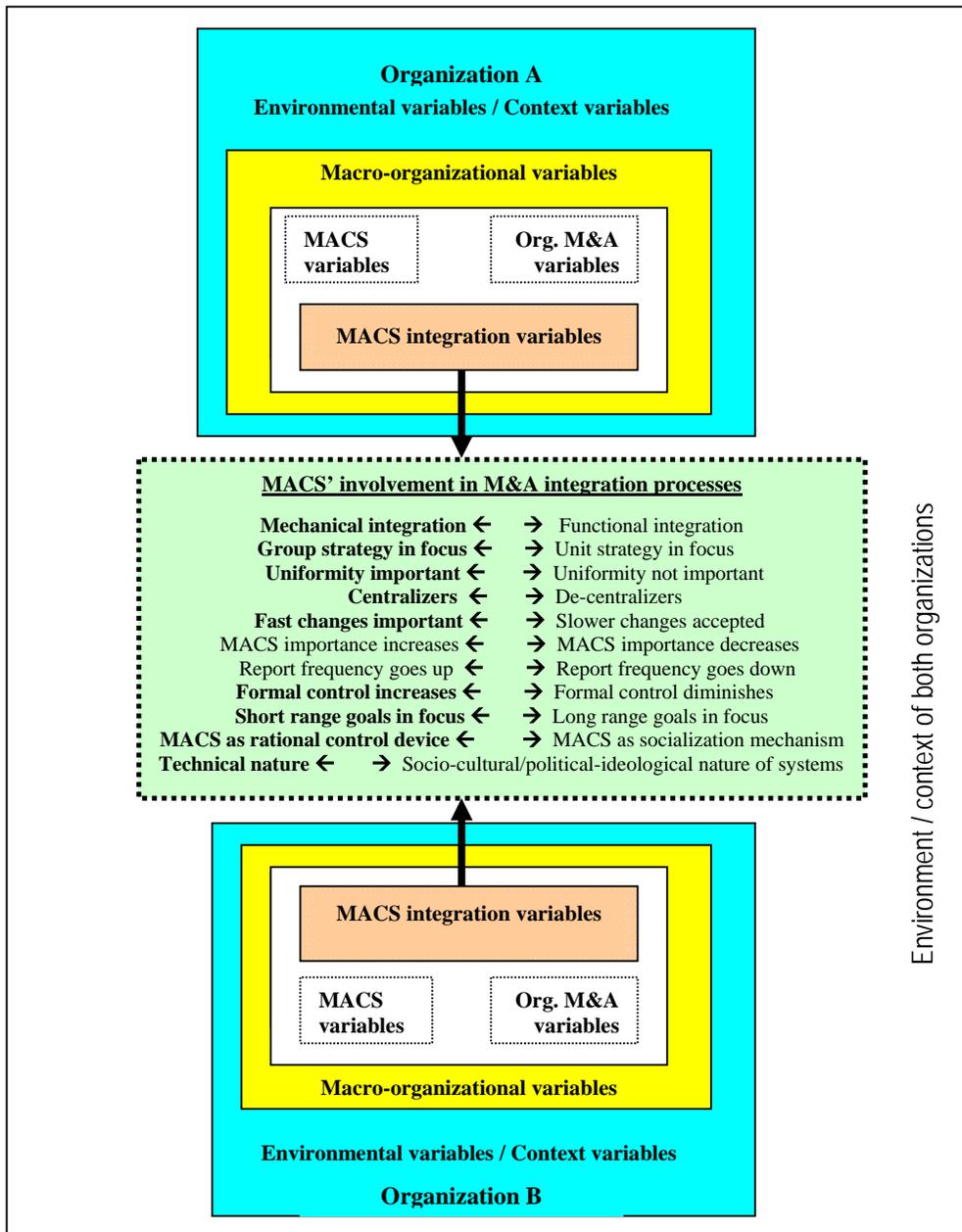
The most explicit difference found in MACS' role and function in the acquired organizations has to do with how the systems are aligned. It seems that a small majority of the studies show that such systems are changed more towards the goals of the corporate group than towards the goals of the business unit. This is particularly because the corporate strategy together with, above all, political and ideological elements provide a stronger force to legitimate system changes that are oriented towards the headquarter than the elements that are needed to legitimize an orientation towards the subunit's goals. Hence, such systems are used more in accordance with the principle of conformity than with the principle of organizational fit. However, studies that focused on Swedish organizations with respect to this (Nilsson, 1994, 1997, and 2002) did not find the same results. Here, almost the opposite is true as systems are aligned to first meet the goals of the unit and thereafter to be in line with corporate strategies. Different 'parenting styles' can be the reasons for such discrepancies as Swedish leadership styles more strongly emphasize on decentralization than do the styles of many other countries (Nilsson, 2000).

