Modeling
Management Accounting and Control
in the Integration Processes of
Mergers & Acquisitions

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Abstract

This thesis is about two areas: namely, mergers and acquisitions (M&As) and management accounting and control systems (MACS). 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. MACS, on the other hand, are important parts of the entire control mechanisms used to motivate, monitor, measure, and sanction the actions of managers and employees in organizations. This function of MACS can also be assumed to be true when it comes to organizations involved in M&As.

The main purpose of this study is to bring these two research areas together by developing a model that shows the important variables and how they determine MACS' involvement in M&A integration processes. The main motivation for this thesis is the recognized lack of such studies which are oriented towards both research areas although there are many 'implicit' studies that deal with the issues involved. The aim is therefore to collect the few explicit and the many implicit studies' content and build a model that can be used for further research. Hence, the method used is the collection, study and analysis of the relevant literature in the two research fields in order to generate variables that explain MACS involvement in M&A integration processes.

The results show 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 is used. The research area under investigation can furthermore be recognized in the context of different dimensions, namely a socio-cultural one, a political-ideological one, and a technical one. The perspectives used and the dimensions through which MACS are put into context determine to a large extent how their role and function are described.

These fairly theoretical and research dependent variables also have an impact on how more pragmatic variables are described. Four such main groups of pragmatic variables are defined in the thesis. The group that is at the most macro-level here is the group containing attributes and characteristics of the two organizations involved (size, age, structure, strategy, environment, culture, management style, and performance). The second group, at a somewhat lower level, contains the specific organizational M&A attributes and characteristics (M&A motives, goals, and expectations, the different M&A types, integration levels, and the planning, executing, and timing of the M&A integration process). The third group, however, includes variables that are attributable particularly to the MACS of the involved organizations. Hence, this group contains variables such as the type of the systems used, the users' (accountants and managers) role and skill, system technology, and financial accounting topics as well as internal accounting plans. The fourth group finally is at the lowest level of this analysis since it is almost identical with the variables under investigation. Consequently, this group, named MACS integration management variables, includes factors such as planning and executing of MACS' integration processes, the integration logic in general, but also peoples' reaction to MACS changes. Finally, the MACS involvement in M&A integration processes is illustrated.

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1. INTRODUCTION

The aim of this licentiate thesis is to develop a model of merger and acquisitions (M&As) and management accounting and control that can be used as a basis for further research. Both research areas (i.e. M&A and management accounting and control) can be dated back quite a long time and for that reason, a large amount of academic writing exists within both fields. Nearly all authors in both academic areas concur that M&As represent a key option for organizational growth and they declare M&As to include the biggest challenges companies have to deal with in corporate life. Apart from that, however, many dissimilar explanations exist when it comes to illuminating reasons, factors, and variables for such difficulties. What most existing evidence shows is that the intended benefits of M&As are not realized and that M&As exhibit poor performance. Although five M&A waves have occurred since 1897, the conventional financial, strategic, and organizational perspectives that were used to analyze the inadequate outcomes have not been able to explain such results. Due to this, scholars began during the 1980s to focus increasingly on factors and variables that influence the management of post M&A relationships. Poor integration has since then been cited as one of the leading causes of M&A failure.

The main focus of this thesis is on management accounting and control variables and factors and what role they play when studying the integration process after M&As. The main reason for this is the recognized lack of such studies oriented towards issues of mergers and acquisitions. A premature investigation of the literature pointed out that there exist only a few studies in the area of management accounting and control that address M&A issues in an open and explicit way. The same is true when looking at this from the perspective of M&A researchers. Although the majority of M&A researchers emphasize the fact that the right integration of different systems and processes is crucial to achieve success after M&As have occurred, real attention to what actually happens to such systems and processes and what role they play has so far been very limited. Therefore, the main purpose of this thesis is to develop a model of management accounting and control and M&As that can be used for future research. This model will be developed by combining the relevant research from both fields by means of an in-depth literature review of articles, textbooks, and other relevant academic literature. The model will then be created on the basis of concepts and variables obtained from this literature review.

The remainder of this chapter introduces the two research areas and problems that are involved to understand their context. Chapter 2 contains the problem discussion, which above all centers on the link between the two research areas and the identified lack of such studies. The methodology of this thesis is described in Chapter 3. Chapters 4 and 5 contain the literature review and, as such, constitute the bulk of this thesis. Whereas Chapter 4 is dedicated to merger and acquisition research, Chapter 5 is concerned with mainly management accounting and control research. Studies that deal with both research areas 'explicitly' are part of accounting research and hence can be found in Chapter 5. Finally, in Chapter 6 the material from the previous chapters is analyzed and the model is developed step by step.

1.1 Mergers and Acquisitions

The first research area under investigation in this study is mergers and acquisitions (M&As). 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 are simple acquisitions since only around three percent of all deals can be classified as real mergers between equals (Buckley & Ghauri, 2002) and this is also the reason why most parts of this thesis refer to examples made and conclusions drawn from acquisitions.[1] Mergers and acquisitions are, among many others, normally seen as strategic business approaches and they are today portrayed as a main pattern of industrial globalization by some authors. Particularly multinational enterprises choose M&As as a way to restructure their businesses (OECD, 2001). But 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 integration[2] 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. [3] In fact, a United Nations report from 2003 stated that acquisitions as a means for growth have now passed organic growth (Förvärv och Fusioner, 2004). Furthermore, 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.

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[1] 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 thesis. 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).

[2] The 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).

[3] Hopkins (1999), for example, identifies in his study that some 23 000 M&As occurred in 1998 worth about USD 2,5 trillion. DiGeorgio (2002), drawing from information collected by investment bankers of JP Morgan, shows that M&As worldwide in 1999 were valued at USD 3.3 trillion, and Jansen's (2001) number for the year 2000 is 36 700 mergers, at a value of USD 3.49 trillion.

1.2 'Management Accounting and Control' in this Thesis

The second research area that will be examined in this thesis together with M&As is management accounting and control. This is a combined term. 'Management accounting' normally refers to "the process of identifying, measuring, accumulating, analyzing, preparing, interpreting, and communicating information that helps managers fulfil organizational objectives" (as in Horngren et al., 1996, p. 4). Another definition is the one from Dearden (1988, p. xiii, preface) where the role of 'management accounting' is to "provide management with the accounting information that it needs in addition to that required for external statements". 'Management control' on the other hand is defined as "the process by which managers influence other members of the organization to implement the organizations strategies", as in Anthony and Govindarajan (1995, p.8), or in Anthony's (1965, p.17) earlier words "the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of the organization's objectives".

I have, however, three motives/reasons for combining these two terms into one, namely 'management accounting and control'. The first and main reason is that my thoughts are in line with Macintosh (1994) who uses the same term in the title of his book. Macintosh's (1994, p.2) argument for doing so is that

> "...the term control is added to signal that the book also deals with other related administrative devices which organizations use to control their managers and employees. Strategic planning systems, standard operating rules and procedures, as well as informal controls such as charismatic leadership and the fostering of a clan-like atmosphere are examples. This is control in the large."

Macintosh's (1994) premise then is that:

> "...management accounting systems are only part, albeit usually a very important part, of the entire spectrum of control mechanism used to motivate, monitor, measure, and sanction the actions of managers and employees in the organizations. So, to fully understand the workings of management accounting systems, it is necessary to see them in relation to the entire array of control mechanisms used by organizations. My aim is for the reader to develop a strategic perspective of management accounting and control systems in this larger context."

This is exactly what I intend to do with this thesis as well, and in combination with M&A ideas. The second reason for the combined term is related to the first one. Today, one can say that 'management accounting' not only includes financial controls that, according to Anthony's (1965) definition, would be seen as operational or tactical, but also strategic ones. This is what new textbooks show (e.g. Ax, Johansson, & Kullvén, 2002; Horngren, Sundem, & Stratton, 1996). But Chenhall (2003) goes even further when he concludes that these two areas sometimes, and here he refers to the whole systems (management accounting systems respectively management control systems), are used interchangeably. This can also be observed in, for example, Jones (1986) who refers to Amigoni's (1978) 'management control systems', however, using the term 'accounting control systems' throughout his entire study. A final reason is the result of my own literature review. I found that the Swedish language habitually uses one term, or more a collection of the same terms, 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 intend to do, one has to look at 'English written' research material from both research areas. I believe, in the same way as Macintosh (1994) and Chenhall (2003), that it is difficult to separate the two parts. Hence, I view 'management accounting and control systems' in this thesis as the two systems that are part of the total accounting system, and their function is to act together in a way to achieve some sort of control in organizations.

2. PROBLEM DISCUSSION

2.1 Merger and Acquisition Problems

During the 1980s, the primary concerns in M&As were financial topics since such deals were mostly chosen to gain control of undervalued assets (Galpin & Herndon, 2000). The subject of 'integration' was therefore hardly of any relevance during the four first merger waves since the competence of integration was not the decisive factor for the success of a transaction. During the 1990s, however, integration matters had become obvious, and a high priority for managers and their advisers became the issue of using the right methods and tools to manage this integration task. 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. From that time on though, 'consulting' studies and other research brought up that the success rate of such deals was very low, and this is still the case when looking at studies of today, which in average show that about two thirds of all M&As fail.[4]

This high (believed) failure rate and the many obstacles that took place during and after M&As have, during about the last 20 years, resulted in a range of studies. Some of them summarize

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[4] Slowinski et al. (2002), for example, report that approximately 70 percent of M&As fail to meet their expected financial performance, and for Hudson and Barnfield (2001) this failure rate is about the same since they state that "two-thirds of M&As fail to achieve their objectives" (p.37); however, what objectives they mean is not obvious. Schuler and Jackson (2001) report statistics that show a 75 percent failure rate, and that only 15 percent of US mergers and acquisitions achieved their financial objectives (measured by share value, return on investment and profitability). They also present the findings of a European study that reported about 50 percent failures, 30 percent with a minimal impact and only 17 percent that created shareholder returns. In terms of shareholder value, however, there is broad evidence that mergers entail a gain for the acquired firm, whereas the shareholders of the acquiring firm may break even at best (OECD, 2001). This is about the same as Allen (1999) states when he says that the only group that gains in M&As is the shareholders in the acquired company.

Questions can be raised, though, about the ability to measure the outcome of M&As accurately. One problem with studies that found a certain percentage of failure and success is how they define failure, but also the time horizon over which the evaluation is done (Hopkins, 1999). Most studies in this field looked at this phenomenon only shortly after the deal was closed, while intangibles (such as research capacity and technology, human and managerial resources, product trademarks, and brand names) can affect the performance of companies undertaking M&As often only in the long run (OECD, 2001). An additional problem seems to be the fact that such assets today (and probably also in the future) are not easy to measure. Despite all this, it can be pointed out that it is difficult to estimate how the firms concerned would have performed in the absence of a merger. Most such studies therefore seem to lose some of their relevance.

such difficulties in frameworks or models containing different problem areas.[5] These frameworks look very similar and one can group such problems more or less in three areas. The first area contains the pre-merger problems and this normally includes issues such as formulating goals, locating the right company, prospecting and inspecting the target company (Due Diligence) and negotiating on price and conditions. The second area is made up of transition problems, which 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 third problem area then, and a possible explanation for this may be the simple fact that it is difficult to separate them.

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, different views exist on what the difficulties are and how to solve such problems in the best way. This is generally because it looks as if 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). Furthermore, 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)[6] that at least 28 different theories have been applied to investigate M&As. These are ranging from resource dependence theories to psychological theories.[7]

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 'contingency theory' on the other hand looks especially at different variables

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[5] Hopkins (1999), for example, recaps possible problems in three areas (inspection, negotiation, integration). Densai (1999) on the other hand separates the total process into four stages (prospecting, negotiating, transition, integration). Also DiGeorgio's (2002) framework, that uses a system approach, includes four different tasks that are vital to achieve success after M&As. These are first to select the right target, then the right transition process, followed by the right choice of structure for the acquired organization and finally by the right decision about how to integrate the businesses. Basically the same steps are used in the so-called 'Watson Wyatt Deal Flow Model' provided in Galpin and Herndon (2000) but in five stages (formulate, locate, investigate, negotiate, integrate).

[6] Parvinen's (2003) purpose with the study was to evaluate M&A literature between 1991 and 2001 to conceptualize the integrated insights from governance theories of the firm to such research. To achieve this goal, he evaluates 567 M&A related articles in a broad body of 65 core management, business, economics, finance, accounting, law, industrial relations, sociology, and social psychology journals.

[7] 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 (p.69).

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. 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). Most 'organizational change' studies then 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). Finally, the 'theory of structuration' (see e.g., Giddens in Granlund, 1998) has as its center point the structuring of social relations across time and space, which is close to what the institutional theory covers. In most of these theories, the idea of harmonizing systems, processes and practices after M&As is, for example, normally recommended to assure a successful integration. Further arguments for an incorporation of, for example, accounting and control systems can be found in terms of reduced communication costs and interface problems.

2.2 Conceptual Dimensions of Management Accounting and Control

I have, as described above, presented my definition of management accounting and control. I will now try to conceptualize this definition in the form of a model that summarizes the area of accounting systems in general, and this thought builds on the framework from Mellemvik et al. (1995) but also on that of Bergevärn et al. (1998, p. 284). They have developed a model that I believe can be used in this thesis to exemplify the role and function of management accounting and control in the integration processes of M&As. Their illustration reflects Hopwood's (1987) idea that accounting is changing constantly, and therefore, they argue that a complete accounting term must, besides accounting practices, also include accounting norms and the use of accounting. Mellemvik et al. (1995, p.11) and Bergevärn et al. (1998, p.284) use a process view to describe an accounting system that contains two parts. The first component is the so-called 'norm system' and the second part is the 'action system' which can be seen in Figure 1 below.

Here, the regulation of accounting is based on the external environment (such as law, society, etc.) and the internal environment (such as traditions, culture, ways of doing, etc.). From such regulations, norms and rules for how accounting has to be practiced develop. At this stage, one is moving from the 'norm system', which is the system that summarizes how something ought to be, to the 'action system' which is the system that includes how things really are, or in other words, how accounting is practiced and how accounting is used. What I believe is that above all the 'action system' is the focus of this thesis as it is here things probably will have to change during the integration process after mergers and acquisitions. However, from the above it follows that the 'norm system' may be a determining variable for such changes. This is because accounting practices center on achieving compliance with such prescribed regulations and norms.

I believe that accounting practices can best be understood in the different 'management accounting' techniques and models that are used to attain such an objective and this can be seen in Figure 1, where I have placed them into the same 'textbox'. Moreover, the use of the accounting reports is the final focus in this line-formed accounting process from Mellemvik et

al. (1995) and Bergevärn et al. (1998, p.284). This third element of accounting is a typical 'management control' topic in the literature, since managers normally use accounting information in the form of reports and other information sheets to accomplish control in an organization. This can also be seen in the definitions given earlier. However, both accounting norms and accounting practices can, according to Mellemvik et al. (1995), be understood as routines, and this seems to be essential when it comes to investigating companies involved in M&As.
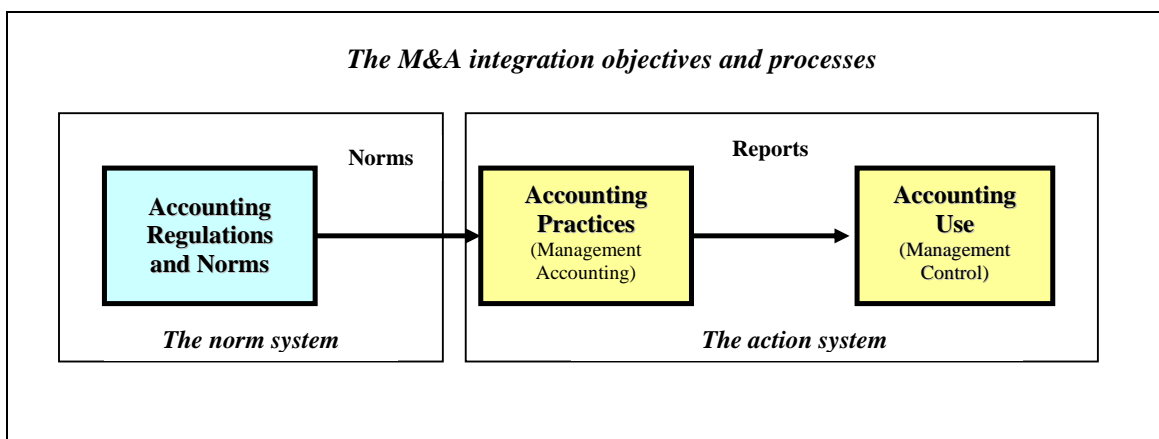
Figure 1: The norm and action system of accounting

Source: Developed on ideas from Mellemvik et al. (1995, p.11) and Bergevärn et al. (1998, p.284)

The main problem, from an accounting view, that arises when organizations merge is that two different management accounting and control systems from two different organizations have to be integrated, in one way or another. The fundamental questions are then how can this be done and what are the consequences; one can most likely summarize this as the management accounting and control problem in M&As. Furthermore, M&As are never likely to be unproblematic because 'institutionalized practices', if one uses Berger and Luckmann's (1967) words, cause behavior that impedes changes. Changes probably endanger existing norms and values, since management accounting and control systems normally play a major role when it comes to upholding organizational routines (Granlund, 2003), or when such systems are seen as the routines themselves (Burns and Scapens, 2000).

Hence, the different parts of accounting, and here I am mostly referring to the action system in Figure 1, in some way or another, have to learn to be able to fulfill their new tasks. Mellemvik et al. (1995) have looked at how different accounting parts can learn, and their conclusions are similar to DiMaggio and Powell's (1991) isomorphism, when they came to the conclusion that such learning can be done in three ways. Firstly, under constraint or 'coercive', according to DiMaggio and Powell (1991), and this could be when an acquired organization is obligated to adapt its routines to the ones of the acquirer. Secondly, by choosing freely to copy or imitate the routines of another organization, which is 'mimetic' according to DiMaggio and Powell (1991). Thirdly, in a normative way, which is the same term in DiMaggio and Powell (1991) and this is when instruments such as teaching, trade union channels, etc., are used to inform the members of the organization. They also discovered that learning is done by using one's own experience but also by using others.

What furthermore seems to be important is that management accounting and control systems above all are there to achieve some sort of 'control'. 'Control', however, is perhaps one of the most difficult terms to define, because it is more or less what you by yourself connect the word with, which makes its content (which in a way is true for everything). Of course, there are definitions, but as Emmanuel et al. (1997, p.7) write, they can range from "prohibit" to "manipulate". The same authors summarize 'control' in two mainstreams. First the "idea of control as domination", and second "the idea of control as regulation". These strands can also be found in business dictionaries when, as Emmanuel et al. (1997, p.7) state where they define control within enterprises as the:

> "Application of policies and procedures for directing, regulating and coordinating production, administration and other business activities in a way to achieve the objectives of the enterprise."

The same authors explain that "control is concerned with the processes by which a system adapts itself to its environment" (p.8) and therefore, they argue that four conditions must be satisfied. Firstly, objectives for the process must exist. Secondly, the process must be measurable. Thirdly, a predictive model of the process being controlled is required. And finally, there must be a capability of taking action. This is then the link between control and a process. Such a rational way to look at control, however, is not always possible and we will later on see that control also can be used in a positive sense (goal-seeking) or a more negative one (threat-avoiding), when it is applied to stabilize organizations, or even to destabilize them, as in Hedberg and Jönsson (1976).

Moreover, the task of integrating two or more companies is a widely discussed area in the literature of 'change management', which is a discipline that realigns operating organizations so that they can deal with economic, technological, and other forces shaking up their marketplaces (Galpin and Herndon, 2000). 'Change', however, can mean several, and sometimes even contradictory, things. It can refer to the external world of, for example, technology, customers, competitors and such, but also to internal changes such as practices, styles and strategies. The Oxford Dictionary for the Business World (1993, p.133) defines 'change' as: 'making or becoming different' or 'a shift from one state, stage, or phase to another' and this may be used in whatever situation, as, for example, when information systems are changed or when common assumptions, values and practices of organizational actors change due to stimulations by changes in the environment.

'Change' furthermore can be looked at as its implementation or its process and such a distinction is according to Wilson (1992) necessary because when looking at the implementation of change, you put the management of individuals at center stage. On the other hand, when you try to understand the process of change, you have to observe critically the situation, the antecedents and the progress and history of changes. And in this area, some argue that the epistemological status of 'change' is unexamined and what we do not really know is if 'change' can be conceptualized independently from its process or not (Quattrone and Hopper, 2001). This is about the same view as Burns and Vaivio (2001, p.393) have who state that the epistemological nature of change is not obvious since one first must distinguish between "normative claims of change" (probably in the 'norm system') and "change as an evidenced empirical phenomenon" (most likely in the 'action system'). The difficulties of such separations can certainly be observed in situations where management accounting and control practices are supposed to change after M&As, but the outcome might be something different.

2.3 Change and Learning within Management Accounting and Control

As can be seen above, already the discussion about 'control' and 'change' involves possibilities for misunderstandings. The study of organizational change, however, is an important research area because, as most agree, organizations have to adapt to environmental changes to be able to survive. 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. 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'. Such a view could be summarized as a very 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.

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'. Here 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). But there are middle ways. Gill (2003, pp. 307-308), for example, proposes that 'change' not only must be managed but that change also entails efficient 'leadership' to be successfully introduced and sustained. He believes that it is "leadership that makes the difference" and that a successful change requires "vision, strategy, the development of a culture of sustainable shared values that support the vision and strategy for change, and empowering, motivating and inspiring those who are involved or affected". Other conclusions Gill (2003) draws from his three-year study of the growing literature on the subject of 'change' are that resistance to 'change' is a common phenomenon and maybe the most powerful forces to resistance to 'change' are, according to him, emotional. This then includes issues such as 'dislike of imposed change, dislike of surprises, lack of self-confidence and confidence in others, reluctance of management to deal with difficult issues, disturbed practices, habits and relationships, self-interest and shifts in power, and lack of respect and trust in the person or the people promoting change' (pp. 308-309).

Organizational change has within the area of accounting become a central issue as well (Quattrone and Hopper, 2001). Here, numerous research studies have been published during recent years, especially the kind in which the authors examine the way accounting changes. The process of accounting change has also been the object of examinations since the time Hopwood (1987, p. 207) wrote that very little is known about such processes and their organizational consequences. He himself has seen 'change' as a process with no predetermined outcomes and Burns (2000), for example, saw it as a process with no outcomes at all. In addition to that, Quattrone and Hopper (2001, p. 426), of which we will hear more later since

they examined management accounting and control changes within multinationals, found out that 'change' was not "an ordered path from a de-fined entity A to another B". Their 'change' was more like "multiple worlds in multiple spaces and times giving rise to poly-rationality". By poly-rationality they mean a diversity of "abstract poles that define notions of best knowledge and modern dichotomies such as knowledge and rationality, controller and controlled". They therefore recommend that 'change' be called 'drift' which is when something moves from one place to another without any plan or purpose, or sometimes also without even realizing it.

The content of the above stated can easily be transformed into a company that has newly merged, since one expects to find more diversity, less neutrality, and therefore interests and power colliding at an even higher rate than in 'normal' organizations. Further questions that can be raised are if management accounting and control change, in addition to all the above-mentioned, can be seen either as a "centrally driven effort, where the organization's top management plays a key role" or as a "fundamentally local concern" (Burns and Vaivio, 2001, p. 395). Another issue requiring answers is if 'change' is something that can take active part in the processes that fundamentally transform an organization's core values, beliefs, and ways of operating, as Dent (1991) sees it, or in some other way.

2.4 Only a few 'straight-forward' studies exist

Mergers and acquisitions have, as I have shown earlier, become important. From the above, one can also draw the conclusion that management accounting and control systems play an important role in organizations. It therefore only seems logical to ask the question, what does research tell us about the impact M&As have on the norms, the practices, and the use of accounting within merging enterprises. 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 (c.f. Galpin and Herndon, 2000 and Angwin et al., 2003) the management accounting and control literature does not mirror this in a clear-cut way. Hence, an initial literature review that focused especially on other authors' reviews [8] did not result in the finding of an explicit[9] combination of the areas of M&As and 'management accounting' or 'management control'. Furthermore, an initial electronic search[10] led to only one study combining these two areas 'visibly'. This is Jones (1985b) study in which he points out very clearly that management accounting and control systems are an important area to look at when doing research on 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 believes 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" view, and his findings support his feeling that such a situation may not exist.

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[8] 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.

[9] By 'explicit' 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.

[10] 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.

Jones wrote his first article about twenty years ago but studies and reports that give evidence of such events within M&As and MAC in a straight-forward manner are still very rare. An intensive literature search has, however, resulted in a few additional studies that can be added to the 'straight-forward' literature. These are firstly two further studies by Jones (1985a and 1986), in which he uses partly the same data as in the study first mentioned, and three further studies that mostly look at M&As and the strategic functioning of MAC systems (Roberts, 1990; and Nilsson, 1994 and 1997). The newest and hence most accurate study when it comes to the purpose of this thesis, however, is the case study of Granlund (2003). His study therefore appears to be the only 'fresh' and 'straight-forward' evidence that combines M&A research with a wide range of management accounting and control system issues.

2.5 The Missing Parts

The small number of studies mentioned above shows that, despite the large number of mergers and acquisitions and the huge amount of money involved, we still know very little about the different dimensions (social, cultural, technical, etc.) of management accounting and control systems 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 confusing, 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. This knowledge is in form of reports from experts in several disciplines, sometimes part of different streams of research and for this reason is not always with their starting point in typical accounting and control related issues. Furthermore, whereas some authors write explicitly about variables involved after mergers and acquisitions, some others do that only implicitly.

Another problem with all except one of the 'explicit' studies presented above is that they are between ten and twenty years old. But when we talk about management accounting and management control in today's organizations, we automatically talk about information systems and information technology. This is not something totally new but the use of information technology to support business processes has increased significantly during the last decades (Granlund and Mouritsen, 2003). An information system that, for example, is very popular today in mainly 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. According to O'Leary (2000), around 60 percent of all multinational companies in the world today are owners of such systems. This usage is despite the fact that ERP systems in "today's" form only have been around for about ten years, because most system implementations took place in the mid 1990s to 2000 (Mabert et al., 2003).[11] 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

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[11] Here must be mentioned that such systems are not new since they only are an extension of the materials and manufacturing resource planning (MRP) concept that was developed during the 1980s in manufacturing to encompass the entire firm (c.f., Hyvönen, 2003; McLeod and Shell, 2001).

bring two or more firms together (c.f. Hyvönen, 2003 and 0'Leary, 2000).[12] It therefore seems important to look at these areas specifically when studying M&As' effect on management accounting and control, particularly since this is a relatively new phenomenon.

When combining these different thoughts with the previous parts that provided insights about the M&A integration problems, one can imagine a certain picture that shows what this thesis is about. The picture I have in mind is summarized in Figure 2 below.
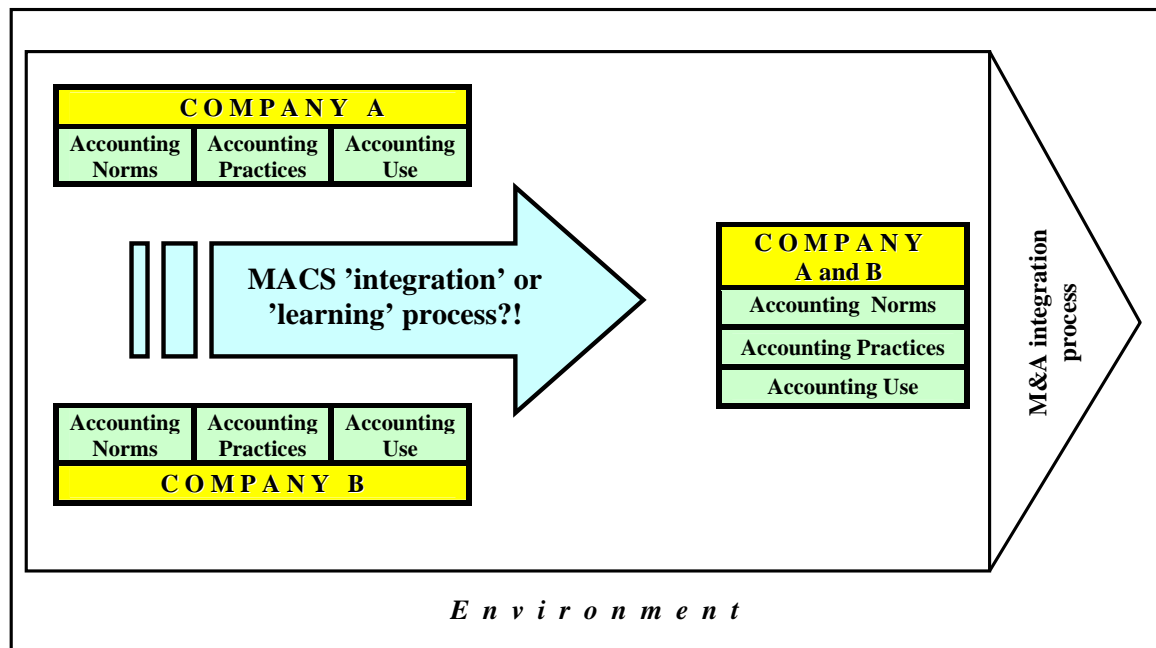
Figure 2: The research area

2.6 The Study's Research Problems and Purpose

As Figure 2 above illustrates, the object of study in this thesis is mergers and acquisitions and this object will be examined from mainly a management accounting and control perspective. However, a more augmented approach will be applied as well due to the lack of studies on management accounting and control and M&As, and because of the unorganized 'answers' that can be found in different research streams. The model that will be developed is not based on a certain theory but since others' literature establishes the empirical base for this thesis, these researchers' theories will have some implicit impact on the model as well.

With that and with the different issues from the previous sections in mind, I address the following main research problem in this thesis:

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[12] Other often-mentioned reasons for an implementation are that buyers are believed to be able to increase the organizations' information system security (especially due to the millennium bug threat) but also to augment the integration of key business processes globally (Granlund and Mouritsen, 2003). Improvements of organizational coordination, efficiency, and decision-making are other reasons (O'Leary, 2000).

1. How are management accounting and control systems involved in M&A integration processes?

However, to be able to solve this problem within an integrated model I need first to find answers to two further research problems, namely:

2. What variables, attributable to management accounting and control, are important when studying the integration process in M&As?
3. What other variables are important when studying management accounting and control and M&As?

The second problem relates particularly to the research area since it is about the identification of variables in management accounting and control during the integration stage after M&As. The third problem enlarges the scope beyond management accounting and control by capturing other important variables that are critical when studying the integration process in M&As. The relation between the research problems can be illustrated in the following way:
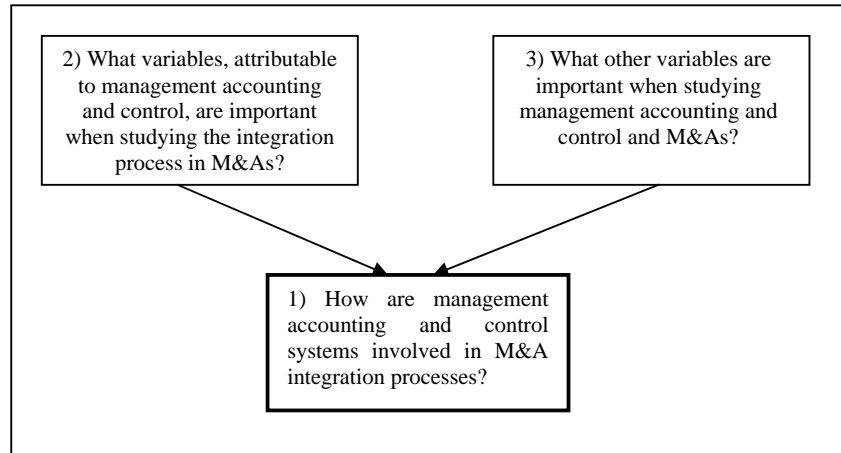
Figure 3: The order of the research problems

These problems provide the framework for developing a model of management accounting and control and M&As that can be applied to 'modern enterprises' using modern information technology. This will be done by studying the results of others' research in the field of management accounting and control related to mergers and acquisitions. However, additional research can also give explanations for the outcomes of such deals, and this will be considered as well. Hence, the main argument for this study is to close the gap that exists when it comes to research that deals with these two areas in a way that the most relevant contributions are brought together in a model. Hence, the potential significance of this study is mostly theoretical, since it will contain the summarized and analyzed facts of the existing literature in order to provide a unique cluster of thoughts that seems to answer a need because of the increasing importance of M&As. This study will also help to understand the essential practical viewpoints that are involved in changing organizations and in social issues in general that affect people's everyday life within such organizations.

2.7 Limitations and Focuses

There are always trade-offs in research and this study is no exception. This thesis is about management accounting and control in mergers and acquisitions, which are very broad research areas. Setting boundaries in form of particular focuses and perspectives are therefore necessary. The most important limitation is that this study first and foremost looks at the integration stage after M&As and only implicitly the other stages such as, for example, the examination or the investigation stage (Due Diligence). These other stages will, however, be part of my investigation as far as they contain relevant variables and factors.

Some other concerns in this thesis are better called 'focuses' instead of limitations, but this does not mean that studies and reports outside of the decisive areas automatically will be excluded. This study includes all kinds of M&A and as such there is no limitation. However, particular focus is on M&As involving multinationals as they often provide an even richer picture of M&A problems. Such deals are then often classified as 'cross-border M&As' and they are particularly important in this study as they involve more 'components' that can be part of the challenges (different accounting regulations and norms, national culture, geographical distance etc.). Where the possibility permits choosing from studies concerning this focus, cases will be selected that exemplify in particular the two countries, Sweden and the US, and if there is given some special focus on a certain industry, I will choose the manufacturing industry. The reason for this is above all to reduce the huge amount of data to a manageable quantity, and to some extent also to achieve results that can be used in further studies.[13]

Furthermore, since management accounting and control functions in multinationals today often are integrated in complex information systems, such as ERP systems (c.f. Granlund and Mouritsen, 2003; Caglio, 2003; Hyvönen, 2003), attention will be given to the life (practice, use, change, etc.) of such systems in combination with M&As in this thesis as well. Moreover, accounting is a social discipline and does not have a purpose without receivers of the information produced in form of human beings. Thus, it seems important to me to understand it in the context of a broader set of discourse from the social sciences, which includes particularly the narratives of, for example, managers, system users, accountants, and other employees who are working with management accounting and control systems. Such descriptions will give accounts of the reactions and experiences these individuals and groups have.

Finally, I intend, in this thesis, to apply a macro view on management accounting and control. This means that I want to combine a more rational system perspective, sometimes also-called a cybernetic perspective (Otley, 1994), with a human perspective that focuses on human actions as well. The reason for this is that I believe that systems without people do not make much sense, and the same is true the other way around, at least in today's organizations. The observation of actors and actions only makes sense in an environment consisting of systems: in this case, predominantly management accounting and control systems. Hence, my holistic view in this thesis implies that I want to find out what researchers tell us about accounting and control systems and the people working with and within such systems, depending on the view chosen.

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[13] I am in contact with companies that are multinationals with roots in the US and Sweden, and part of the manufacturing industry. However, my main goal is to build a model of MACS' involvement in M&A integration processes that can be used for any industry. Hence, this study does only include others' empirical material.

3. METHODOLOGY

3.1 Characteristics of this Study

This study is an extensive literature review with the purpose of developing a model with the help of other researchers' collected material. It could therefore best be described as a document analysis study. In this specific case, it is an approach that has many similarities with the first steps taken of a "bottom up" approach as I start with specific observations and measures, begin to detect patterns and regularities, and then formulate my research questions, and try finally to explore them. The result of all this lastly is the development of some general conclusions which in this case are illustrated in the form of a model. It is a somewhat special approach as literature studies are not inductive, nor deductive, but also not really abductive. In a literature study one is trying to get a sense of the state of knowledge about a certain topic that should help to develop a excellent working knowledge of the area. This then includes the identification of areas that can be explored and questions that can be raised. However, this requires critical reading and good insight.

I intend to employ 'the eyes' of a socio-cultural researcher in this thesis. With this approach I intend to evaluate accounting norms, practices, and use that are evaluated for acceptance on the basis of their effect on members of the involved organizations. This does not imply, however, that more rational and pragmatic approaches will be omitted, especially since such approaches are taken by the majority of older literature in the research field, and here I am not talking particularly about accounting related research literature. To be able to collect and analyze the scientific literature in the area that is relevant and that represents the empirical basis for this study, I have employed a five step process as will be discussed below.

3.2 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 interview[14] revealed that their post acquisition work to integrate (or in other ways incorporate) the two organizations is a very large task with a wide range of complex topics 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 thesis)[15]. The first findings then outlined this scenario of multifaceted issues involved, but only after looking at the different areas very closely. A new search tactic was then used to find all peer-reviewed published articles in the two areas separately, combining them with some search term from the other area (such as only accounting in combination with mergers

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

[15] 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.

and/or acquisitions) which on the other hand resulted in the finding of almost a thousand publications.

A second method used in the beginning to gather relevant material was to search for 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 to gain such names. A third method applied was to start with brand new articles/books/theses in the defined areas and from that point on go 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. The fourth method was to go through the most important journals, one by one, either electronically or by hand. However, since this method was very time consuming, only the following journals were chosen:

Accounting, Auditing and Accountability Journal	Journal of Accounting Research
Accounting Review	Journal of Management Studies
Accounting, Organizations and Society	Journal of Management Accounting Research
Administrative Science Quarterly	Journal of Organizational Change Management
Behavioral Research in Accounting	Management Accounting
British Journal of Management	Management Accounting Research
Critical Perspectives on Accounting	Management Review
European Accounting Review	Organization Studies
Harvard Business Review	Scandinavian Journal of Management
Journal of Information Systems	The Journal of Finance

Table 1: The journals chosen for a more intense search

The last and fifth technique was to go 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.

3.3 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. All the accepted material was then printed (in the initial stage of the study and when possible) or copied on a floppy disk or compact disc. During this stage of the literature search process, a clearer picture of the research area appeared and the search process started to become more focused but also more intensive. This was during my stay at the University of New South Wales in Sydney (Australia) where I also was able to talk to some researchers about the research topic and how accounting and M&As relate to each other.

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.

3.4 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 (from about half a page to five pages long summaries) and to classify the chosen material (with certain keywords and in different chapters). This process led to a somewhat clearer picture of the different streams of research that can be found within the context of the two research areas 'mergers and acquisitions' and 'management accounting and control'. However, the process of finding clear boundaries was not a straight-forward one. 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, some frameworks were usable at the end and the result will be explained in the next part, which is the fourth step.

3.5 The Literature Review

The fourth step of the research process engages the grounding of the literature review. This is a very important step as the classification of the collected material to quite some extent also generates first ideas about how the result will develop and also partly how the result will look like. In my research area, no similar literature study has been undertaken before. At the same time, both areas combined give the picture of a very disorganized story, and the only way to deal with that when analyzing the research material, was to separate the two areas totally from the beginning. Therefore, the review of the literature has been divided into two main parts where the first part, Chapter 4, is concerned with merger and acquisition research, and the second part, Chapter 5, is concerned with management accounting and control research, which can be seen in Table 2 below. The content of each chapter is, of course, related as much as possible towards the other research area, which automatically should lead to the finding of similar variables and factors.

Chapter 4 is divided into five sections (4.1 – 4.5). Section 4.1 opens wide by providing first a short historical introduction of M&A integration and the different research streams within M&A literature as this seems to be a variable itself within the context of the research area. The following Sections (4.2 – 4.5) then deal with the different streams of research found in the M&A literature. This typology is the result of a combination of others' typologies and my own knowledge of the field. A desirable solution from the beginning was to separate the chapters according to the variables I am looking for.

Chapter 4	Chapter 5
Merger and Acquisition Research	**Management Accounting and Control Research**
4.1 M&A Integration in a Wider Context	5.1 A 'Close up' of the Combined Research Area
4.2 Managerial and Strategic Perspective	5.2 A more Expanded View
4.3 Process Perspective	5.3 Studies Combining MACS and M&As Explicitly
4.4 HR and Cultural Perspective	5.4 Accounting Regulations, Standards, Practices
4.5 The Acculturation Process	5.5 Individuals and Resistance to Change
	5.6 Information Technology

Table 2: The structure of the literature review

These are variables that have an impact on management accounting and control issues in post-M&A integration. This separation, however, was not possible due to very different views of the different streams involved, which we will see later. Hence, M&A research will be evaluated first of all from a managerial and strategic perspective (Section 4.2) followed by the perspective of process oriented research (Section 4.3). Section 4.4 continues with an HR and cultural perspective on mergers and acquisitions before the last stream of research within the field of M&As, the acculturation process, is dealt with in Section 4.5.

The review of the management accounting and control research in Chapter 5 is more comprehensive than the merger and acquisition research review. This chapter is therefore divided into six sections containing areas that are relevant from a management accounting and control view when looking at mergers and acquisitions. This is first, in Section 5.1, the typical 'textbook view' for accountants and managers providing relatively 'rational' thoughts and solutions. In Section 5.2, the behavior of organizations during M&As is looked at from a more expanded view, as organizations do not always behave as in textbooks. Consequently, this section introduces what in Section 5.3 will be looked at in more detail, namely the evidence that can be found in research that explicitly focuses on both M&As and management accounting and control from an expanded view. The impact of accounting regulations, standards and practices on accounting in general and accounting in M&As is discussed in Section 5.4. With that I increase the level of observation as this section is about studies on national culture and accounting practices, and focus lies here on cross-cultural studies, particularly comparing Sweden with the US. Cultural typologies used within management accounting and control are the other main elements here. Section 5.5 then looks at individuals and their resistance to management accounting and control change. Finally, Section 5.6 will evaluate the impact of information technology on management accounting and control in general and such tasks during M&As in particular.