In theory, MACS in acquired organizations should function to achieve internal control (within the acquired organization itself) and external control (control executed by the acquirer). The information that will be produced through the system in form of reports and other data material would then be in accordance with such needs. Most studies in this article, however, show that achieving both goals is not something that is an easy task since co-ordination simply is the opposite of situational fit. Within most rational studies, such a 'balance problem' is not even discussed, probably because such a problem is not assumed to exist. Other studies, however, show the dysfunctional behavior of MACS. Such studies show that the quality of the information produced can be reduced, informal and less-formal control mechanisms can be destroyed, and long-range and strategic planning techniques in general can be difficult to change even if you want them to change. Furthermore, only a very few studies provide solutions for how to overcome this 'balance-problem'. Minimum requirements are then a common construct of terms and ideas that help to communicate between headquarters and the new division (i.e. Nilsson, 1994, 1997, 2002). This communication then helps to jointly formulate strategies and set up control philosophies, activities which also help to build mutual trust. Beyond this, however, not much advice is available except the rather consultative frameworks in which most things can be solved with 'rather easy' management tasks.

6.2 The final model

I have in this article put the issue under investigation in a very large context, which has led to a variety of phenomena. Hence, I have used the description of different perspectives whereas the main two perspectives I have had in mind from the early beginning have been the one of MAC-systems and the other the one of MAC-system users. As work progressed, I found additional viewpoints that also shed new light on the issue under investigation, which is mostly the reason for the different answers that can be found. Furthermore, every organization is different and this is also true for every M&A deal as it combines two entities. Hence, every business deal is unique and this is probably the reason why the

picture of MACS' involvement in such arrangements is not a clear one, and also why it is difficult to illustrate, in a model, how such relationships exist. The analysis above shows that MACS' involvement in M&A integration processes only can be illustrated as different frameworks that have two ends. The MACS' involvement can, for example, be mechanical or functional, which are the two extremes found. If the choice is more towards the left side or more towards the right side of the elements listed in the box (showing MACS' involvement) depends on how much each component of the main variables influences. The bold style of the text in the model does underline what seems to be the trend of such systems' involvement. It, for example, appears like a small majority of research shows that MACS more often than not are used in a mechanical way than a functional one, and the same seems to be true for the other characteristics that are printed in bold. Nevertheless, never forget that until today, little research is available to find out if there are true trends towards a certain side of the scale. Finally, I believe that MACS also have an impact on the main groups of variables (at least the smallest three of them) but this is an issue that definitely needs more research as studies evaluating such matters 'explicitly' are rare.



The final model including MACS' involvement in M&A integration processes

6.3 Reliability and Validity

The truth of a proposition depends very much on the observation of sufficient instances of recurring relationships (Riahi-Belkaoui, 2000). It is very difficult to say if the solutions provided in the models above are 'adequately' true, as I cannot provide some statistical evidence for using enough cases, nor even for using exactly the right cases. However, as I have summarized all available instances that I believed were of relevance, I also believe that there is enough validity and reliability to draw the conclusions that I have made, particularly as the conclusions give space enough for own interpretations. My view used in this thesis to accomplish the model was a mixture of all four possible views when using Riahi-Belkaoui's (2000) model for analyzing social theories. I used a mostly functionalistic view as I simply gave a systematic account for others' evidence on the topic. However, some interpretation was unavoidable as I did not gather the material myself. The content of this study was in addition very much oriented towards a humanistic view as I was interested in the socio-cultural dimension of accounting as well. Finally, the structuralist view was applied in this study as I saw organizations as instruments of social forces that are concerned with maintaining the workforce. All in all, I believe that by telling the story of different perspectives and views, my picture of the involvement of management accounting and control systems in M&As is more true than the one of many others.

6.4 Further Research

I have in the above parts mentioned the lack of studies within particular areas and also partly recommended what could be done. I will therefore try to keep it short here, above all since this article is already rather long the way it is. Before, academicians and practitioners often forgot about the human dimension when integrating organizations after M&As and they mostly talked about systems, functions, and processes. Today it almost seems the other way around. Everybody talks about the human capital but also about how to integrate cultural issues when doing M&As. However, what seems to have been lost is the combination of these two important elements. Without people, there are no organizations, and the same is true for organizational structures and formalized routines, as an organization needs to contain such elements to exist. MAC functions and practices are such formalized and un-formalized structures within organizations and, together with their actors, they have to be closely observed to be able to see what is going on after M&As have occurred. To combine the area of human resources and the area of more institutionalized forms of organizations in investigations of such events is therefore essential and more research is needed that looks at this with such a perspective.

Another most important issue has to do with international M&As and how MACS are involved. Such research is absent and due to this we do not know the story of MACS during business deals that have become one of the most important possibilities organizations have today to survive. By looking at such matters internationally, questions such as how global are MAC norms and practices and how compatible are they can be answered. Also preliminary internationally, the main question for the future still seems to be how to combine the two forces, namely the force to match with contextual variables of the acquired organization and the force that requires returns in form of economies of scope and scale within the entire frame of such systems. This is an area that has not yet been scrutinized enough as we, for example, still do not know what the different impact of the system on other organizational variables is in M&A integration processes. That most research furthermore simply has looked at MACS changes within the acquired organization does underline such a statement and asks for more research.

Finally, how learning processes within MACS involved in M&A integration comes across is another missing part that has to be looked at more deeply in the future. As the study has shown, most research within the area does look at the variables that determine MACS during such business deals, but only a very few studies also tell us how such systems are part of changes and what their impact is. More longitudinal research is needed that evaluates MACS change processes, and this even more than only two years after the deal is made, to be able to say what really happens in organizations that are in the middle of M&A integration processes. Not at least because external growth seems to become even more important in the future than internal growth and this does the MAC-literature of today not show.

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