3.6 Analysis and the Construction of a Model

The final step of the entire research process was the analysis of the research material and the development of the model. However, before presenting this issue, another important fact must be presented. From the above presentation one can see that this thesis includes two main areas of which the content, however, is relevant to this thesis in different ways. The major distinction

is the perspective level and also the level of analysis that is chosen when looking at each of them. The M&A research area is very broad and only parts of it are important for the purpose of this thesis. However, I believe that these diverse parts are scattered over large parts of M&A research in general and to be able to get a richer picture of the area under investigation one needs to search within a wide area of it. Otherwise, there is a certain risk that I would follow mainstream thoughts and by doing so I would take shortcuts I rather want to avoid. Hence, in Chapter 4, the main goal is to start relatively wide but to narrow down the issues to be able to look at particularly integration matters. When possible, particular subjects that express the tasks that are involved when systems, such as accounting systems are also described. About the opposite is true for the management accounting and control research area. Here, typical integration tasks will be at center stage in earlier sections, whereas later sections enlarge the field, which puts integration tasks in a larger context. In such a context, I am, for example, looking for answers when it comes to the influence of the macro-environment on integration tasks, sometimes by trying to find general solutions. How the logic of this presentation and analysis appears can be seen in Figure 4 below.
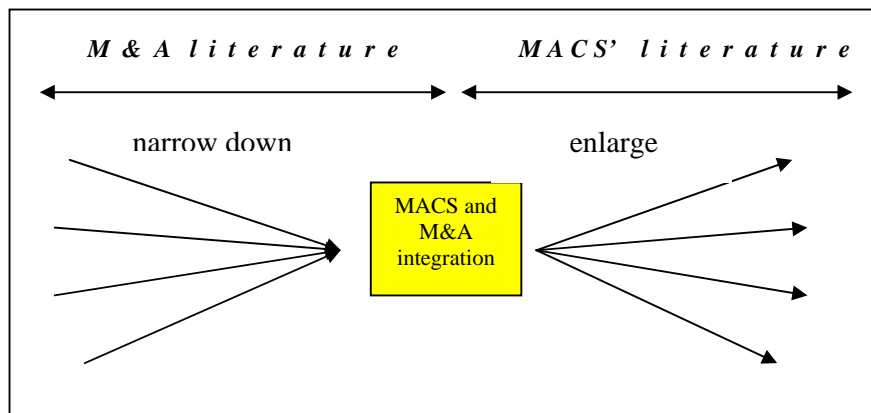
Figure 4: The logic of the presentation of the literature

Finally, the building of the final model will be made in Chapter 6. This by collecting the summarized variables and factors provided in earlier chapters. The problems stated in Section 2.6 will serve as underlying help tools for the distribution of the chapter. However, my own framework will be used to be able to model the conclusions, as they are somewhat different from what was expected when the frame for the literature study was built. I will start by providing rather theoretical variables (Section 6.1) which then will be followed by four more pragmatic and logical variable groups (Section 6.2 – 6.6). The combined findings will then be modeled as management accounting and control systems involvement in M&As' integration processes (Section 6.7). The two final sections will then provide some thoughts on reliability and validity (Section 6.8) and further research (Section 6.9).

4. MERGER & ACQUISITION RESEARCH

This chapter provides a review of the merger and acquisition research and the main contribution is to find the different variables that the 'typical' M&A researcher find to be relevant and hence also contribute to an understanding of how management accounting and control systems might be affected by (or might affect) the integration process of mergers and acquisitions. We have in earlier chapters seen that M&As are irregular social scientific phenomena in that they cross numerous disciplinary boundaries. They have therefore also been analyzed from the viewpoint of a multitude of disciplines and this has had an impact on how this chapter is structured, which will be shown in the next section.

4.1 M&A-Integration in a wider Context

4.1.1 The history of M&As: five merger waves with different integration focus

In the early 1990s, Jensen (1993) was able to identify four merger booms that took place during the last century. Since then, however, a fifth wave swept over the world of corporate entities, starting during 1992 and finishing, according to DePamphilis (2003), in the year 2000. For some others (c.f. Granlund, 2003; Vaara, 2002), this business phenomenon is still going strong and we can therefore not really talk about an end to the fifth merger wave. According to Jensen (1993), each wave had a special focus on a special type of integration and some main drivers have been the forces that lay beyond such waves as well. The industrial revolution is, for example, seen as the main driver for the first wave (from 1897 to 1904) that resulted in monopolistic industry structures. Here, horizontal integrations were in focus and this brought about a massive consolidation of independent firms and the closure of marginal facilities (Jensen, 1993). The second wave, from 1916 to 1929, was characterized by mostly vertical transactions after the introduction of new US antitrust laws, and this required normally vertical integration.[16]

During the conglomerate era (1965 to 1969) the third merger wave occurred, this time, predominantly lateral integration followed since organizations often followed the portfolio theory by expanding into dissimilar lines of business. During this era, many conglomerates collapsed as the high prices paid for the targets, coupled with the increasing leverage of the corporations made the mergers unsustainable. The fourth wave occurred during the second half of the 1980s and this one featured many unique characteristics, such as aggressive takeover tactics, leveraged buyouts and junk bond financing (Jansen, 2001). For the first time, foreign firms acquired more in the US than the other way around, and the main reasons for this were a weak US dollar, limited restrictions but also accounting rules that favored foreign buyers as they often could write off goodwill in the year in which it occurred. US firms on the other hand had to charge such expenses against earnings for many years (DePamphilis, 2003).

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[16] DePamphilis (2003) on the other hand also reports on many horizontal acquisitions during this merger wave only before the big stock market crash in 1929. However, all in all, the aim of taking advantage of economies of scale was the main trend.

The last merger wave, the top of which we probably are still 'riding', started during the first half of the 1990s and rebounded sharply during the decade. The reason for this was above all the information technology revolution, continued deregulations and reductions in trade barriers, and the global trend towards privatization (DePamphilis, 2003). During the last wave, Jansen, (2001) identifies six trends with integration effects. The first is the increase of cross-border transactions which demands a new region and nation based integration competence. The second is industry changes, including particularly the New Economy (telecommunication, media, technology) but also the crash of large parts of it. This involves a new paradigm when it comes to the importance of intellectual, human, and social capital and hence also new integration activities and focus. An apparent decrease in hostile takeovers is the third trend Jansen (2001) observes, which has a positive impact on integration matters since strongly negative emotional aspects following such deals also seem to decrease. The fourth tendency is that de-mergers, spin-offs and other restructuring activities occur more often which results in a more loosely joining instead of more integration. That premiums paid for acquisitions increase (now about 50 % compared to about 40 % during the last merger wave) is the fifth trend. This has an impact in the future for the newly merged organization as rationalizing results have to be achieved that at least are adequate to this premium paid. Finally, cash is king today as there is a tendency to pay for the acquisition by cash offers currently. Hence, post merger failures cannot be covered by the positive performance of the share price anymore.

4.1.2 Research streams within M&As as macro-variables and a typology

From the short review of the history of M&As above, one can see that these deals occurred due to different underlying 'macro' trends and diverse environments. But the historical development has had an impact on research as well, because researchers are part of the society they are investigating. Hence, within M&A research, different research streams have evolved looking at M&As in general from different perspectives. According to my findings, it is such perspectives that determine how M&As are described and with this, even what role or function MACS then have. This is particularly one of the reasons why, as earlier parts of this thesis mentioned, a straight-forward approach to M&As in combination with management accounting and control is not possible. Hence, the structure of the next sections has its origin in the combined frameworks of two researchers (Parvinen, 2003 and Vaara, 2002) and my own understanding of the research area. The contribution of Vaara is relatively simple as he merely summarizes the literature since the 1980s on organizational integration that follows M&As in three perspectives. Parvinen's (2003) framework on the other hand is more complicated but it is at the same time the result of the most extensive and most accurate study of M&A literature I came across.

Vaara emphasizes that, even though research within the field of M&As has a long tradition, attempts to understand what actually happens after M&As can only be dated back to around the middle of the 1980s, when researchers became seriously interested in the integration process as well. This is in line with Jansen's (2001) conclusion about integration competence as he states that a significant increase in such capabilities only was observable during the last merger wave. Vaara's three perspectives are a 'managerial perspective', a 'human-resource-oriented perspective', and a 'cultural perspective', whereas he emphasizes that the last one often also includes a perception that focuses on the 'acculturation processes' after M&As. Vaara's 'managerial perspective' has as its central theme that managers should do their best to find benefits and to be prepared for possible reactions. From this perspective, management more or less leads the processes and personnel constitute the changes. This perspective deals with all

the different tasks and problems that arise with M&As. The focus of the studies in this stream is what has changed, however. During the 1980s, the primarily concerns seems to be financial topics, since M&A deals were mostly chosen to gain control of undervalued assets. During the 1990s, however, integration matters became obvious, and therefore priority number one for managers and their advisers, associated consultants and academicians, was to use the right methods and tools to manage this integration task (Galpin and Herndon, 2000).[17]

Parvinen, in the same way as Vaara (2002), concludes that M&As seem to prevail as a management discourse. He, however, summarizes the M&A literature in four 'schools', whereas the one of 'capital markets' is the first one, followed by the 'strategic school', the 'people perspective' and finally the 'process perspective'. Parvinen's 'capital market' school is a somewhat special one as it is mostly interested in finding out if M&A deals create value or not. This stream of thought is, to a great extent, represented by financial economics work around the key of the creation and allocation of value through M&As. Here, the outcome of M&As is evaluated, and this is done in many different ways, e.g., by looking at the shareholders' wealth (of host and target company). This area is, except for the part in my introduction, only of minor interest to me, since I am not evaluating management accounting and control systems financially.[18]

Parvinen's 'strategy school', on the other hand, is a very important one for the outcome of this thesis as the various strategic schools often have been elaborated on the field of management accounting and control topics. Here, emphasis is put on the individual firm more than the economy as a whole since this stream includes topics such as efficiency gains, risk and diversification, operating synergies, financial strategies and other relatively rationalistic tasks of the firm. This will therefore be part of my main examination together with Vaara's managerial school, since my investigation shows that it is almost impossible to separate them. When it comes to Parvinen's 'process school', it can be said that this view is quite similar to Vaara's 'managerial view' since the process view normally holds managers responsible for managing the M&A process in a way that produces the results. This stream was stimulated because of the strategy school's inability to stress the significance of the M&A processes. Here, focus is on the M&A process itself as it is seen as an important driver for the outcome of M&As. My own review is in line with Parvinen; hence, these views are better kept separate in this thesis.

The third school of both, Vaara (2002) and Parvinen (2003), contains people aspects or the perspective of the human resources and it is therefore only natural for me to summarize such issues in a section named after this representation. This stream of thought includes human resource management topics, crisis management and cultural compatibility ideas. Here, I also include Vaara's cultural stream as it seems unworkable to me to separate culture from human beings. Culture can, however, be part of the organization but also, in cross-cultural M&As, be part of the whole environment. What I intend to do is to separate 'acculturation' from the other parts by providing my own section on this area because acculturation's many dimensions seem to be an important element in the future when it comes to mergers and acquisitions.

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[17] According to Vaara (2002), this perspective is the dominant one in the M&A literature, since most textbooks and articles look at how managers better can integrate the merging organizations.

[18] Many studies within the financial accounting literature have investigated M&As but the evaluation of them most often brought up that the empirical main body of them simply serves to evaluate M&As and not to look at the different systems that led to such outcomes (Jonsson, 1995; Lindqvist, 2003). I will, however, replace this perspective with one that is characteristically financial as well, namely the perspective of accountants and controllers describing M&As, this though in Chapter 5 about management accounting and control research.

4.2 A Managerial and Strategic Perspective on Mergers and Acquisitions

4.2.1 Managerial and strategic macro-variables

From the above, one concludes that the managerial perspective probably is the one that penetrates most articles and studies in the field of merger and acquisition 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 these streams 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 about bringing organizational systems, processes and procedures together. The managerial stream sees integration mostly from a typical cybernetic system perspective as well, where control in an organization can be realized by, for example, the right flow of accounting information (Otley, 1994). 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, 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. This is the reason for me to combine the two streams as they are closest to a normative orientation within the M&A literature (Vaara, 2001). Hence, these two perspectives very much seem to 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. This is within the total organization, but we will later see that such thoughts also have their validity in accounting systems.

4.2.2 Merger motives as determinants for post M&A integration needs

The underlying motives behind M&As can be seen as typical 'managerial approaches' since only top managers (and to a certain extent stockholders as well) can influence such motives. They are normally 'strategic' as well since these motives today often contain an intention to last for a longer period of time (Jensen, 1993). M&A motives are, according to e.g.,

Shrivastava's (1986), also a factor that complicates the integration process as each motive requires a different degree of integration. Hence, to understand the reasons why M&As are chosen as strategic business approaches it is important to be able to understand the background of the considered objectives with such deals and also why such business arrangements may not work as intended. Below, the most often-mentioned objectives for M&As follow, but one must keep in mind that many different classifications exist, and that several objectives can be the reason for an M&A.

4.2.2.1 Operational synergy effects

Overall, synergy effects seem to be the most often cited motives for mergers and acquisitions found in the literature. Synergy effects in combination with M&A deals normally refer to operating synergies or financial synergies (c.f. Gaughan, 1996 and 2002, and Hopkins, 1999). Simply put, organizations are brought together because the responsible ones expect the sum of the two entities to be bigger than the separate entities, which is basically the same as saying that one plus one equals three. Operating synergies include the thinking that cost reductions occur as a result of the combination of corporations. This occurs since e.g., *economies of scale* will be the result of decreases in per-unit costs which in turn results from an increase in the size or scale of a company's operations. Sometimes, this cost-saving is motivated by referring to the 'spreading overhead' theory, which says that one expects the increase in output to be bigger than the increase in overhead costs. Other operating synergies that often motivate M&As are to achieve *economies of scope*. This is, according to Gaughan (1996 and 2002), the firm's ability to utilize one set of inputs to provide a broader range of products or services. Hopkins (1999) believes that organizational synergy arguments probably are the most often cited justifications for an acquirer to pay a premium for a target firm and my findings only support this as most research deals with this phenomenon and how it should be achieved.

4.2.2.2 Financial synergy effects

Financial synergies on the other hand refer to the impact M&As have on the costs of capital to the acquiring firms or the merging partners and the main goal here is to lower the cost of capital (Gaughan, 1996). Motivations for this way of synergy is often to reduce risk by lowering the volatility of the cash flows and by this reduce the risk of bankruptcy. This could often be seen when companies diversified their businesses, which was largely done during the third merger wave throughout the conglomerate era. This is also what the corporate finance theory sees as the main motive for acquisitions because of the reduction of volatility (Gaughan, 1996 and 2002). Financial reasons also played a main role during the fourth merger wave in the 1980s when merger deals were primarily chosen to gain control of undervalued assets (Galpin and Herndon, 2000). During that time, dissimilar businesses were often the target and the risks involved were mostly overleverage, whereas the margin for error was often great. But diversifications can be made in related and in unrelated areas. Sometimes industries choose the diversified expansion method to extend into more profitable industries, which, however, often is expansive, as above-average return industries are difficult to enter which supports the economic theory in general.[19]

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[19] According to the financial theory, this is not a good solution, because stockholders could buy such assets themselves, and do this without taking the risk that the management is stretching their skill too much.

4.2.2.3 Integration itself as a stated motive

Integration itself is another often stated economic motive for M&As. In fact, integration is today, according to Galpin and Herndon (2000), the motive most often chosen as M&As have become quite strategic and operational in nature. Integration is, as already mentioned, a complicated term but in traditional M&A literature, integration is largely defined by the degree of interruption of the acquiring company into the acquired organization. Even though the acquired organization may experience change as a result of the acquisition, the traditional focus on integration reflects a concern with the degree to which the acquiring company creates changes in the acquired organization (Pablo & Sitkin, 2004). Gaughan (1996) emphasizes the importance of horizontal and vertical integration, and by horizontal integration he refers to the increase in market share and market power by acquiring or merging with rivals. Vertical integration on the other hand refers to companies that have a buyer or seller relationship. Seen from the economic theory, firms conducting mergers and acquisitions try to come closer to the position where they are price makers and not price takers.

Furthermore, horizontal integration can include geographical expansions when buying a similar company that operates in a different geographical region. Hopkins (1999) calls this kind of M&A motives 'market motives' since this is a way to enter new markets in new countries. He further emphasizes that the reason for acquiring already established firms is a fast way to enter new markets. Therefore, cross-border M&As are the fastest growing alternative today. This view is supported by DiGeorgio (2002) who provides the results from a large study that looked at CEOs' comments taken from a Harvard Business Review roundtable. His results show that much is about speed, and here, speed to market, speed to positioning, and speed to becoming a viable company were main issues. CEOs believe that 'acquiring goes faster than building' and M&As are therefore often chosen business tactics to gain new customer segments or geographic markets to sell their products, and to create synergies in research and development. Also for Morris (1995), speed is the argument that is most often-mentioned since M&As accelerate the growth process with only one transaction.

Vertical integrations on the other hand are to expand closer to the foundation of supply or to the final customer (Gaughan, 1996). Vertical integration motives are often considered to reduce the dependability of others, to lower inventory costs and delivery time (Just-in-time delivery especially) or to reduce 'internal' transfer prices but also to eliminate the middle men. A further motive for vertical integration is to reduce transaction costs.[20] A typical M&A deal that was claimed to include the advantages of both of these types was the merger between Daimler-Benz and Chrysler in 1998. Their different brands were seen as a good example of a 'product-extension strategy'. At the same time, top managers within Daimler-Benz and Chrysler argued that this deal also would extend their markets as well into areas where their products could be seen as competing, since the two companies now should be able two use each others' distribution network (c.f. Blasko et al. 2000).

Many also believe that the integration of two or more related businesses with help of mergers and acquisitions is a perfect way to abandon redundant resources, such as machinery and buildings, but often also people and especially managers. Multinational enterprises frequently use such strategies to restructure their businesses when they face increasing global competition

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[20] According to the transaction cost theory, such costs appear when searching and informing, when bargaining and making decisions, and when policing and enforcing the decisions taken. What often is believed is that such costs decrease per unit of output the bigger the company is, and even though the transaction cost theory itself sees limitations when it comes to very large conglomerates (see e.g., Williamson, 1985), some practitioners do not.

and technological changes (OECD, 2001). This is what Allen (1999) calls the 'defensive combinations', where the main goal with the deal is to react to a changing market pattern, which is something particularly old industries are forced to, due to an excess of supply over demand. That the industry looks like that today is mostly because of the new technology that has enabled increased productivity but in some cases also because of reduction in demand (e.g., in the defense industry after the 'cold war'). Combined companies can, it is often assumed, shrink faster than two separate companies, and another expected benefit is that a combination reduces competition as well, and exactly due to this, such combinations are sometimes only possible in a global area, since anti-competitive laws in smaller areas can prohibit it (Allen, 1999).

4.2.2.4 Other mixed motives

Schuler and Jackson (2001) and also Allen (1999) mention as a further reason for M&As popularity that the critical mass for survival has increased, and by this they mean that time has shortened (shorter product life cycles) and the amount of money has increased to bring new products to markets (especially the drug industry). But, according to them, the acquisition of talent, knowledge/information and technology has also become a significant factor to gain synergy advantage. To better manage risk associated with international trade (e.g., currency fluctuation, market regulations, etc.) and to reduce risk by completing the size of the organization, which enables better possibilities to do large investments, are other reasons for M&As (Allen, 1999). In addition, M&As enable the acquiring firm to establish an immediate critical mass of production facilities and intangible assets in a specific industry. This is particularly true in businesses where vast investments (sometimes due to environmental legislation) are necessary to ensure a minimum level of scale economies, for example, the oil, pulp and paper, and automobile industry (Allen, 1999). This can be seen very clearly in the last mentioned industry, the automobile industries, where the top ten producers now represent over half of the global production (OECD, 2001). Cross-border mergers that have occurred during the last years, such as the one between Daimler-Benz and Chrysler or takeovers like GM's acquisition of Saab and parts of Subaru, Fiat and Daewoo, or Ford's purchase of Aston Martin, Jaguar, Land Rover, and Volvo Cars, exemplify this.

What also can be observed today is that such producers (as, for example, the car producers mentioned here) want their suppliers to follow them, which is understandable because of the prominent just-in-time delivery system in many industries (Allen, 1999). However, it seems that the trend of increasing M&As in a way is a self-fulfilling story since many think that there in a few years' time there will be a much smaller number of producers operating globally and this automatically means that everybody will enter into arrangements to avoid being left behind. This is maybe the reason Bower (2001, p.95) simply expresses the old law of the jungle that says: "eat or be eaten". For him, this is especially true for industries where M&As occur due to substantial overcapacity, which is the case in, for example, the automobile and the steel industries.

4.2.3 Motives and integration: Kitching's semi-rational approach

The early study of Kitching (1967) is a well known and much cited one[21], and I believe it is one of the first studies focusing on factual issues of 'why' mergers miscarry. He combines a survey

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[21] Kitching's (1967) study is mentioned in, for example, Shrivastava (1986), Pablo & Sitkin (2004), Pablo (1994), Granlund (2003), and Datta (1991).

of management literature with interviews with top executives in 22 companies to find out why mergers miscarry and how this is connected with the different ways chosen (vertical, horizontal, etc.). Kitching finds many things but not exactly what he expected to find. He discovers that when organizations were very different in size (big acquirer and very small acquired organization), acquisitions more often failed since corporate headquarters were not interested or could not get the "little entrepreneurs to think like big businessmen" (p. 92). What Kitching furthermore finds is that if there is the right organizational structure and reporting relationship in place, such a mismatch of size can be overcome. Such a relationship can, according to him, be built by doing three things. First, right after the acquisition, a top executive who leads the acquired organization has to be appointed. Second, reporting procedures and relationships have also immediately to be made clear. The third task is to install a system of control, whereas he emphasizes information reporting rather than budgets. This third task is also required, according to Kitching, immediately, even though it seems like the most successful acquirer leaves the control systems in the acquired companies the way they were before, at least in the beginning. What such managers, however, did is to ask for a few additional reports for the corporate headquarter.

Moreover, Kitching asks himself if it is the strategy used that makes the difference between acquisition success and failure or if it is the way the organization after the deal is managed. By posing this question, he was most likely one of the first authors who seriously questioned that there is a best and rational way to plan an acquisition, admitting that the post acquisition process is as important as well. The reason for his lack of confidence for the rational approach was the finding that M&As with the assumed highest synergy potential in the form of sharing production and technology achieved the worst financial outcome. Financial mergers on the other hand were best performing, followed by marketing mergers. Kitching's explanation for this is that financial synergies are relatively easy to achieve when compared with economies of scale in the form of production but also marketing and sales. Hence, integration must be seen as a problem area as well, in addition to the strategy used.

4.2.4 Integration levels and its timing: Shrivastava extends Kitching

Shrivastava (1986) was, along with Kitching (1967), one of the first to examine the different integration tasks necessary during post M&As and the ideas of his framework have since then been used in many of the M&A studies within both the managerial and the strategic perspective. For him, the central problems of integrations are threefold, and are very similar to Simon et al.'s model from 1954. These are (1) coordinating activities to achieve overall organizational goals, (2) monitoring and controlling individual departmental activities to ensure that they are complementary and are being performed at adequate levels of quality and output; and (3) resolving conflicts between the fragmented interests of specialized departments, individuals, and their inconsistent subgoals. For Shrivastava (1986), there exist three levels of integration, the procedural level, the physical level, and the managerial and sociocultural level, which can be seen in Table 3 below. The procedural level is the one that combines systems and procedures, and for him it is this level that is the first one to be integrated since the homogenization and standardization of work procedures facilitates communication, improves productivity, and reduces cost and the total information that needs to be processed.

Hence, according to Shrivastava (1986), accounting systems and procedures have to be designed to enable coordination. Management control systems on the other hand must be planed to ensure control, and contradictory rules and procedures must be eliminated to be able

to rule conflicts, and the same is true of rationalizing systems. Shrivastava (1986, p.68) mentions here that such functional integration is not always simple since the transferring of systems sometimes can be disruptive and therefore may necessitate the collection of "new data, changes in report format, redesign of work procedures, structural adjustments, and even changes in personnel".

	Coordination	Control	Conflict resolution
Procedural	• Design accounting systems and procedures	• Design management controlling systems	• Eliminate contradictory rules and procedures • Rationalize systems
Physical	• Encourage sharing of resources	• Measure and manage the productivity of resources	• Resource allocation • Asset redeployment
Managerial and sociocultural	• Establish integrator roles • Change organizational structures	• Design compensation and reward systems • Allocate authority and responsibility	• Stabilize power sharing

Table 3: The post M&A integration tasks

Source: Shrivastava (1986)

At the physical level, Shrivastava (1986) mentions the integration of resources and assets (such as product lines, production technologies, R&D projects, plant and equipment, real estate assets, etc.) and this, according to him, usually accompanies the procedural integration. The level that Shrivastava (1986) points out to be the one that is most critical when it comes to integrating is the managerial and sociocultural one. This involves then the transfer of managers, the changes of organizational structures, the development of a corporate culture, a frame of reference to guide strategic decision making, the gaining of commitment and motivation from personnel, and the establishment of new leadership.

4.2.5 Other integration frameworks and their contribution

Another typology is the one of Pablo (1994) who identifies three primary sets of issues in M&A situations. These are firstly the task objectives, secondly the organizational tolerance for cultural diversity, and thirdly the potential for political action between the combining firms. Pablo (1994) statistically evaluated the answers of 58 top-level officers (CEO or president) to find out what the factors are that determine the level of integration that is chosen in an acquisition. Also here we are in the 'action system' of an acquired organization where things have to be changed or aligned and the question in Pablo's (1994) study was what gives the reason for what kind of changes.

Pablo finds that task-related criteria were dominant when it comes to decision making about integration. Such criteria are, for example, strategic and organizational tasks to achieve synergy, where the strategy includes the sharing or exchange of critical skills and resources and the organizational task is to preserve the unique characteristics of an acquired firm. Of all explanations, 75 percent were task-related, and about two-thirds of these were assignable to organizational tasks. However, Pablo also finds that in integration design decisions, managers may be unable to find a balance between these two requirements. In addition, the more multicultural an acquirer was, the lower was the level of integration chosen which, according to Pablo, indicates that managers believe that cultural diversity is tackled by an organization's

diversity quite easily. A final finding is that the bigger the difference in size between acquirer and acquired company the less integration was accomplished. Pablo (1994) explains this by noting that when acquiring a small company relatively to the acquirer's own size, an organization may not attract a high level of management attention since there is not a great potential for gain or loss, which is a finding that is consistent with Kitching's (1967) contention.[22]

Birkinshaw et al. (2000), on the other hand, separate integration in their study[23] into a task integration process and a human integration process. The first mentioned is about the identification and realization of operational synergies (e.g., by transfer of capabilities, resource sharing), and the latter about the creation of positive attitudes towards the integration among employees on both sides. These authors argue that only M&As with a high level of completion of both integration areas, task and human, will result in successful M&As. Hence, when only emphasizing human integration, satisfied employees may be the result but organizational synergies will not be achieved. The other way around, by focusing simply on task integration, synergies may be achieved but employee motivation will decrease. This is only true, however, with some limitations, because Birkinshaw et al. (2000) admit that employee satisfaction only is a 'means' of achieving synergies and/or superior performance but not an 'end' in itself. Furthermore, Birkinshaw et al. (2000) underline that the move from low human and low task integration, which always is the case at the beginning of every post-M&A integration process, to a high integration status in a direct way in both areas is possible but very expensive. Hence, they mean that this is only the optimal way in theory but not in "practice" (p. 420) because an acquirer often ends where operational synergies are achieved at the expense of employees, which is more expensive, according to the authors, than if the acquirer chooses to first complete the human integration and then moves on to integrate tasks as well.

Hitt et al. (2001) provide us with another approach as they mention that synergy can be created by four foundations. For them, it is merely possible to increase synergy substantially if one can combine these four practicalities. These foundations are strategic fit, organizational fit, managerial actions, and value creation. The four tasks fit perfectly into the managerial and strategic perspective as they more or less summarize what other authors within this research stream, such as the ones referenced above, have noted. Hence, for Hitt et al. strategic fit can have four potential sources, namely operations synergy, R&D or technology synergies, marketing-based synergies, and management/managerial synergies (p. 89) which is about what I have mentioned earlier. Organizational fit, however, can be achieved when the merging organizations have "similar management processes, cultures, systems and structures" (p.94). A high degree of compatibility characterizes such synergy creation potential, and Hitt et al. emphasize that as such an organizational compatibility facilitates "resource sharing, enhances the effectiveness of communication patterns, and improves the company's capability to transfer knowledge and skills" (p.95). Managerial actions, on the other hand, are responsible for how well synergy potentials are transformed into value as such actions must, according to the authors, be initiated to effectively match the strategic capabilities and to gain competitive

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[22] Pablo (1994, p. 825) summarizes that the 1980s era of hostile takeovers might have led to organizations and their executives to have augmented concern to maintain legitimacy in a very visible area of organizational activity, as per the 'coercive isomorphism' arguments of DiMaggio and Powell (1983). Because of this, organizational issues may be particularly salient to managers that face integration decisions.

[23] Birkinshaw et al. (2000) investigated the R&D operations of three large Swedish multinationals (Eka Nobel, Alfa Laval and ABB) and the respective acquired division of the foreign (US or UK) company in detail from 1991 to 1996.

benefits. The board of directors is then intended to operate as a governance mechanism and overseeing such managerial actions and to assure that the management operates in the best interest of the shareholders. Value creation finally is what simply put means to derive synergy that is worth more than the costs associated with developing and exploiting it.

4.2.6 Summary

Probably the most important variable that one can find within the managerial (and partly also the strategic) perspective is the stream's 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. 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 variables. It is an abstract variable in the sense that it seems impossible to use as a contingency variable or to compare it in another way with, for example, characteristics of an organization's internal or external environment. It is a variable that lies behind most of the above mentioned frameworks and typologies as authors here try to connect such contingent variables to the integration process, which then best can be seen in the different approaches within the strategic perspective. In the same manner, also the strategic perspective assumes rationality and such an assumption is there as well an underlying variable determining how integration processes in M&As are dealt with, and above all, how they are described.

The motives for the merger 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. From the above, we can 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, et al., 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 is 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 management accounting and control, seen from the perspective of M&A researchers. Hence, management accounting and control 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 these three research groups place management accounting and control 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 mention 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, this research perspective supports managers´ view that task integration is more important than human integration, especially in older versions within the literature.

4.3 A Process Perspective on Mergers and Acquisitions

4.3.1 The main message of the process perspective and Jemison and Sitkin's framework

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. 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).

Jemison and Sitkin (1986) are two authors who quite early recognized that the rational decision maker's perspective on M&As, as it mostly is the case within the strategic and managerial perspective, needs to be supplemented by a perspective that acknowledges the M&A process itself as a potentially important determinant of activities and outcomes. Hence, they see the acquisition process together with strategic fit and with organizational fit as the three main areas that 'decision makers' have to look at. By 'strategic fit' the authors mean the degree to which the target firm augments or complements the parent's strategy and thus makes identifiable contributions to the financial and non-financial goals of the parent. Organizational fit in contrast is the match between administrative practices, cultural practices, and personnel characteristics of the target and parent firms and may directly affect how the firms can be integrated with day-to-day operations once an acquisition has been made. In doing so, they hold a managerial perspective as well. In fact their description of the management systems involved during the process of M&As is one of the best examples of a managerial system view that I could find.

For Jemison and Sitkin (1986), acquisition success is dependent not only on the choices made about the fit of strategy or the fit of the organization but also on how the acquisition process itself is related to the ability to make the business combination successful. Their framework expands older ones, such as, for example, Kitching's (1967), and is in line with many of the ones that have been published only recently, which will be examined later. You have to look at the process particularly due to four impediments: 1) the segmentation of activities, 2) the escalating of momentum, 3) expectational ambiguity, and 4) the misapplication of management systems (p.148). The segmentation of activities comes from the complexity of tasks involved in acquisitions. Because such deals are very complex, traditional roles that different specialists play and the duties they have become subdivided, and this shows the way away from a strategic

approach. Hence, the authors claim that when different analyses and attention are given to strategic and organizational fit, organizational fit often gains less focus than strategic fit and this discrepancy even increase when outside advisors are part of the integration process. However, when line managers have more influence on the integration process, organizational fit will gain in importance. Complexity, on the other hand, increases outside involvement. The 'escalating of momentum' is about the forces that stimulate speed within the process, which according to the authors often becomes too high and results in bad integration tasks. It often goes faster than necessary because the forces that stimulate speed are stronger than the ones that reduce it, and as reasons for this, the authors mention participants' commitment, secrecy, decision-makers' isolation, overconfidence, ambiguity, self-interest, and expected resistance of the target firm.

Different expectations about especially the purpose with the acquisition, about the performance, and about the timing of certain actions are the third impediment, leading towards the processes in which management systems are dealt with. About the misapplication of the parent firm's managerial systems, Jemison and Sitkin (1986, pp.153-160) have found eight reasons for the desire of acquirers to impose their management systems onto the acquired company. These eight reasons are the collected thoughts of earlier studies and therefore provide a good picture of what research had concluded about management systems until Jemison and Sitkin wrote their paper. Management systems are imposed on the acquired firms because/when:

1) …parent companies <u>believe to have a more successful</u> management system
2) …the more <u>suspicious</u> the parent is about its <u>incapability to help</u> the subsidiary, the more likely it is that standard practices will be forced on the subsidiary
3) …the more <u>defensive</u> the subsidiary is about how it fits into the parent's plans, the more likely it will be to depict as a magnet for the obligation of unsuitable practices or systems from the parent
4) …there is a large <u>difference in size</u> between acquirer and acquired is big
5) …when the two entities' <u>relatedness is big</u> (since parent managers believe that the more related they are the better they will be suited for the same system and the better can parent managers run the business of the subsidiary on their own)
6) …the idea for the M&A deal was <u>initiated by the CEO</u> or corporate staff
7) …the <u>lower the parents need to use</u> the skills/resources of the subsidiary is
8) …the target tries to <u>resist</u> an acquisition attempt (Jemison and Sitkin, 1986, pp. 153-160).

These eight points are not less than eight variables pointing out what is important to look at when studying the integration process in M&As from the perspective of management accounting and control systems, as they are part of management systems. However, Jemison and Sitkin (1986) do not go deeper into this issue but conclude that such an imposition is not right immediately as it may lead to misapplications of management systems, and this in turn reduces the chances for the acquisition's success as a subunit of the parent firm. In addition to that, heavy handed, uncoordinated and too rapid changes can, according to them, destroy fundamental competencies and capabilities. This is because there is a certain amount of "defensiveness" exhibited in both, the acquirer and the acquired, as they do not know each other's business styles, procedures and practices. Hence, parent managers, for example, may want to help but do not know how, and subunit managers may be afraid to admit what they do not know for fear of punishment. "Managerial arrogance" (p.159) is another main problem as parent managers often believe that their managerial, administrative or operative system is

better. The most critical element is that the follow-through of the acquisition process is overlooked because of its sporadic nature, mostly due to "rational" and "synoptic" views of managers that "encourages the use of hard, concrete, and predictive analysis that are typified by the economic analysis of strategic fit" (p.161). Softer issues, however, are more open to unclear interpretations and therefore are not given much credibility by managers.

4.3.2 Integration phases and the external environment

Löwstedt et al. (2003) also use a process perspective when examining the integration of two Swedish subsidiaries of two global professional service firms from 1999 until 2001. They interviewed three business area managers and four middle managers/senior partners. These interviews were combined with internal reports and a survey on how the merger was covered in the business press. For Löwstedt et al., during the integration stage one has to focus on two areas at the same time, namely internal forces and the external environment. Internally, the authors find that there are four ways of dealing with differences and they can be identified in four different phases of the post-merger integration process. Hence, an important ingredient of integration is to know if you should focus on similarities or on differences during a certain moment or period within the entire integration process. Within the first phase, the 'getting together' phase, merger rationales are created and acceptance gained. The dominant logic of integration is based on differences, which is regarded as positive during that stage. During the second phase, the getting acquainted phase, structures and processes are aligned and arenas created. Here, focus is placed on similarities. This means that a matrix structure is necessary, first dividing it into different business units and then dividing it into different sectors. A positive attitude towards the merger continues even during this phase. The process alignment includes internal policies, procedures and business processes, which also comprises the configuration of time reports, sales efforts, and recruitment and performance management.

During the 'getting to work' phase, realizing synergies was on the managerial agenda and this stage started about one year after the deal was initiated. Culture differences were 'tremendous' when it came to how to do business and what the role of the consultants was. The integration logic here was again focusing on differences and trying to create value but this was not easy and resulted in increased frustration and a more negative attitude towards the merger. The fourth phase, the 'getting the work done' phase was about delivery and survival and not about integration anymore. Now, differences were considered both positively and negatively and this became an accepted aspect of daily life. For Löwstedt et al. it is the way you manage these differences that have a central role during the integration process after M&As, but they are also suggesting that the context of such a deal has to be taken into account. By this they mean that the internal dynamics of the merger process and the management of differences is the first part that has to be looked at.

Nevertheless, Löwstedt et al.'s other contribution that is central to understand during the integration in M&As is the external dynamics of the "ideational and economic environment" (p.26). They criticize today's literature for not considering the external environment when describing and analyzing the post-merger integration process. With their study they attempt to indicate that context shapes the evolution of such an integration process. Important are the interpretations of the economic realities in which the merger takes place and this depends on the dominant ideas about strategy at any one time. What is regarded as 'strategic fit' therefore depends on the management fashion. In their case, such realities were the IT boom before the 'big crash' and possible synergy effects between IT and strategy consulting services. Such

effects, however, soon disappeared when the crash was a fact and organizational members lost their motivation to invest in the integration. For this reason, and to succeed, management changed the direction and focused on market opportunities and sales instead of integration. The interpretation of economic realities can be seen as an external "delegimatization" of one of the main merger motives and as such as a main variable when studying mergers and acquisitions. Hence, this study is in line with thoughts presented earlier about the five merger waves and particular integration focuses during each wave. In this case, though, we observe the integration process within one merger wave, the fifth one, and find that integration is more or less the wrong tool to deal with within the changing environment around (the 'IT crash').

4.3.3 Degree of friendliness or hostility

In earlier sections, I have provided a short overview of probably the most important reasons for M&As' popularity. What furthermore is important to look at, however, is the degree of friendliness or hostility that is the reason for the takeover, which according to some also determines how the integration process will look. Buono and Bowditch (2003), for example, conclude that even though all forms of strategic organizational combinations are likely to create problems and difficulties, 'contested combinations' and especially the most adversarial form of acquisition, the 'raid', are characterized by increased resistance, where losers and winners are created, and where the outcome often only can be negative, above all for the individuals involved, except a few. Another essential question is what the purpose with the M&A deal is and how high the level of the desired integration will be. Hence, the level of integration, the degree of friendliness or hostility, and the strategic purpose provide, according to Buono and Bowditch (2003), an integrated typology containing three dimensions of M&As (Figure 5). For Buono and Bowditch (1989), this typology solely helps to conceptualize the dynamics that underlie such business deals but it fails to capture the true details and difficulties that organizations and their human resources experience, and we will hear more about this later.
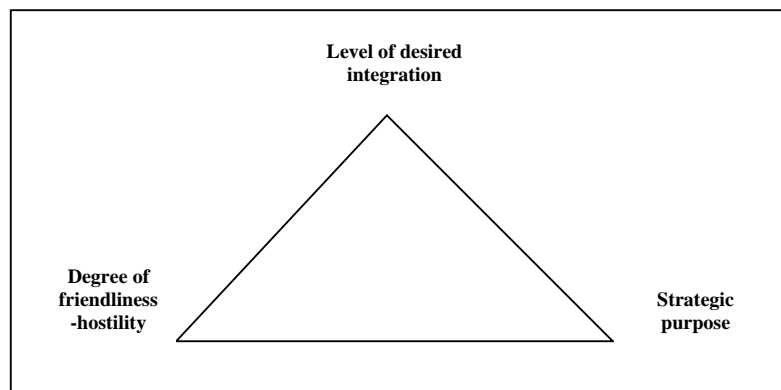
Figure 5: An integrated typology of mergers and acquisitions

Source: After ideas from Buono and Bowditch (1989, p.75)

Hunt (1990), however, has used ideas that are similar to the ones that lie behind Buono and Bowditch's typology. He is a researcher who partly combines a strategic perspective with a

process perspective when he uses Kitching's (1967) seminal work as a starting point to explain the high failure rate of acquisitions. He does this by testing the variables Kitching has found against his own study, which includes 40 large U.K. acquisitions between 1980 and 1985. For Hunt (1990) the explanation for success or failure cannot be found in single context variables but only in the combination of such variables.[24] Success is furthermore attained when focus lies on the behavioral processes that are initiated by targeting and then continued through bidding, negotiating, and implementing. He believes that the tone that right from the beginning is chosen has an impact during the total acquisition process and therefore also the integration; hence, it is important to do it right when everything starts. From that, Hunt (1990, pp. 74-76) has developed three different frameworks for three different mainstreams of acquisitions; "friendly acquisitions of healthy firms", "contested acquisitions of a fairly healthy firm", and the "hostile bid for an unhealthy seller".

The friendly acquisition of a healthy firm must be followed by preserving the seller's autonomy and this is accomplished by accepting differences in systems. Here, change can be made very slowly; social interaction of staff is more like an invitation to join the team. To motivate the staff one has to improve or at least to preserve benefits. Hence, this is very much a 'laissez-faire' framework and therefore probably not one that according to most strategy-perspectives would result in synergy effects. If the acquisition is a contested one with a fairly healthy firm, Hunt recommends to put 'hands-on', to link systems, to centralize power, and to transfer better management. Systems should then be standardized over a three to five year period and resources should be transferred to make sure that better information is available to the acquired company. Therefore, the seller's system should not be adopted. The reward system should then also be brought in line and career opportunities expanded. This includes the selling of benefits, the transfer of resources, but also the expansion of career opportunities. If the acquisition follows the hostile bid for an unhealthy firm, 'hands-on' is even more important. Hunt advises that weak management has to be replaced directly and that the buyer has to get financial control immediately by modifying systems over a period of six month. The acquirer then has to convert staff by "preaching liberation" and by offering opportunities. New incentives and rewards should furthermore motivate employees.

4.3.4 Today's total process frameworks and their explanations

To this point in this thesis, integration was the main element in the discussions. Galpin and Herndon (2000) also emphasize that integration is what it is all about. Even though only the last step in their model is named 'integration' they underline that a holistic approach is necessary. For them, the different steps follow each other like a flow, but they are integrated as well since one part without the other is meaningless. To secure this, it is necessary already from the first moment when M&A plans are in mind, because you have to integrate what you have chosen to buy or merge with, which in turn is the result of investigations and negotiations. Other key areas to achieve integration success mentioned by the authors are the right change management, in order to organize the proper integration task force, honest communication, and to retain the key people. But an important part before all this is to set business and growth strategies to be able to define criteria and implementation strategies. Therefore, integration is only the last step of other processes that may have been completed in an unsatisfactory or wrong way.

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[24] Kitching's (1967) variables were: Buyer strategy, ownership, compatibility of industry or size, health of seller, buyer or seller, experience of acquirer or access to audit information.

Galpin and Herndon (2000, p. 9) provide a close up of the Watson Wyatt Deal Flow Model[25] that seems to be one of the newest frameworks combining modern thoughts in a process perspective (Table 4 below). In this model key activities and issues/risks belonging to these activities are listed and one can clearly see that the authors, although focusing on merely the integration part in their book, emphasize a more holistic view by linking the other steps to the last task.

	Formulate→	Locate →	Investigate →	Negotiate→	Integrate →
Key activities	• business strategy • growth strategy • acquisition criteria • begin implemen-tation strategy	• identify target markets and companies • select target • issue letter of intent • develop M&A plan • offer letter of confidentiality	• conduct due diligence analysis (financial, people/ culture, legal, environ-mental, operational, intellectual capital) • set integration plans • decide negotiation parameters	• set deal terms (legal, structural, financial) • secure key talent and integration teams • close deal	• finalize and execute integration plans (organization, process, people, systems)
Issues / Risks	• Costs • Channels • Content • Competencies • Customers • Countries • Capital • Capacity	• ROI/Value • Strategic fit • Cultural fit • Timing • Leadership fit • Potential synergies • viability	• Liabilities • Human capital retention /elimination • Viability of financial aspects • Integration issues • Synergies/ economies of scale • ROI	• Price • Performance • People • Protection • Governance	• Speed • Disruption • Costs • Revenues • Results • Perception (shareholders, public, customers, employees)

Table 4: Watson Wyatt Deal Flow Model

Source: Galpin and Herndon (2000, p. 9)

Table 4 looks very much like a check list, and this is also what it is because different frameworks from prominent authors have found their way into this master table, which the authors' references show. Hence, it is about what Jemison and Sitkin (1986) wrote but with a larger frame because Galpin and Herndon involve the entire M&A process and look at a wider variety of issues. The message, however, is the same: integration should be customized to each organization and adapted to each specific deal which is then the result of the actual process of planning and implementing. Moreover, to make sure that nothing can be misunderstood, Galpin and Herndon reassure us that the theoretical process they are showing as a linear one in their model in practice is one that is interlinked and almost always parallel. In fact, a special deliberation in the 'Watson Wyatt Deal Flow Model' is that it is "interdependent and concurrently engineered to provide the right input and the right decision at the right time" (p.18). Hence, for these authors, timing is an important issue during the entire M&A process, but there is no clear timeline provided as each M&A deal is unique.

From this, Galpin and Herndon summarize nine 'sets of responsibility' critical for the success of any merger integration, which are strongly interdependent and continuous, since, according to the authors, merger integration should be concurrent rather than sequential. These sets of responsibility are (p.57):

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[25] This model is built on interviews with 190 CEOs, CFOs and other top executives from companies with M&A experience in the US, the Asia-Pacific region, and Brazil.

1. Executive leadership roles and responsibilities
2. Integration planning and implementation
3. Communication
4. Structure and staffing
5. Rerecruiting
6. Cultural integration
7. Human-capital-related integration
8. Measurement and feedback
9. Project management

One can see here that the authors focus on leadership, communication, and HR-questions (staffing, rerecruting, cultural and HR integration). Furthermore, integration efforts and tasks have to be measured and feedback must be provided in order to achieve good integration results. About the time factor, the authors make clear that much planning should take place before the deal closure is achieved, which is particularly true for responsibilities 1 to 4 above. For them, M&As with much planning ahead of the deal have better chances to succeed than others. Galpin and Herndon provide in their framework several timelines (for example on pages 65, 82, 86, 88, 89, and 128) in which they recommend certain time frames for certain tasks. Their main message is not to provide a simple solution to when a task has to be done but to give examples how one can plan and execute integration by deciding on a timeframe.

What seems to be important to recognize is that integration in practice is not the same as in theory and that is also the reason why Galpin and Herndon (2000, pp. 24–26) have found "due diligence and integration risk factors" that have to be looked at. What they emphasize is that you have to be aware of the following factors as they are the ones that are most common. This again is a valuable checklist as it provides us with the understanding of the authors, who also emphasize that every organization should develop its own list with its own possible problems (this, however, could be a quite difficult thing to do in practice as you do not really know in advance what the problems will be). Several of the mentioned points are in line with what has been stated earlier (i.e. points 2, 4, 5, 9) and some of them (particularly points 1, 3, 6, 8, 12) will be looked at more closely later in other sections.

1. Desired level of integration → can be too much or too little
2. Availability of managerial and technical talent → right resource for the right place
3. Cultural process mismatch → moving quickly can be dangerous
4. Strategic context and financial performance →different integration for different profitability
5. Pre-deal positioning → watch out for early decisions made
6. Global complexity → the bigger the distance the greater possible problems
7. Competition → should continue even after the deal
8. Relative dominance → one is always dominant so make clear which one
9. M&A experience → gather people with such experience
10. Ambiguities about power and authority → watch out for unclear situations
11. Concurrent pressures → much is happening at the same time
12. Hostility quotient → employees did not ask to be bought
13. Organizational exhaustion → burnout can kill the integration process
14. Incompatibility among top managers → some may despise each other
15. Invalid assumptions about the business plan and processes → Are best practices transportable?
16. Corporate arrogance → do not change business processes without reason

Table 5: Due Diligence and integration risk factors

Source: Galpin and Herndon (2000, pp. 24 -26)

4.3.5 Summary

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.

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. 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 (e.g., 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 and Herndon, 2000) on the other hand provide 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 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 to an acknowledge that such problems exist as 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 systems (such as management accounting and control systems) then have to be integrated as much as possible, is what can be concluded from the authors' presentations.

4.4 A Human Resource and Culture Perspective

4.4.1 Human resources and culture in general in M&As

From the above sections one can certainly conclude that culture 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). This section will therefore look more closely at this phenomenon. '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). [26] As this definition shows, culture can be observed within different entities such as, for example, organizations or nations, and within M&A research, I found four categories of studies that deal with culture. Firstly, some studies simply look at culture as one thing. Secondly, some studies look at either organizational culture or national culture, and finally, other studies call their approach a 'cross-national' one or simply 'cross-border research'.

When looking at the human resource and cultural front, we have to deal with people or actors. Our focus is then more often than not on the actors and their actions and less on systems and operations. We then, for example, look at the ones that provide and use accounting information and how such actors describe M&A integration processes. Such a perspective sees reality as a social construction, derived from, and rising out of, social interaction. Here, people act towards things based on the meanings these things have for them, and these social actors attach meaning to situations, others, and themselves through a process of interpretation (see Blumer, 1969). M&As affect everybody in the involved companies in some ways, from the CEO to the lowest employee and HR researchers therefore emphasize the importance of understanding the broader human relations issues in order to govern such changes effectively. The list of such researchers has become long especially during the last twenty years. Also the listing of human related and psychosomatic phenomena that are mentioned in the M&A literature is extensive, ranging from 'shock and disbelief' of the single person to total culture clashes of collective groups.

Here we find authors such as Schuler and Jackson (2001) who claim that a substantial part of the explanation for the large failure quote of all M&As can be found in neglected human resource issues and activities, and the main reasons for such problems are, according to them, "culture clashes, gaps, or incompability and losses of key talent" (p. 241). Slowinski (2002) follows the same path when he argues that the announcement of mergers has the effect that employees fall to the bottom of their pyramid of needs, expressed in form of Maslow's (1971) self-esteem and self-actualization model, where basic needs (like, for example, air, water, and shelter) are situated at the lower end, because employees become worried about their paychecks and other social securities. Bower (2001) warns that if a strong culture is in place, you have to introduce new values with extreme care, and he uses the expression "use carrots, not sticks" since differing company values are harder to pin down than processes, as he says, but they are just as important. For Bower (2001, p.95) values include "shared assumptions

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[26] Hofstede, however, also gives another definition of culture, namely that culture is the collective programming of the mind which distinguishes one group of people from another in terms of norms and values, and that it is this part of our conditioning that we share with other members of our nation, region, or group (Hofstede, 1980, p.13; and 1983, p.76).

about what the company owes its employees and vice versa, which kind of behaviors are rewarded, and what the company stands for".

Buono and Bowditch (1989) reach the same conclusions when it comes to how people experience M&As. Hence, such combinations can result in uncertainty, ambiguity and anxiety, which then can cause "decreased organizational satisfaction and commitment, increased turnover and absenteeism, power struggles among those managers who stay, and poorer job related attitudes and performance for a significant proportion of the new firm's work force" (p.108). Hudson and Barnfield (2001) also attribute much of M&As' failure to shortcomings in dealing with the human resources, especially the fall-out of redundancies, which, according to them, can seriously weaken "operational capabilities and the morale of employees". They also state that the workforce that survives the restructuring will experience "reduced job security, increased workloads, anxiety and stress" (p.37). When it comes to cultural integration, Slowinski (2002) perceives as very important that senior management is committed, continual training is executed, and values and norms are communicated. But he also finds that organizational culture often is blamed for integration problems that in fact have nothing to do with culture.

These studies, summarized here, are only some of the probably hundreds of studies that cover the issue of human resources involved in M&As today. What one can notice is that the focus of these studies is quite different compared to what has been illustrated earlier. Here we are focusing on Shrivastava's (1986) third level, namely the managerial and sociocultural level, but now from a new perspective, namely a bottom-up perspective, compared with the managerial one that penetrates most research streams described earlier. Remembering Shrivastava's (1986) framework, coordination at the sociocultural level is attained by establishing integrator roles and the change of organizational structure. There, control is achieved by designing compensation and reward systems and allocating authority and responsibility. Conflicts are solved by stabilizing power sharing tools and other mechanisms. The human resource perspective, however, looks particularly at the second part of Birkinshaw et al.'s (2000) framework, namely the integration of the human factor, since, as they believe, the integration of tasks always requires the integration of human beings as well.

But this does not mean that one can forget about the variables and factors mentioned earlier since the HR literature on M&As also believes many of such 'task related' factors to be the causes of psychological and behavioral effects, which could be seen in Galpin and Herndon's (2000) framework. This includes the motive for the merger (e.g., growth versus survival), the type of merger (friendly or hostile), the relative organizational size, the relative organizational success, but also cultural compatibility (e.g., Buono and Bowditch, 1989; Datta, 1991; Cartwright and Cooper, 1996). Further factors also include various managerial practices that were employed during the M&A integration process and here 'communication' with employees was one of the often-mentioned issues. Galpin and Herndon (2000), for example, claim that open, timely, and accurate communication with employees improves M&A outcomes to a large extent. These factors will therefore be evaluated more closely later.

4.4.2 Organizational culture as a determining variable

The term 'organizational culture' is a misleading one. While national cultures differ in regard to values, organizational cultures within a country differ more with respect to shared perceptions of daily practices. This is what Hofstede (1991) found when comparing different

organizations within different countries. He concludes that 'cultural differences' are found mostly in practices at the organizational level, and less in values. Hence, 'organizational culture' within given national cultures differ very little with respect to values but distinguish themselves from one another more with respect to shared perceptions of daily practice. Many authors and practitioners recognize culture as a problem area (as shown in earlier parts of the thesis) but most of them simply look at it from a typical 'managerial' perspective. Slowinski (2002), for example, interviewed a large number of company leaders and found out that most of them considered the need to integrate cultures as central to a successful merger. However, when these managers were asked how to manage this challenge, none had a clear vision of how to actually accomplish it.

Cartwright and Cooper (1992) also point out that the correct management of the total integration process is important, and the authors suggest a simple culture typology containing four different culture types. These are power culture (distinct centralization of power, management makes decisions), role culture (bureaucracy with logic, rationality, efficiency, where function is more important than people, rules are many, formalized hierarchy), task culture (the actual task is the center of attention, often very flexible, autonomous and creative work groups), and person culture (egalitarian with minimal structures, individual in center). They investigated mostly horizontal M&As with a high demand for large-scale integration. The direction in which personal freedom is affected is the main question for Cartwright and Cooper (1992) and not the culture difference. This means that if the employees experience their freedom being increased, things will usually go well. On the contrary, a reduction in the individual's freedom creates problems. These two authors believe as well, that adjoining culture types are better to combine than other ones, as both companies normally want to retain their own culture.

Larsson (1989 and 1990) deals with the integration after M&As and this especially in combination with the question of how to achieve synergy effects. [27] In his conceptual framework, he presents four drivers that have an impact on the realization of synergy. The first one is the 'synergy potential' which is positively correlated with production similarity and market similarity, and this in turn is dependent on the initial business relationship but also on the initial cultural relationship. The 'firms interaction' is the second driver, which is dependent on, above all, the integration mechanisms used (how to structure the M&A deal when it comes to accumulating, stabilizing, combining, and timing). This is, however, also dependent on the earlier chosen combination mechanisms such as pre-planning, negotiating, and combination posture. The third driver is the 'coordinative efforts' taken, which includes the formal planning (inclusive standardization), management information systems, integrators and transition teams, and socialization (common orientation, training, joint activities).

The last driver is the reaction of employees, which Larsson summarizes in the term 'employee resistance'. Such resistance of course correlates negatively with the realization of synergy and it is the result of four main elements. First, the way in which the acculturation process is presented. The acculturation process depends on the socialization mechanisms chosen, which is a component of the coordinative efforts, and therefore also part of other integration mechanisms, such as formal planning (budgeting, product costing, etc.), management information systems, etc. Imposed control is the second element that Larsson considers to be the trigger for employee resistance and this is together with the third element, the attributed hostility, the result of the utilization of mutual considerations. Such considerations can be the

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[27] Larsson (1989 and 1990) used different methods such as case survey methodology (1989) but also in-depth case studies (1990) and this procedure to combine the interpretative and the system approaches.

communality of interests, equal influences, or maintaining others' integrity. Career implications are, according to Larsson, the fourth element that has an impact on how employees react and how great their resistance is after M&As and this has to do with the human resource systems in the two organizations. Relevant factors are here how jobs are designed, how reward systems work, how personnel policies are conducted, and how career planning is administered.

4.4.3 Leadership or management styles in general

The H&R stream of research mostly recognizes how human resources are treated during the integration stage. Leadership is therefore a well echoed issue that is part of a probably best called 'new-managerial' perspective, as modern versions of the 'managerial' perspective have accepted such a view more or less. Pablo and Sitkin (2004) and also Ashkenas and Francis (2000) argue that leadership is fundamental as an organizational mechanism for achieving efficiency and control as well as building commitment, understanding, and determination.[28] Whereas such leadership roles traditionally (as e.g., in Haspeslagh and Jemison, 1991) were some sort of institutional role responsible for communicating "vision and purpose", Pablo and Sitkin (2004) emphasize new dimensions to effective leadership. For them, real leaders understand at least six essential scopes of leadership. Personal leadership fosters loyalty; relational leadership engenders a sense of trust and justice; contextual leadership helps to build community; inspirational leadership encourages higher aspirations; supportive leadership forges an internalized sense of self-discipline; and stewardship raises an internalized sense of responsibility. Whereas personal, relational, and contextual leaderships are mostly relevant at the operational level, as in Anthony's (1965) planning and control system world, inspirational and supportive leadership are tactical, with stewardship on a strategic level. Ashkenas and Francis' (2000) leadership style, on the other hand, is still an old fashioned 'managerial' type since such leaders are described as 'integration managers' who should inject "speed, engineer success, create structures, and make social connections". This is a quite straight-forward approach and therefore not really identical with Pablo and Sitkin's (2004) leader types, in which there seems to exist an interaction of bottom up and top down processes.

4.4.4 'Narratives' and 'sense-making' of human actors as a variable

"Narratives" of human actors are by some authors pointed out to be central to an understanding of the social construction of organizational phenomenon (c.f. Czarniawska, 1995; Czarniawska & Joerges, 1998; Vaara, 1995, 1999, 2001, 2002). A study that concentrates on the discursive construction of such narratives when it comes to success and failure stories in M&As is Vaara's (2002) report that includes eight Finnish-Swedish mergers and acquisitions.[29] Vaara finds four distinctive discourse types that were used in these accounts. The first type is a 'rationalistic' one as this type uses a framework of rational decision makers leading a business enterprise. The characteristic objective is here "success from the perspective of management", where the principal subjects are managerial change agents. This discourse was the dominant

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[28] Both authors, Pablo and Sitkin, have contributed with material in earlier sections within other research streams and one can see that there is a tendency towards more 'soft' issues within M&A research when it comes to how to manage the deal.

[29] Vaara (2002) held semi-structured thematic interviews with 126 key actors at different levels in both parts of the merging companies during the time period between 1992 and 1997.

one in the interviews and the 'personnel' or the 'organization' was the principal adversary, often, however, only in an implicit way. The 'environment' was then the objectified adversary which is similar to what I have mentioned earlier in the managerial perspective. Vaara's second discourse type is the 'cultural' one which includes three different frameworks. The organizational identity of the previous separate organization is the first one, the national identity the second one, and the sub-cultural identity the third one. In this type, interviewees describe success from the perspective of a particular organizational side, nationality, or sub-culture or group. Actors within this group represented therefore previously separate organizations, different nationalities, sub-cultures or groups. Here the principal opponent was seen as 'the other side' (organization, nation, or sub-group).

Vaara's third discourse is 'role-bound' where the role identity within a corporation is the institutional framework, and the success is described from the perspective of a particular area of responsibility or position. Here, the principal rivals are actors in other roles or actors not behaving according to their role-identities. 'Role-bound' discourses focus more on the appropriateness of the actions taken than on their effectiveness, and this can best be seen when success stories are used to legitimize one's own actions, but also the other way around. Narratives of failure accounts were then used to "limit their own causal role or portray the actions taken as being legitimate and justifiable" (p.233). Vaara calls his last group of discourse 'individualistic' and includes here all individualistic identities in complex and fragmented institutional structures, where success arrives from the perspective of one's self. Personified actors are the principal subjects and specific persons the opponents. Hence, from the perspective of actors, M&As are experienced in different ways. While some actors are managers many are not.

In another paper, Vaara (2000) provides an analysis of the same eight Swedish-Finnish M&As but this time with respect to how much sense the deal made to top decision makers, and if there were different perspectives in such integration processes. Vaara highlights here that cultural conceptions not only are reflections of real cultural differences but also are products of complex cognitive, emotional and political processes. He finds three distinctive ways of cultural sense-making during the post-merger context in his eight mergers. The first is sense-making is necessary to be able to understand rationales, and this occurs often when integration projects are problematic. Due to this, one supposes that culture is the problem, whereas less problematic experiences are less clearly associated with cultural conceptions. The second way to make sense is emotionally. Negative emotions tend then to produce cultural alienation and conceptions of cultural differences, while positive emotions lead to cultural connection. The socio-political manipulation is Vaara's third cultural sense-making approach and this can be seen as change promotions often produce conceptions of cultural similarities and compatibility. Change resistance, on the other hand, leads to conceptions of cultural differences and incompatibility. From this, Vaara concludes that top decision makers have difficulties in being objective when it comes to cultural differences. Vaara's examined managers, for example, suffer from a historically "inferiority-superiority relation" problem as Swedes see themselves as "big brothers", while Finns on the other hand have a "little brother" complex.

4.4.5 The role of 'trust' and 'shared norms' in M&As

The preceding part was about actors and their experiences. Another variable that has to do with such actors is 'trust' and what this means to them. Bijlsma-Frankema (2001) argues in her study, which is based on empirical findings and on a literature study, that cultural integration is

promoted by mutual trust, which can be built by shared goals, by dialogue, by looking for shared norms and by monitoring and handling deviance. She cites Schein's (1989) three distinctive functions that culture has in organizations, namely 1) external adaptation, 2) internal integration, and 3) reduction of feelings of fear and uncertainty that organizational members can experience (p.195).[30] External adaptation can fail when there is no balance between the culture and the structure within organizations, whereas external forces 'falsify' the structure and the culture of the organization. Such distinctions can arise at different levels in the organization, at the individual level, at the group level, between different internal relations of groups and departments, and within organization and environment relations.

Mutual trust is the first essential element to integrate different cultures after M&As and such trust can be achieved by sharing and exchanging information and experience, and by co-operating, so that all get to know each other. Shared norms furthermore increase trust because "they diminish the chance of people misinterpreting mutual expectations" and they "bring about clear boundaries between intentions to do harm and intentions not to" (Bijlsma-Frankema, 2001, p. 200). She emphasizes that when sharing the same norms, everyone who harms another person in this 'norm system' does this on purpose and is therefore reasonably thought untrustworthy. Regular dialogue is the procedure to an increased sharing of norms which involves "the exchange of thinking and reasoning that have brought about conclusions people draw on each other's behavior". Learning about each others way of reasoning even adds to mutual trust and understanding and makes judgments possible in a positive way. Bijlsma-Frankema furthermore stresses the weight of shared goals to achieve trust as such shared goals only can be realized by co-operating. Hence, the two groups (acquirer and acquired) have to rely on each other and when damaging the other group, one automatically damages one's own interests as well. Necessary changes must, however, be made in a legitimate environment where the need to change must be emphasized and explained so that nothing is left to the imagination of organizational members.

4.4.6 National culture in cross-border M&A integration

Cross-border M&As, which are those undertaken between firms of different national origin or home countries, have during the last decade become very popular not only in research but also as a means to answer to the increasing market pressure and globalization (Hopkins, 1999). In fact, Hopkins (1999, p. 208) implies that "…cross-border mergers and acquisitions have become by far the single biggest means of integrating the world's economies". This judgment is based upon the fact that such transactions accounted for over 80% of all foreign direct investment (FDI) flows in 1999.[31]

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[30] For Schein (1989), cultural adaptations occur at a slower pace than structural ones.

[31] There are three factors that in particular have allowed cross-border M&As to grow rapidly during especially the last M&A wave. Firstly, 'economic factors' which played an important role when it comes to cross-border M&As accomplished by American or British companies. The reason for this is their strong currencies during the 1990s, which helped to pay for corporate equities. Secondly, 'technology factors' which arrived due to falling communication and transportation costs that have created possibilities and made cooperation easier and more practical, in short, the optimal firm size has become larger. Thirdly, 'government factors', which include the tendency of governments to liberate and deregulate markets, allow an easier movement of capital and foreign direct investments. (OECD, 2001, p. 39)

Despite all the advantages, culture clashes that can be observed when two or more organizations merge are likely to become even more obvious as M&A activities involve firms of different nations. Such evidence is given, for example, by Blasko et al. (2000) who studied the biggest business deal that has occurred in the automobile industry, the merger between the German car producer Daimler-Benz and the American car producer Chrysler in 1998. They came to the conclusion that one of the biggest challenges for the merged company was to align the different corporate cultures and they pose the question if a company really can be truly 'global' since their case company provided them with evidence for "major roadblocks" to such an objective. As we can see today, the Daimler-Chrysler post-merger period has been very difficult and many believe it is due to the two different company cultures, which includes ingredients of organizational and national difference. The question is, how two companies can become one when having two separate headquarters and more or less completely separate business operations, as was (and maybe still is) the case within Daimler and Chrysler.

Hopkins (1999) addresses cross-border M&A topics in particular, since the purpose of his study is to examine the important issues surrounding this area. For him, there exists, besides the usual motives, a specific one for cross-border deals, namely speed. M&As are even more important in an international setting as this way of growing is much faster than growing organically. Hopkins is one of the authors who highlights the positive sides of different national cultures when he, for example, points out that the advantages due to national differences in cross-border mergers probably would increase the greater the difference between the cultures in the two countries. This can be achieved when you learn from each other the best practices and implement each other's strengths. To underline this statement, he mentions the Ford -Volvo Car deal as such a positive learning example. For him, the very feminine culture of Swedish workers who are good at communicating and developing teamwork is a good complement to Ford's own culture. Hopkins does not, however, describe how such a positive integration looks like and how it can be achieved.

However, one researcher who has analyzed the differences in decision making when it comes to the R&D integration of the Swedish car producer Volvo Cars into Ford Motor Company is Lundbäck (2004). He finds that there is much dissimilarity. At Ford, for example, the collection and processing of information is done in a highly formal and professional way; at Volvo Cars, this is more flexible and informal. Whereas Ford engineers are not allowed to make decisions (managers are authorized to do so) Volvo engineers are empowered to do that. Such decisions are therefore purposeful and clear when they come from Ford, but often vague when they come from Volvo Cars. However, the decisions are made more quickly at Volvo Cars than at Ford as Ford's decision style is rather consultative, with managers making the decisions. Volvo Cars' decisions are then again group based, with the team making the decisions. What Lundbäck furthermore finds is that Ford has a better developed documentation culture than Volvo Cars. Apparently, Ford and Volvo Cars are able to manage such differences, which the thesis of Lundbäck shows, as most members involved were satisfied with how decisions were made.

National culture has also been the main topic of Calori et al. (1994) when they analyzed its influence on the integration mechanisms in 75 international acquisitions in Europe (France and the United Kingdom). They emphasize the importance of control mechanisms when it comes to the relationship between the buyer and the acquired firm, an importance, they argue, that is not mirrored in research as only a few studies have focused on this. The authors' aim is therefore to scrutinize 75 international acquisitions to find out what the integration mechanisms in international acquisitions are. The reason for comparing acquisitions made in France (US buyers versus British buyers) with acquisitions made in Britain (US buyers versus French

buyers) is, according to them, that there are major management differences between the three countries, and they therefore have built their hypotheses on them. As the dependent variables, Calori et al. choose 'attitudinal performance' and economic performance', and as the independent variables, twelve dimensions of formal and informal control.

Calori et al. find that the lower the prior performance of the acquired firm, the higher the improvements in attitudes. And these improvements are positively correlated with informal communication and cooperation (teamwork) and informal personal efforts from the managers of the buying firm, but not with formal ones. Only 30 percent of the economic performance variance could be explained by the control variables. The time passed since the acquisition was made and the level of shared resources and transfers were positively related with economic performance improvements. Hence, synergy effects improve only after certain time. They also find that the higher the informal personal efforts of the managers of the buying firm, the higher the economic performance of the acquired firm. However, the level of control of operations exercised by the buyer over the acquired firm is negatively correlated with economic performance. The authors therefore conclude that operational decisions should not be centralized in international acquisitions. Moreover, Calori et al. identify differences between the ways in which French and US firms deal with the level of operational control, the level of the informal communication that they develop in foreign acquisitions, and the level of personal involvement.

4.4.7 Summary

The HR and cultural research perspective particularly focuses on actors and actions and applies in the sense a bottom-up perspective compared to 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. From the above, one can conclude that it is difficult to draw borders between the different culture types but most agree that culture can be found in the different practices at the organizational level. Culture is by most researchers and practitioners recognized as a problem area when it comes to the integration after M&As but from the above discussion one can also draw the conclusion that culture is used as a 'punchbag' or 'alibi' when there are other problems involved.

Furthermore, culture is a relatively 'abstract' issue and in that sense it is not easy to use as a contingency variable when analysing M&A deals in a rational way. It is not possible from the M&A literature within this stream 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 the problems do increase when the cultural distance increases. 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. 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 'old fashioned' and 'modern' leadership styles.

Actors experience M&As most often as executed in a managerial way which is then about similar to what I have described in earlier sections (4.2 and 4.3) where rational leaders manage integration or its process. 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. 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. 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. Mutual 'trust' is another factor that is emphasised 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. 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 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.

4.5 An Acculturation Perspective on Mergers and Acquisitions

4.5.1 Acculturation as an explaining variable

In the second chapter, I presented a model (Figure 2) which shows the research area. One can see that it is about the potential integration of two accounting and control systems, and through that the probable change of accounting norms, practices and the use of accounting during the M&A integration process. I also mentioned that such an accounting change assumes organizational learning. A term that has been used to imply the "readaptive and reciprocal" organizational learning during M&As is *acculturation.* 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 mergers and acquisitions is "the outcome of a cooperative process whereby the beliefs, assumptions and values of two previously independent work forces form a jointly determined culture". Hence, acculturation is a term adapted from anthropology and, from this discussion, one can see it more or less as the process of change that takes place when two different cultures come into direct contact.[32]

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[32] McEntire and Bentley (1996) emphasize that a relatively unexpected and abrupt structural change can provoke sudden simultaneous changes in an organization, and that in turn can also create an environment of uncertainty. This, I believe, is the case after a merger since each pre-merger organization brings an established organizational culture to a merger transaction but from that moment on, these patterns can be disrupted by contact with the other pre-merger entity.

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). The focus of this thesis is on the accounting and control tasks human actors practice in their daily lives (practice) and how such tasks change or have to change due to M&As. This thesis is also about the more 'institutionalized' form of such practices, which in a way can be understood in the different systems (management accounting and management control systems) that create such practices (as illustrated in Figure 2). It is clear that such work practices can be the object for an acculturation process but it is less clear if entire systems can be interpreted as artifacts themselves, and if acculturation on a 'system basis' is possible.

4.5.2 Integration is solely one part of acculturation

Integration after M&As is the heart of this study, but integration is, according to Berry (1983 and 1984, in Nahavandi & Malekzadeh, 1988) only one of four potential acculturation modes possible after such deals. The characteristics of the acquired and the acquiring companies determine, according to Berry, which mode of acculturation will be triggered. The four modes are "integration, assimilation, separation, and deculturation" and can be seen in Figure 6 below (Nahavandi & Malekzadeh, 1988, p.82). *'Integration'* is, according to Berry, activated when members of the acquired firm wish to preserve their own culture and identity and want to remain autonomous and independent. They therefore try to maintain many of the basic assumptions, beliefs, cultural elements, and organizational practices and systems that make them unique. At the same time, they are willing to be integrated into the acquirer's structure. However, integration can take place only if the acquirer is willing to allow such independence. *'Assimilation'* on the other hand is described by Berry as a unilateral process in which one group gladly adopts the identity and culture of the other, and this may occur when an acquired firm that has been unsuccessful and where employees and managers perceive that their culture and practices are dysfunctional and hinder organizational performance. The acquired firm will be absorbed into the acquirer, and it will cease to exist as a cultural entity.

When *'separating'* is used as a mode of acculturation, the acquired company attempts to preserve its culture and practices by remaining separate and independent from the dominant group. If they are allowed to do so, they will function as a separate unit under the umbrella of the parent company. Berry's fourth mode of acculturation is in fact its opposite, namely *'deculturation'* and this means that the acquired company loses cultural and psychological contact with themselves and with the acquiring group. Here, the acquired company does not value their own culture and organizational practices and systems, and they do not want to be assimilated into the acquiring firm. This shows that, even though most researchers and probably also most practitioners talk about integration after M&As, it is not at all obvious that this is the way to proceed.

Nahavandi and Malekzadeh (1988) applied Berry's framework to find out which factors in particular determine the course of acculturation. They investigated related and unrelated acquisitions and how they were described in other authors' literature. Moreover, they included the degree of multiculturalism in their own framework, whereas the term multicultural refers to the degree to which an organization values cultural diversity and is willing to tolerate and encourage it. If an organization simply contains many different cultural groups, it is considered to be a plural organization; if in addition, the organization values this diversity, it is considered to be multicultural.

	Very attractive	Integration	Assimilation
Perception of attractiveness of the acquirer.			
	Not at all attractive	Separation	Deculturation
		Very much	*Not at all*

How much do members of the acquired firm value preservation of their own values.

Figure 6: The acquired firm's modes of acculturation

Source: Berry, 1983 (in Nahavandi & Malekzadeh, 1988, p.82)

A multicultural acquirer is more likely to consider diversity as an asset and will therefore allow the acquired firm to retain its own culture and practices. The second variable that verifies the course of acculturation for the acquirer is, according to the authors, the "diversification strategy regarding the type of merger-the degree of relatedness between the acquirer and the acquired firms" (p.84). Nahavandi and Malekzadeh believe that the more related the firms are, the more likely it is that the acquirer will impose some of its culture and practices in an attempt to achieve operating synergies, which can be seen in Figure 7 below.

	Related	Integration	Assimilation
Diversification Strategy-Degree of relatedness of firms.			
	Unrelated	Separation	Deculturation
		Multicultural	*Unicultural*

Culture: Degree of multiculturalism.

Figure 7: An acquirer's modes of acculturation

Source: Nahavandi and Malekzadeh (1988, p. 84)

They furthermore state that when two organizations do not have the same preferences regarding a mode of acculturation many problems associated with post-merger integration of the two firms can arrive. The authors call this "acculturative stress", and this stress can be avoided or managed better if the companies involved agree on such an acculturation mode. They further emphasize that acculturation over time changes its modes and therefore the degree of similarity between each one's preferences may change over time as well. However, the

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authors do not illustrate how such an agreement appears and how acquiring and acquired organizations have to deal with, for example, the communication of acculturation modes.[33]

4.5.3 Haspeslagh and Jemison's framework, applied in the automobile industry

Haspeslagh and Jemison (1991), in accordance with Nahavandi and Malekzadeh (1988), also state that the nature of interdependence between two firms is one of the key integration determinants. This is because it determines if a successful integration facilitates value creating possibilities by, for example, enabling resource sharing, the transfer of functional skills, a transfer of general management capabilities, or any combination of these. However, in the light of a strategic approach, Haspeslagh and Jemison explain the needs for strategic interdependence and organizational autonomy in distinguishing between four different integration approaches instead of the acculturation approach of Nahavandi and Malekzadeh. If the need for organizational autonomy is low, '*absorption*' is the way to choose when the need for strategic interdependence is high, which means to fully consolidate the organizations' operations, structures, and cultures over time. When Volkswagen, for example, acquired the Czech car producer Skoda, such a dismantling of boundaries was chosen, as Volkswagen implemented both its organizational structures and strategic intentions into the acquired firm (Lundbäck, 2004). '*Holding*', however, is recommended by Haspeslagh and Jemison when a process of capacity transfer is not expected to generate any further value. Hence, eliminating any boundaries or having interdependence between the firms will be pointless. What seems possible here is value creation by financial transfers, by risk sharing, or by sharing common management capabilities.

The '*preservation*' approach on the other hand combines a low need for strategic interdependence with a high need for autonomy, and Haspeslagh and Jemison emphasize that maintaining the boundaries between both firms is then of main interest to the acquiring firm. Such an approach has, for example, been chosen by the American car producer GM when integrating SAAB but also other brands like Opel, Subaru, and Cadillac (Lundbäck, 2004). Here value creation was simply meant to occur due to positive changes in the goals, by shared risk taking, and by more professionalism. However, what can be seen is that GM is moving closer towards Haspeslagh and Jemison's last approach, namely the '*symbiosis*'. This is because the value created with help of synergy effects seem almost to be smaller than the expenses that are required to maintain the cooperation (Lövgren, 2004). 'Symbiosis' is, according to Haspeslagh and Jemison, the most complex integration approach since one has to combine the high need for interdependency with the high need for organizational autonomy.

In a "symbiosis" relationship, organizational autonomy is needed to preserve the acquired firm's value creating potential at the same time as large parts of, for example, the organizational structure or other interdependence mechanisms are combined, which often means that the acquired company's structure is changed towards the acquiring company's structure. This form of integration was chosen by Ford when they acquired Jaguar in the mid-1980s and the same is true for the acquisition made by Ford in 1999, namely when they acquired Volvo Cars. Lundbäck (2004) emphasizes this when he says that, for example, all the joint development projects demand interdependence, but at the same time, the Ford managers

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[33] I believe this is not possible either as it seems to be a quite sophisticated model in theory but not something that can be easily communicated in practice. A further limitation of the study seems to be the fact that the authors do not explain the content of their term 'culture', and it is therefore not clear what dimension of culture (national, organizational, or other sub-groups) they have in mind.

are aware that Volvo Cars' brand identity is at risk when autonomy is denied. Therefore, some functions within Volvo Cars have to be synchronized and integrated, others, however, such as R&D which is the area Lundbäck was investigating, have their own particular goals and interests.

From this it follows that Haspeslagh and Jemison's four perspectives can be separated smoothly at the macro level. We can, for example, say that in total Volvo Cars is following a symbiosis integration strategy. But when looking at different functions, such as R&D, marketing and sales, etc., one will probably get a different picture since each function has certain roles that are important in relation to the organization as a whole (such as R&D in the case of Volvo Cars, namely the brand name). This is in accordance with what Nahavandi and Malekzadeh (1988) state about acculturation, since they mean that the acquirer has to address and manage each subgroup in an organization separately, and to find out what kind of acculturation mode that is most appropriate.

4.5.4 Further Swedish evidence on acculturation and integration

Larsson and Lubatkin (2001) are in addition to Lundbäck (2004) two other Swedish researchers who provide Swedish evidence on acculturation. They investigated 50 M&As (23 US domestic, 15 Swedish domestic and 12 Swedish cross-border) and find that acculturation is best achieved when the buying firms rely on social controls. By social control they mean participating in activities such as introduction programs, training, cross-visits, retreats, celebrations and similar socialization rituals. They underline that employees by themselves want to create a joint organizational culture and this is true in spite of expectations of synergies, the relative organizational size, and differences in nationalities and culture. This, on the other hand, is only possible as long as the acquirer allows the acquirered autonomy because when autonomy is restricted, additional social control mechanisms are required. This would then, according to Larsson and Lubatkin (2001, p.1594), include more informal coordination efforts such as "transition teams, senior management involvement and temporary personnel exchange/rotation". Moreover, the two authors find that Swedish acquirers seem to use more social controls than US acquirers which, according to the authors, probably has its roots in the different cultural backgrounds of managers.[34]

A last important statement of Larsson and Lubatkin (2001) is that the removal of autonomy cannot always be seen as a barrier to achieving acculturation. They propose that such a removal can contribute to the formation of a jointly determined culture, but only as long as it is attached to a high level of informal control.[35]

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[34] There is also much evidence that certain managerial cultures fit together better than others. Grotenhuis (2001), for example, has studied the impact of cultural differences on corporate marriages and in one study he examined Japanese and American joint ventures in Indonesia and discovered that Japanese managers seemed to fit better in an Indonesian context than American managers did. In another study he looked at Japanese-Dutch and American-Dutch mergers and investigated the acculturation process of the merging entities. He concluded that Japanese-Dutch companies are more difficult to combine than American-Dutch companies, but he also pointed out that culture clashes occur in American-Dutch combinations as well. What he observed was that, especially at the beginning of their marriage, cultural differences caused a "cultural shock". Therefore, many respondents felt that "integrating the cultural differences" would have to be the prime importance.

[35] Ivarsson and Vahlne (2002) are two authors who support, to some extent at least, Larsson and Lubatkin's (2001) statements as they provide evidence that not all social and informal control mechanisms are used by foreign owners of Swedish affiliates to accomplish integration. Their study had another focus as they statistically

Larsson has together with Risberg (Larsson and Risberg, 1997) also examined the cultural awareness and national versus corporate barriers to acculturation by looking at 45 domestic M&As (24 were between US firms, 17 between Swedish firms, two between British firms, and one between Finnish firms) and 17 cross-border M&As (where corporations from Sweden, Canada, Germany, the U.K., Netherlands, and Italy were part of the study). They find, contrary to expectations, that the majority of organizations with both, national and organizational culture differences have a higher degree of acculturation, lower employee resistance, and therefore also a higher degree of synergy potential. The authors' explanation for these findings is that the presence of both national cultural and organizational cultural differences has increased the awareness of the significance of cultural factors in the integration process. Hence, one is able to take care of such issues in a better way.

4.5.5 Summary

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 very close to the one describing the integration process in general (parts of section 4.3) but with the difference that cultural issues are highlighted, and furthermore, 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) or the other way around, namely that integration is a type of acculturation. Which way to look at this is not absolutely clear from the content of the articles provided above, as dissimilar frameworks exist. However, 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. 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. Furthermore, certain acculturation types seem to fit better with certain types of relatedness and certain diversification strategies and the same is true for the degree of multiculturalism.

'Interdependence' is a key variable within integration frameworks that summarizes the post-M&A processes in a similar matter as acculturation frameworks do, however, by using another terminology and by looking from a more micro-perspective. 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 this one can almost conclude that

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examined 296 majority-owned affiliates (MOFAs) in manufacturing located in Sweden to find out how these transnationals appear to be involved in the coordination and integration of their acquired affiliate. What is interesting in the light of this thesis is that the 'finance function', seen as part of the value chain, was the one that 69 % of the 253 acquired MoFAs (the rest were Greenfield investments) used to coordinate their activities. This was even more than the R&D function that was the focus of Ivarsson and Vahlne's study, which was used by 58 % of the organizations for such matters. The 'administration function' got an answer rate of 30 %, which was at the same level as the 'material purchasing function'. The focus of Ivarsson and Vahlne's study was on R&D and details about what 'the finance function' and the 'administrative function' includes; how such integration and coordination is done was therefore not part of their study. One can also speculate on to what extent social and informal control mechanisms were involved, as it is not possible to get a picture about such issues in this article. One understands, however, that management accounting and control matters must be part of such 'finance' and 'administrative' functions and therefore main ingredients to control coordination and integration.

such changes are towards less autonomy the more time that passes after the M&A deal is accomplished formally. Furthermore, such integration tasks can be chosen differently by different levels and functions of the organization. This is then probably the biggest difference compared with the acculturation model, as such rational flexibility does not seem to be possible when talking about cultural values.

Research examining Swedish M&As also finds that social control instruments that are based on a more voluntary basis are best to achieve acculturation when there is autonomy. 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 other countries seem to be using more formal control mechanisms, such as, for example, the US. This perspective reveals that the 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.

However, from the above, one also understands that other factors such as the motive for the merger or the type of the merger, cannot be neglected since such issues still will have an impact on how members will adapt to the new organization and how well an acculturation is possible. The acculturation perspective gives as such the impression of being a relatively new perspective within the field of M&A research but one that has found more and more acceptance. And this is not strange because acculturation gives a more complete picture of the organization as it can contain people and culture, beliefs and assumptions. Integration, on the other hand, is probably better used to describe harder facts and issues.

5. MANAGEMENT ACCOUNTING AND CONTROL RESEARCH

The review that follows in this chapter is concerned with management accounting and control and what role and function it has when organizations merge. This is the same as was the case in the chapter before; however, this time the perspective is of typical accounting related research, and in this chapter as well, the few studies that explicitly focus on both management accounting and control and M&As are reviewed. Here it is important to recognize the existence of accounting studies describing M&A issues and closely related tasks, although doing this only in an implicit way. The next section introduces this chapter with a typical 'textbook view' where the authors describe how accountants and managers have to deal with M&As. This is integration at the micro-level and as the thesis proceeds, broader images will be presented.

5.1 A 'Close up' of the combined Research Area

5.1.1 Four typical 'textbook' typologies for accountants and managers

The earlier chapters made clear that this thesis above all is about the integration stage after M&As and only deals with other stages implicitly. But this thesis is also about management accounting and control and M&As in general, and to answer my research questions I want to know what textbook writers recommend to accountants and managers concerning the total merger and acquisition process. I call this a 'textbook view' on M&As with an accounting touch as these four works are written mostly by accountants, controllers and other finance people within the field. 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 design as what has been presented in the chapter before, and hence, does not provide a new perspective, namely one for accounting professionals. These four works are the two editions from Morris (1995 and 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.[36] Table 6 below contains the four frameworks and one can see that their arrangement is very similar. In fact, both of Morris' editions are, when it comes to the acquisition steps, identical, despite the publication time difference, (or in Table 3) at least.

We can also see that a large majority of the steps, namely ten of eleven in the Morris' two editions and eight of ten in the books of both Willson et al. (1999) and DePamphilis (2003) are

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[36] Both editions of Morris (1995 and 2000) have the title 'Mergers and Acquisitions - Business strategies for accountants'. In his second edition, Morris (2000) includes, this time together with several new co-authors, the thoughts and experiences of about five more years. The 'handbook' of Willson et al. (1999) is the sixth edition of *Controllership*, which is a 1300 page publication that also includes a chapter describing the role of controllers and the tasks necessary when doing financial planning and analysis for mergers and acquisitions. DePamphilis' (2003) second edition of 'Mergers, acquisitions, and other restructuring activities' is an integrated approach including processes, tools, cases, and solutions. This author applies a rather holistic view with a financial touch of M&As. The four sources give a quite good picture of how the role of accountants and controllers is brought together in M&A literature, seen from the core of professionals as a majority of the authors mentioned here have their educational background in accounting or finance.

about the pre-acquisition activities. Merely the eleventh and last step of Morris and the ninth and second to last step of Willson et al. (1999) and DePamphilis (2003) are about the integration process after M&As, whereas the two last named authors also include the evaluation of the M&A as a tenth step. To separate the acquisition process into about ten or eleven steps seems to be very common within a 'finance and accounting' perspective. This implies, at first sight, that the task of accountants and controllers is, above all, to manage and support the pre-M&A steps. And this assumption seems to have even more relevance when looking at the space provided for the integration step.[37] The chapter distribution in the books more or less follows the points as they are provided in Table 6 below, which also underlines the 'importance' argument.

Morris (1995)	Morris (2000)	Willson et al. (1999)	DePamphilis (2003)
1. Acquisition team	1. Acquisition team	1. Strategically Planning	1. Business Plan
2. Acquisition strategy	2. Acquisition strategy	2. Establish criteria	2. Acquisition Plan
3. Identify candidate	3. Identify candidate	3. Search candidates	3. Search
4. Evaluate candidate	4. Evaluate candidate	4. Screen	4. Screen
5. Structure acquisition	5. Structure acquisition	5. First analysis	5. First Contact
6. Establish price	6. Establish price	6. In-depth analysis of most suitable candidates	6. Negotiation (refine value, structure deal, perform due diligence, financing plan, decision)
7. Finance acquisition	7. Finance acquisition	7. Negotiate (terms and conditions)	7. Integration Plan
8. Tax issues	8. Tax issues	8. Acquire	8. Closing
9. Formalize deal and due diligence	9. Formalize deal and due diligence	**9. Integration**	**9. Integration**
10. Consummate acquisition	10. Consummate acquisition	10. Evaluation	10. Evaluation
11. Post acquisition matters	**11. Post acquisition matters**		

Table 6: The acquisition process from the perspective of the authors of four accounting books

5.1.2 The pre-Merger and Acquisition steps in short

Here I will now, before going on to the integration part, very briefly present the main pre-M&A steps and important variables and factors mentioned by accountants, controllers and other finance people. A first important variable brought up in all four books noted above, in Morris two editions even as a separate step and chapter, is that an acquisition team must be in place throughout the whole acquisition process. Accounting people then (CPAs and other specialists) have to be part of this team from the absolute beginning, which is when early plans are made. This essentially to have accounting experts present when it comes to fundamental decisions such as whether to make an acquisition or not, who to acquire, and how much to pay for the deal. To draw overall acquisition strategies and criteria (Morris, 1995 and 2000), to plan strategically (Willson et al., 1999) or to make business and acquisition plans (DePamphilis, 2003) is the next major activity. Typical acquisition criteria are mentioned, here ranging from valuing concrete assets and liabilities in the balance sheet to 'more insecure' values such as intangibles in the form of people, competence, market shares, and other abilities. Thus, it is here the expert's duty to know what they are going to buy as they later on have to deal with the

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[37] Hence, Morris does show real attention to the integration part with about 50 % space provided, Willson et al. and DePamphilis, however, are devoting about 2 respectively 6 % for such matters, and I believe that this gives some kind of lead at least.

issues. For these 'textbook' authors, this means then the relatively straight-forward valuation of the potential candidate.

What follows then is to search, identify and evaluate the 'right' candidates. This sounds quite rational as well but it is exactly how this is expressed in at least two of the four books. Hence, from a management accounting and control perspective, only Willson et al. (1999, p.1116) mention that the valuation among many others (e.g., financial statements, description of securities, etc., list of bank accounts, credit reports, insurance policies, and so on) also should include "chart of accounts and/or description of accounting practices relative to inventories, fixed assets, and the like". DePamphilis (2003) on the other hand seems to trust brokers and finders; he would let them do the major search job. "Screening" includes in DePamphilis' framework solely looking at the market segment, the product line, the profitability, the degree of leverage, and the market share. Morris (2000, p. 80), however, provides a more useful approach. He states in his second edition (not in the first one) that "differences between US GAAP and international GAAP are one of the potentionally critical issues that should be identified in the screening process". He, however, omits information about why this should be done. What he provides is a part where he underlines the importance of evaluating internal control systems due to the fact that the companies at the stock exchange have to report within a certain time period. About internal control, Morris (2000, p.84) writes:

> *"The accountant must attempt to understand the target's internal control structure and the candidate's attitude toward controls. Basic elements of control that should exist include adequate segregation of duties and responsibilities, clearly defined authority and responsibility of each function and person, an accounting system that provides control over all assets and transactions, and documented statements of policies and procedures. Internal controls and financial reporting procedures are especially important to the acquirer's ability to rely on financial statements and financial data provided by the potential acquisition candidate and to the acquirer's operation of the acquired company after the acquisition."*

Furthermore, Morris (2000, pp.123 - 125) provides (in an Appendix) 16 questions that have to do with the financial management area. These questions have their source in a checklist developed by Coopers and Lybrand, a predecessor firm to PricewaterhouseCoopers.[38] The content of this checklist, which in a summarized form is shown in Table 7 below, demonstrates that management accounting and control tasks have to be evaluated before an M&A deal is closed. Points 5 and 6, and points 8 – 16 (bold) have a strong correlation with what management accounting and control is about according to my definition in earlier chapters. The other points are, however, much more finance related. They also have a typical 'I do not trust you' appearance. Furthermore, these points show above all that management accounting and control issues are relevant.

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[38] Coopers and Lybrand's area 'financial management' is the one that includes most management accounting and control issues. There are, however, many other relevant areas included in e.g., 'general background analysis, product, market, industry analysis, operations analysis, HR analysis, other financial analysis, IT analysis, management styles and practices, R&D and engineering analysis, and legal matters'. Especially four sub-areas are relevant when it comes to this thesis. These are 'inventories and costing', 'human resources', 'financial considerations in general', and 'management styles and practices', which I will evaluate later. However, one has to remember that these checkpoints simply are there to be used during the evaluation before the M&A is done. Hence, they do not show what MACS' problems really are. (Morris, 2000, pp. 97 – 135)

1.	Have you formed an opinion about the overall credibility and reliability of the accounting and reporting of the company?
2.	Do you know to what extent the company's earnings have been 'managed''?
3.	Is the company audited by an independent accounting firm?
4.	Have the accountants for the buyer reviewed the working papers of the company's auditors to note the adequacy work, the adjustments proposed by the auditors, problem areas, and any differences of opinion between the company and its auditors?
5.	**Have you reviewed the adequacy and sophistication of the internal auditing department?**
6.	**Have you assessed the adequacy of internal accounting controls and the company's attitude toward strong controls?**
7.	Are you alert to any practices adopted to make the company appear more attractive?
8.	**Have you assessed the strength of the financial management and controllership function?**
9.	**Have you assessed: How often internal reports are issued (monthly, quarterly, or not at all)?** **How soon after the end of the period the reports are available and if they are used?** **Whether the internal reporting timetable and content are consistent with your monthly closing requirements?** **What changes may be needed and what their cost and training implications are?**
10.	**Have you reviewed how centralized the accounting function is, and whether subsidiaries have autonomous accounting departments or not?**
11.	**Do you know how accurate interim reports are?**
12.	**Have you investigated: If interim reports are prepared on a consolidated basis or only by autonomous entities?** **How foreign subsidiaries or branches report?**
13.	**Do you know how management information reporting is integrated with financial accounting?**
14.	**Are controllable and uncontrollable costs separated in departmental reporting?**
15	**Does management reporting provide the right information, the right amount, and a sufficient base to take corrective action as needed?**
16.	**Have you considered how exception reporting is used?**

Table 7: A review checklist used by accountants during the evaluation stage in M&A

Source: Morris (2000, pp. 123-125)

The next steps in the four typologies (Table 6), after the identification and screening of the candidates, are very similar as well. Now, acquisition structures are set up, further analysis performed, negotiations held, integration plans made, a price must be agreed on and finance matters discussed, tax issues have to be solved, and other conditions must be unraveled (about step five to step seven respectively step nine in the different typologies). These are steps that, as my investigation has shown, are not of much relevance for this thesis since they are mostly about the legal and financial aspects of M&A deals but not about management accounting and control. These steps, however, lead towards the real deal, the moment when the agreement is made (step eight, respectively, step nine). From an accounting point of view this step is quite essential, because to decide what kind of liaison that is preferred has a rather big impact on how the relationship later on can be managed. Different possibilities exist since one can either purchase assets, which then is normally accompanied by an assumption of liabilities, or by the purchase of shares. A third alternative, however, is to merge and since there are advantages and disadvantages with each of these three structuring approaches, all four authors give advice, which will be looked at later.

5.1.3 The integration step

The ten, respectively eight, pre-M&A steps mentioned above are important as predominantly can be seen in Morris' (2000) description, from the view of accountants and without doubt of other experts in their respective fields. Hence, in Morris' two volumes, about half of both books is devoted to these issues, and in the chapter of Willson et al. all but one page of nearly 60 pages describes these areas. Also in DePamphilis holistic approach 650 of 700 pages are about these pre-M&A steps (or other information). However, the focus of this thesis is on the integration stage and therefore the main concern of the next part. It is again Morris who in both editions states that the most important part of an acquisition occurs after it is concluded. This is because, as he expresses, the essential question still remains: does it work for both sides?

The second edition of Morris is different when it comes to this eleventh area, the post-acquisition transition and integration. Here, a separate chapter opens with the key dynamics that are set in motion by the merger and especially the emotional impact such deals have on people. The relatively systematic implementation view that can be seen in the 1995 version has been replaced by some more considered elements. Here, Morris (2000) is now talking about the fact that work climates are going to be changed, and that as this change is a given, everyone who will be affected by the merger or acquisition will, in some way, have to deal with this change. Personnel matters have already found their way on approximately one page (pp. 125 – 126) of Morris' first edition, where he is talking about "great concerns to employees about job security" and that "morale and productivity may decline". The second edition, however, pays more attention to such issues in a whole chapter (20 pages). The very managerial view which assumes that everything can be planned in detail, even when it comes to people, from the first edition has turned into a real interest for the problems involved with the work force. By doing so Morris (2000) seems to be one of the few among the 'textbook' writers for accountants and managers who mentions problems with employees in a relatively extensive way which appears to be quite revolutionary especially when compared with Willson et al.'s (1999, p. 1159) half page long discussion where they simply mention that the "successful integration of two cultures involves a mutual educational process".

Willson et al. do not share the same explicit opinion about the importance of the integration either, which becomes quite apparent when looking at the very limited space (about one page) dedicated in their book for this 'delicate' accounting and controller task. Hence, their presentation does not provide real answers to how management accounting and control systems have to be dealt with during the integration after M&As, even though there are some more general insights that seem to be useful. Willson et al. (1999, p. 1159), for example, write:

> *"The policies and procedures of each company, acquiring and acquired, ought to be examined to see if changes should be made in either segment to benefit the new operations. It well may be that many of the acquirer's practices should be continued and not changed to that of the acquirer."*

And they continue (p.1159):

> *"The organizational structure, reporting relationships, and authority and responsibility of each manager should be examined for any desired changes. Each manager should know his status or position in the new scheme of things. He should be made to feel 'comfortable' and a part of the organization."*

DePamphilis on the other hand presents about everything that can be presented about the integration process, ranging from the time factor to employee turnover, from careful planning to a focus on the highest leverage issues, and all this at a very micro level. The main points given from Morris to these areas are exactly the same in both editions. Table 8 is a 'summarized' presentation of Morris' (1995, pp. 123–134 and in 2000, pp. 185–199) points regarding the part of accounting work that has to be done during the transition. These points are:

1. A transition team develops a priority list of the most critical areas that should immediately be under control.
2. Systems should be in place (or brought into place) to handle processing of transactions with minimum of slowing down or loss of control over the ongoing flow of business.
3. Procedures for e.g., regular monthly closings and operational and financial reporting are established by the acquired company.
4. Formats for providing the different financial reports (balance sheets, income statement, etc.) for consolidation must be developed.
5. Set up procedures for periodic written reports analyzing and commenting on operational results by management of the acquiring company.
6. Management of the acquirer should prepare a list of information they would like to be provided with to monitor the performance of the acquired company.
7. Accounting personnel should be assigned responsibility for handling task like accounting for the acquisition, reviewing internal control, reviewing accounting policies and procedures of the acquired company for compatibility with those of the acquirer and to ensure that any required reclassifications or adjustments are properly made in consolidations.
8. To handle personnel aspects, the transfer of supervisory or management individuals from the acquirer to the acquired company should be considered. As an alternative, assigning someone from the acquirer organization as 'liaison' to the newly acquired company is recommended.

Table 8: A review checklist for accountants and controllers during the integration stage in M&A

Source: Morris (1995, pp. 123-134 and 2000, pp. 185-199)

Table 8 demonstrates quite comprehensively that much of the work is about establishing control, particularly points 1, 2, 6 and 7. To formalize processes and procedures (points 3, 4, and 5) are other main tasks mentioned by Morris (1995 and 2000). Regarding point 8, Morris (1995, p.125 and in 2000 version on p.186) concludes:

> *"This provides the acquired company ready access to someone familiar with the acquirer's systems, procedures, and accepted ways of operating. It also gives the acquirer comfort to know that one of its own management personnel is 'minding the store' at its newly acquired operation."*

Morris (1995 and 2000) emphasizes further that some employees of an acquired company will leave due to changes they cannot accept. But he points towards the positive side of such behavior, namely that "the remaining employees may see more potential for security and career opportunities" (p.187).[39] DePamphilis (2003, p.278) on the other hand refers to a study with a similar 'managerial view', which is the Watson Wyatt Worldwide from 1999. This is a study which we already know parts of from earlier chapters, and it seems like it is a quite popular one in the US at least. In that study, about 75 % of 190 chief executive officers and chief financial

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[39] This is to me a very unclear equation!

officers involved in M&As mentioned that the retention of 'key talent and managers' is critical to the eventual success of an M&A. Furthermore, Morris (2000) underlines the importance of immediately understanding the professional expertise (level of competence, skills, and resources) within the accounting and systems department of an acquired company since, as he emphasizes, the perfect operation and control of this department is essential to integrate the company.

Morris (2000) is the only one of the chosen authors who also provides an integration framework that in a relatively detailed way portrays how accounting and reporting has to be transitioned. This is, however, at the very micro level of the organization and therefore is also at the minimal level of this thesis, since a more holistic approach is at the center stage of this thesis. The content of Morris 'micro' framework builds on the points mentioned in Table 8 and they emphasize, in short, that applying the technical accounting principles and procedures is an easy task compared to locating, assembling, and evaluating the facts and circumstances that are related to an acquisition itself. Hence, a qualified acquisition accountant with much experience has to be appointed to take care of the recording of the post acquisition balance sheets and profit and loss statements. Detailed descriptions of how such technicalities have to be executed follow in both of Morris editions and they absorb about 70 pages.[40] Some notes are also available when it comes to the transition of specific systems (payroll, purchasing and disbursement, billing and accounts receivable, fixed assets, and personnel information). Morris' (2000) essence here is to ensure that ongoing transactions are processed, that adequate control is in place, that data will be properly summarized, that the right closing of operational reporting is enabled, that temporary procedures are established for certain insecure transactions, and that plans are developed to transition the systems and procedures over a longer time period. All in all it is a quite straight-forward approach since almost nothing in the text suggests this work is a problem.

5.1.4 Summary

The view of most 'textbook' writers for accountants and managers on the M&A process is important since this thesis is about exactly that issue. The four books mentioned above provide such a view and there are some conclusions to draw from them, even though there is a small chance that other textbooks may be different (but first one has to find them). I believe that the most noteworthy thing is that integration is carefully described only by one author. The other three books focus to a very large extent on the pre-M&A steps and 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 they 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 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,

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[40] Here, Morris (2000) shows the technical adjustments that have to be made especially after the 'purchase-method' of acquisitions, which is the one most enterprises use since it is difficult to meet the conditions that are required by, for example, the Accounting Principles Board's Opinion 16 (in US). This because when the 'pooling-method' is used historical amounts are put forward, and this in turn makes the accounting and financial reporting processes much simpler.

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.

The integration process is then the part where large differences exist among the different authors. What is most notable is that the mechanical and rational extension of the acquirer's control system is what concerns most of the authors, even though some mention that this is not automatically the best way. I believe 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 most 'textbook' writers 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 most 'textbook' views, these are relatively simple tasks.

5.2 Organizations' Behavior from a more expanded View

5.2.1 Organizations are not as rational as described in most textbooks

From the above description, we can see that systems have to be changed, practices must be adapted, routines altered and other tasks completed in order to adjust one company to another. It seems to be a 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. Such solutions, however, are only possible when one regards the organizations as more or less independent from their environment, when they behave rationally, and when their important actors are focused completely on identical goals. But it is generally accepted that organizations have to adapt to their environment to be able to survive, or even more, to thrive, in a world where changes are normal. It is also generally assumed that only those firms will survive that match their capabilities to the changing needs of the marketplace and other stakeholders (Otley, 1994). When looking at merging organizations, one is then involuntarily looking at several environments, as each company operates in its own surroundings and has its own nexus of contracts (Jensen and Meckling, 1976).

The solution for many is that the management accounting and control systems of an enterprise must reflect the different situations where they operate. This can then be in different countries, which normally is described in literature dealing with multinationals (e.g., 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). Thus, the system must be appropriate for the needs and sophistication of the individual countries or environments and, in addition to this, it must also satisfy the needs of the corporation as a whole. From such studies, it is also reasonably clear that management

accounting and control systems need to be tied closely to the strategy of the firm, since the focus of the planning process is to give strategic direction to the firm and then an operational plan to get the firm to the end result of the strategic direction. And strategies are today different from firm to firm, probably more than ever before. This is what most previous empirical research which examines the connection between management control systems and new strategies advocates (c.f. the collection of articles in Emmanuel, 1992; Ghoshal and Westney, 1993). The role of the management accountant in this planning process is to work with top management to identify the criteria of performance and then to monitor achievements against these criteria.[41]

I have earlier mentioned that economies of scope and scale often are the main reasons for mergers and acquisitions, 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 management accounting and control processes and practices in the acquired company. The next section will therefore deal with these complex issues, but before that, a short introduction is given to contingency theory and what this means within the area of management accounting and control since the evidence given afterwards mostly relates to assumptions made within this stream of thoughts.

5.2.2 The contingency theory's main contribution and M&As in general

The ideas and views described above are probably most extensive within contingency-based studies that have focused on wide characteristics of organizational structure and control, such as, for example, the degree of centralization, formalization, specialization, but also on the relationship between these features and other related elements (Bhimani, 1999). Earlier sections have shown that it is above all the demand for organizational fit and environmental fit simultaneously that often is part of the problem. It therefore seems to be important to take a closer look at contingency theory. This is particularly important because this theory has had a very important role during about the last three decades in explaining how organizations adapt to their environment (Scott, 1998) but also in explaining how managers use their accounting and control systems to align their organizations with the new contingent variables. Within management accounting and control such a view has become very popular during the second half of the 1970s (Otley, 1980) and it seems to me that it still has about the same relevance.[42]

Donaldson (2001) summarizes contingency theory of organizations and the development of the different thoughts about it until almost today. One can clearly see that older 'stories' differ from newer ones when it comes to explanations and descriptions of organizational occurrences.

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[41] Such a view is very much from a technical-rationalist perspective saying that strategy determines the design of the management control system, and that such control system changes follow strategic changes in a passive, reflective way (Kloot, 1997). This perspective sounds simple but reality is not that way. Since, as mentioned before, economies of scope and scale often are the main reasons to become a global actor, similar business processes are, it is assumed, needed and this principle is generally also true when it comes to the management accounting and control system.

[42] This is my impression from the study of the literature in the area. However, reality, and here I mean the academic reality, seems to be like my impression and this can, for example, be seen in Chenhall's (2003) overview of contingency-based research, and in Luft and Shields' (2003) mapping of management accounting research.

Contingency theory's main essence, according to Donaldson, is that the effectiveness of an organization results from the fit of the organization's characteristics (such as its structure) to certain contingencies that reflect the situation of the organization. Therefore, an organization will maximize organizational performance when it adopts the appropriate level of structural variables. This means that the contingency theory approach to the design of management accounting and control advocates that there is no such universally appropriate system which applies equally to all organizations in all circumstances. From this, it follows that, as the specific circumstances of an organization alter, management accounting and control systems should adapt if they are to remain effective. This in turn means in general that if there are different environments at different parts of the organization (as in subsidiaries after M&As), different management accounting and control systems are necessary to be able to get the right fit between the environment and the organizational parts.[43] However, today's form of contingency thoughts has not always been this as different authors (such as Burns and Stalker (1971) and Mintzberg (1979)) have added new thoughts and developments to older theories. By this they have tried to summarize the whole range of different possible combinations of structure and other organizational characteristics to explain organizational phenomenon.[44]

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. But a question that appears to be an important one is how to combine the two organizational parts without destroying the fit between the structure, the strategy, and the environment of each part? This problem can be seen in Figure 8 below and it seems to be a major roadblock to achieving synergy potential in the form of economies of scale. Hence, the next part will look at how this issue is treated by some authors who look at multinationals, as this is the place where problems about control of subdivisions are treated normally, even though such problems could probably be found in a national context as well, however, without the 'national culture' factor.

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[43] Task uncertainty, task interdependence, organizational size, and environmental uncertainty are normally used as such contingency variables since they moderate the effect of an organizational characteristic on organizational performance. Performance thus is seen as good when there is the right fit between structure (for example functional or multidivisional) and strategy (diversified or undiversified). The four most used organizational structures in contingency theory are the simple, the mechanistic, the bureaucratic, and the organic structure. The bureaucratic and the organic 'structure-theory' are by contingent theorists seen as contrasting in the way that each theory has its own model of organizational structure. The different fields can be interpreted in the following way (Donaldson, 2001, pp. 20-60). A "mechanistic structure" is very much top-down management, detailed job-descriptions, defined responsibilities, centralized decision-making, specialized roles, and high formalization. The "organic structure" however does not control employees through centralization, specialization, nor formalization, but through the initiative and expertise of middle-level and lower-level employees. The "simple structure" is centralized as well as low on functional specialization, whereas the "bureaucratic structure" is both decentralized as well as high on functional specialization and formalization.

[44] Bhimani (1999 and 2003) is, however, not in favor of the contingency theory as it, according to him, ignores the most essential parts of organizations, namely the quintessence of human beings and their behavior and interaction. For him, this theory is subscribed to by many because it is a rational one and therefore probably easy to apply. He criticizes that both approaches (the organic and the bureaucratic) are very much the same and he argues that these theories have built a picture of an organization where more or less everything is rationalistic and formal, ignoring culture to a large extent and focusing on purposeful management control tools that are universally applicable.

Company A	Company B
Structure	Structure
Strategy Environment	Strategy Environment

Company A and B

Structure

?

Strategy   Environment
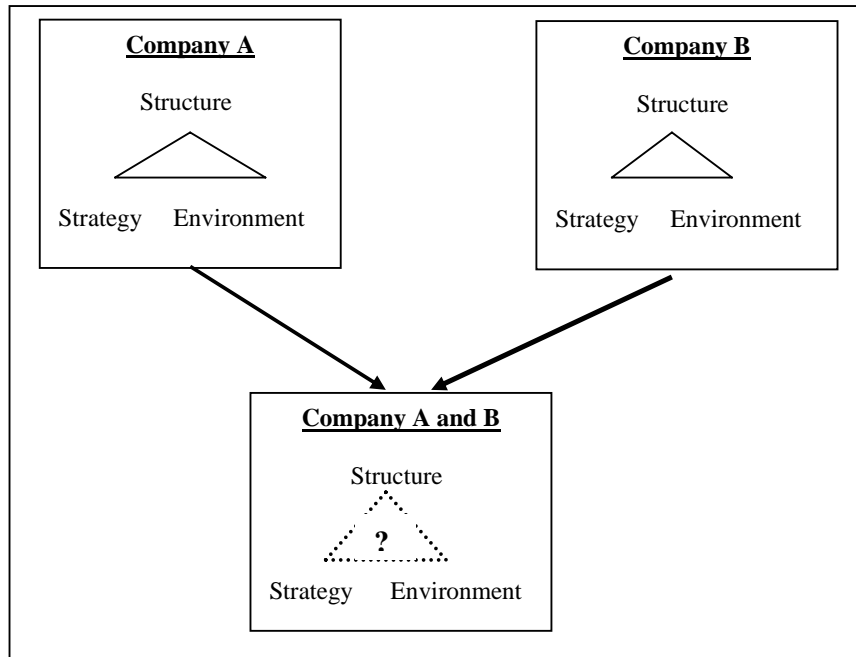
Figure 8: The harmony of structure, strategy and the environment and what may come after M&As

5.2.3 Management accounting and control systems in multinationals

The first section in this chapter has given 'textbook' evidence on how management accounting and control is involved in M&A deals and I summarized that this looks like a quite straight-forward approach. That section then ultimately shows that there are other issues involved when looking at M&As and the next section will therefore provide confirmation that such a 'textbook' approach seems to be 'best case possible' but not the entire story, exactly because problems are not put into their contexts. Before that, however, I will briefly portray how accounting and control systems are described when they are part of multinational organizations, then in the context of the headquarters – subsidiary environment. Ouchi (1977) is, in such a context, one of many prominent authors as he has looked at the monitoring process within such organizations. Monitoring such processes is for him at the heart of control and he points out that there are only two phenomena which can be monitored and evaluated, and these are behavior and output. Hence, when output measures are voluntarily available and valid, then output is monitored and controlled, which Mintzberg (1979) labels "performance control". In this case, headquarters is focusing on 'ends', leaving organizational members flexibility in choosing the 'means'. If output measures, however, are not readily available or their validity is questionable, "action planning" is the way of control that is recommended by Mintzberg (1979). Action planning is then more restrictive than performance control as the means by which actions and decisions are carried out or are specified. Mintzberg furthermore emphasizes that if behavior or output cannot be specified, monitored, or controlled, organizations may not have any other choice than to indoctrinate their members to the organizational values and mission and hope that their members' actions are consistent with organizational goals.

These studies are rather old but seem still to include ideas that fit well into the above mentioned problem area of fit and contingency, or rather its the opposite. Baliga and Jaeger

(1984) are two authors who have added other authors' typologies (e.g., Child, 1972) to the ideas of Minzberg and Ouchi to develop an 'own' framework that combines bureaucratic and cultural control mechanisms with the object of control. The result of this is shown in Figure 9 where we can see that if there is pure bureaucratic or formalized control, output is controlled with formal performance reports. In a pure cultural control context, such output is then controlled by means of shared norms of performance. When behavior is the object of control, company manuals are the type of control within purely bureaucratic/formalized control organizations, whereas the shared philosophy of management is the type of control used within a purely cultural control organization.

	Output	Formal performance reports	Shared norms of performance
Object of control	*Behavior*	Company manuals	Shared philosophy of management
		Pure bureaucratic/ formalized control	*Pure cultural control*
		Type of control	

Figure 9: Comparison of bureaucratic and cultural control mechanisms

Source: Baliga and Jaeger (1984, p. 28)

For Baliga and Jaeger (1984), cultural control contains above all "training" and "socialization" (p.28). By expressing this, they include the thoughts of Edström and Galbraith (1977) who, almost thirty years ago, argued that the transfer of managers is used by some multinationals to develop a process of control derived from socialization. Edström and Galbraith did not like earlier frameworks which were the result of the prominent Aston studies that found principally two types of control used in multinationals, namely control through centralization and through the bureaucratic strategy of control. 'Centralization' meant in this context transferring decisions to rather senior levels in the hierarchy which reduces the need for complicated systems of procedures and paperwork, as it more or less does not allow decision-taking at lower levels. Hence, such control would then be personal and direct. 'Bureaucratization' on the other hand would be used to allow local discretion, however, by maintaining overall coordination and control. For Edström and Galbraith, the transfer of managers can be seen as "a substitute for total immersion in a culture" as one "speaks the local language, eats the local food, and is paid the local wage" (p.257).[45]

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[45] This is still the same today but one can quite easily see differences in how things have been before and how they are today. From Edström's and Galbraith's descriptions of benefits and special bonuses for willing managers at that time, one can draw the conclusion that people toady are somewhat more willing to work abroad and to take part in 'exchange programs' than thirty years ago. Hence, the culture part probably has gained in importance compared to thirty years ago when speaking in terms of the figure above.

In their study, Baliga and Jaeger (1984) investigate the results of other authors' findings when it comes to the interdependence between headquarters and subsidiaries in relation to other variables. These other variables were typical contingency factors that have been around during that time (from the early studies of Simon et al. in the 1950s until Mintzberg's studies in the 1970s). The 'environment' was an important variable and the general notion was that "the more dynamic, complex, diverse, and hostile the environment" was, the more uncertainty it created for organizational members (Baliga and Jaeger, 1984, p.30). In such an environment, the authors then normally recommend having low levels of formalization and centralization. A further variable that seems to be important in this regard is the age of the organization as Baliga and Jaeger find evidence from the literature that organizations tend to increase their activities in a routinizing, bureaucratizing, and centralizing way the older they are, and this in certain und uncertain environments.

The headquarters' management quest for power is another variable Baliga and Jaeger (1984) have found to affect the tendency to bureaucratize and centralize operations in multinationals. Hence, more formal methods are chosen by the headquarters when power is an important ingredient of a central function. The economic situation of the subsidiary is another variable, and here crises and other disruptions influence the drift toward more bureaucratization and centralization. Cultural control systems on the other hand were only seen as possible in an economically bad situation when subunits' turnover was relatively low or when there was cultural homogeneity, which often was the case within Japanese organizations. Baliga and Jaeger (1984) point out another important variable, namely the role played by the subsidiary in the overall functioning of the total group. They find that if the subunit serves mostly a host market, more freedom is given. Moreover, the more limited the contribution of the acquired organizations is, the more delegation is normally given.[46]

5.2.4 Parenting style frameworks and Swedish evidence

When speaking about merging organizations in the context of 'control', one normally speaks about the kind of control the headquarters use to govern its subsidiaries. Another, to me more modern word used for the different kinds of control that is applied in this situation is 'parenting styles'. In earlier parts of this thesis, I have presented numerous typologies and classifications of systems used to achieve some sort of control (such as management accounting systems, management control systems, accounting and control systems) that are applied mostly domestically. An approach that is more usable for international settings and therefore above all gives answers to cross-border relations is Bartlett and Ghoshal's (1989) framework. They have summarized three global imperatives that have an influence on the structure, culture, and the degree of centralization of organizations. The first, the "forces for global integration", is the need for efficiency, which is often-mentioned in form of economies of scale that are driven by cost factors. The second, "forces for local differentiation" is the need for responsiveness towards the government in the respective country, or towards different market structures and

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[46] This can also be expressed by looking at the interdependence between the headquarters and the subsidiary and to be able to do this Baliga and Jaeger draw upon Thomson's (1967) framework that identifies three such interdependences: pooled, sequential, and reciprocal. When organizational members share common resources but otherwise are relatively autonomous, pooled interdependence exists. When the output of one part of the system is fed into the other part of the system, sequential interdependence exists. Maximum need for control, coordination, and consistency in decision making, however, is needed when there is a reciprocal interdependence between organizational units, as work here moves back and forth among these units.

different consumer preferences. Their third and last imperative is named as "forces for worldwide innovation" and this includes the need for learning and developing worldwide innovations and linking and leveraging knowledge.

Bartlett and Ghoshal (1989) highlight that multinational companies need to make sure that multiple and flexible coordination processes are developed in order to be globally competitive. And this, they say, seems to be especially true for the ones that have grown with help of mergers and acquisitions because in this case, new parts are added in a quite violent way and are not grown organically. It is in this area that tension often can arise between local responsiveness and global integration since the different parts in an organization can have different ideas about what strategy and which structure is best to achieve the perfect outcome. Another question that often may arise is what the best outcome is, and where it has to be measured (headquarters or subunit). What most researchers share is the notion that no matter which strategy a multinational company uses, key elements are always a strong information system and a management control system that allows the firm to monitor its strategies and safeguard its assets. Similarities beyond this, however, are relatively rare. The following part will therefore give Swedish evidence for such 'parenting styles'.

Nilsson is a researcher who has elaborated on the research area mentioned above. He investigates in his licentiate (1994) and the doctoral thesis (1997) the relationship between the group strategy and the business strategy of the acquired and the acquiring companies. His doctoral thesis includes the findings of his licentiate thesis (pilot study) as well and I therefore only include the results of Nilsson's doctoral thesis.[47] These results come from the qualitative and quantitative analyses (applying standardized interviews and three-point Likert-type scales) of three case companies (four when including the pilot study), each acquired by a bigger enterprise. His aim with the study is to develop a conceptual framework (model) that describes and explains how management control systems (MCS) are designed and used after an acquisition. Nilsson distinguishes between the role of MCS when it comes to operational integration versus the role of MCS regarding business development. He finds that the implementation of the direction of the corporate- and business strategy takes place in two parallel but mutually dependent, largely linear and sequential, processes. Due to this, companies must know in which direction they should strive. The corporate strategy of the acquiring company on the one hand mainly affects the need for integration and synergy potential. This requires integration and a greater need for a coordinated MCS, especially since comparable information is vital. The business strategy of the acquired company on the other hand (here summarized as differentiation versus cost-leadership strategy, a typology developed by Porter, 1987) requires co-ordination of such a business strategy and an operative implementation of MCS that adapt to circumstances.

The term "potential misfit" (p.243) is used by Nilsson (1997) to summarize when decision makers (group management versus business unit's management) have different requirements on the MCS of the acquired company. How the combination for such "potential misfit" looks like can be seen in Figure 10 below. Such problems can, however, according to Nilsson, be solved when using the right control philosophies, which in short is the right combination of the different possibilities. Nilsson emphasizes that whereas some sort of coordination of management control systems always is necessary, the minimum demand is at least a common construct of terms and ideas (in Swedish; 'begreppsapparat') aiming at formalizing communication between headquarters and management of the new divisions (p. 214).

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[47] Nilsson has summarized the findings from his licentiate- and doctoral thesis furthermore in an article published in 'Accounting and Finance' (Nilsson, 2002).

		Portfolio management	Activity sharing
Business strategy	Differentiation	Potential misfit	Fit
	Cost leadership	Fit	Fit or potential misfit
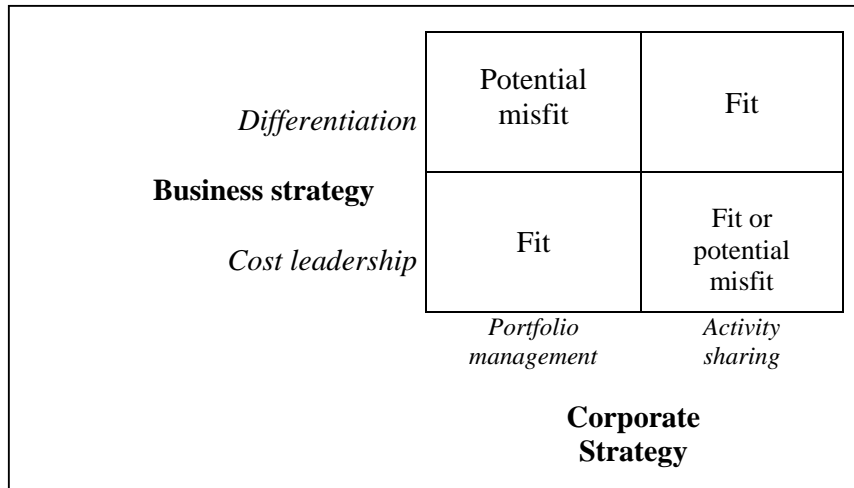
Figure 10: Connection between corporate- and business strategy

Source: Nilsson (1997, p. 244)

Hence, to be able to communicate in a way that everyone in the group understands is essential and a common construct of such terms and ideas can as such be seen as an important variable during the integration processes in M&As. Another of Nilsson's (1997) conclusions is that a large need for functional integration also brings about a high degree of co-ordination. He finds that the least co-ordination is necessary in 'financial acquisitions', as there are only small operative synergies to gain. In these cases, the involved organizations simply try to harmonize the divisions' strategy with the groups' strategy and this is, according to Nilsson, mainly done with help of strategic planning tools and the budget process. However, for organizations sharing activities to a large extent, the management accounting and control system is one of the mechanisms used to integrate in order to achieve synergies. Nilsson finds budgeting to be the main tool to accomplish this, but some other division systems were partly coordinated as well. The co-ordination of budgeting was mostly necessary to give the integration work a clear structure and direction. Nilsson could, however, not find evidence that co-ordination and integration was done in a mechanical way and to simply control. There was a discussion about what should be changed and how to best match the different systems. Co-ordination and integration was therefore a supplementary goal compared to the divisions' situational adjustment in all four acquisitions Nilsson observed. Hence, the need to integrate, and by this to become more centralized, was not as important as the need to adjust to situational characteristics in which the new divisions were, independent of which form of acquisition was chosen.

From Nilsson's two studies one can draw the conclusions that the contact between the corporate headquarters and sub-units in Swedish multinationals looks like a success story. And that this seems to be true gives Nilsson (2000) proof in another study, in which he presents findings regarding this issue, mainly including the same evidence as has been mentioned above. All in all, his findings show that the parenting styles of the investigated Swedish companies were relatively soft as they were decentralized, where management is done by objective and where emphasis is less on conformity and co-ordination than on the "benefits of adapting organizational structures to local needs" (p.110). He mentions precisely the fact though that we have to consider Swedish management styles as a possible explanation for his findings that such an approach leads to good performance.

5.2.5 Other evidence on strategies and structure in multinationals

This thesis embraces particularly ideas that have to do with multinationals and Ghoshal and Nohria's (1993) are two authors that, in such a context, have investigated how the match between environment and industry is. They have found that there exist four certain types of environments, in which certain industries are situated. The first environment is a 'global' one since this includes strong forces for global integration, but weak ones for local responsiveness. The second environment, called 'multinational', is exactly the other way around with a weak global integration but with strong forces at the national level. The 'transnational' environment's characteristics though are strong on a global and on a local level, and the fourth environment is the one called 'a placid international environment' where both contingencies are weak. The automobile industry is, according to Ghoshal and Nohria, situated in the transnational environment, and hence, involves both forces, the one for global integration and the one for local responsiveness, to a larger extent than, for example, the metal industry, that is situated on the opposite side in Ghoshal and Nohria's classification. According to this 'theory', it must be much more difficult to balance the two forces involved, the one for global integration and the one for local responsiveness within organizations in the automobile industry than in, for example, the metal industry, which implies that it is more difficult to find a balance between integrating and not integrating. From this follows that the 'type of industry' may be an important variable to look at in M&A integration processes as some seem to have better pre-conditions than others.

Ghoshal and Nohria (1993) furthermore use four different structural patterns in addition to the environmental types that stand for how the structures are in these organizations, namely 'structural uniformity' (little variance in how the different subunits are managed), 'differentiated fit' (different governance models used, which can be compared with Nilsson's (2000) parenting styles), 'integrated variety' (which adopts the logic of differentiated fit but overlays the distinctly structured relationships with a dominant overall integrative mechanism), and finally an 'ad hoc variation' (no dominant integrative mechanism nor an explicit pattern of differentiation to match local contexts). By examining these 41 multinationals in relation to these variables, the authors discover that the Swedish company Volvo is the only company that simply uses a strong normative integration mechanism. They explain this phenomenon by Volvo's decade-long efforts to pioneer a new work style and corporate culture which, as they state, has often been summoned as unique among Western automobile companies. Another car producer on the other hand, the American General Motors Company, was weak on all dimensions.[48]

Furthermore, there are studies in which the authors advise managers to use certain integration modes for certain functions within multinational corporations in integrated global industries. This is, for example, true for Kim et al. (2003) who selected 40 US integrated global manufacturing industries and interviewed key people (CEOs or presidents, VPs and GMs) in combination with the evaluation of statistical data. For them, as for many others as well, global integration becomes possible only through the use of an organizational mechanism for coordination and control. Their typology, however, is a very interesting one compared with the

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[48] What Ghoshal and Nohria (1993) furthermore test is the performance of the companies to evaluate which environmental and structural fit results in high performance. Their hypothesis stated is that structural uniformity is best suited for global environmental conditions, differentiation fits to multinational environments, integration variety to transnational environments, and ad hoc variety to international environments. They do not find significant results, however, and are therefore unable to draw conclusions with certainty regarding this matter.

ones earlier mentioned as it separates organizational mechanisms for coordination and control into somewhat different clusters. Such coordination and control can be based on four different mechanisms, namely a people-based integration, information-based integration, formalization-based integration, and centralization-based integration.[49] Kim et al. (2003) determine that for R&D integration, people-based and information-based modes are more effective than the other two modes. For manufacturing on the other hand, people, information, and formalization-based modes are more effective than centralization. Finally, marketing needs information and centralization-based integration to be effective.

All in all, Kim et al. (2003) conclude that people-based and information-based modes are more efficient than formalization-based and centralization-based modes in 'coordinating and controlling business functions worldwide'. From this framework one understands that different integration approaches must be chosen to have a better chance when integrating different functions in organizations after M&As. Unfortunately the authors do not provide more detailed answers to the question of how such choices have to be implemented.

5.2.6 Summary

From the above review of some topics within the large field of contingency studies and management accounting and control, a number of concepts and variables can be identified that are of relevance for this study. The main concept of contingency theory is that structure, strategy and environment have to fit in order to achieve good performance. 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. Hence, it is about the opposite of the assumption that one can rationalize and achieve economies of scope and scale by increased centralization. Moreover, 'the object of control' and 'the type of control' that are in focus are two important variables as well to look at when investigating M&As as one, depending on the way chosen, also has to use the right mix of tools. Hence, 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.

The variables provided until now are at a macro level as they are more models than concrete factors. These models provide new variables although, more comprehensible ones. The authors above mention especially parts of more formalized /bureaucratized control but also parts of more cultural control as such variables. Here one finds 'training' and 'socialization' to be important, which also includes the transfer of managers, which then is at the very micro-level.

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[49] Kim et al.'s (2003) people-based integration involves especially the transfer of managers, meetings, teams, training, committees, and integrators. This is then the 'personal' type of control or the 'socialization or cultural' control, similar to Edström and Galbraith (1977). The information-based integration occurs with help of information systems, information flows, communication, and data management. Formalization-based integration includes standardized work procedures, rules, policies, and manuals, which is consistent with the idea of standardization and bureaucratic control. Finally, the centralization-based integration means that decision-making authority lies in the business head office which is identical with the centralizing strategy of control.

A final macro variable that can be understood from the above is the almost mechanical behavior of organizations in general, or in other words the underlying tendencies of organizations. Described in a more logical form are the following five tendencies of organizations in general:

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.

Management accounting and control issues are most often discussed together with structure and strategy theories in the form of enterprises as one entity or as multinationals, which then also is an entity of some sort. Such studies, however, together with the integration process in M&As are the exception. It is of course 'the right balance between coordination and adaptations' that seems to be the essential ingredient for M&A success. And here, we once again find 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 management accounting and control systems, and specifically budgeting. Financial acquisitions on the other hand need the least co-ordination and hence also the least harmonizing strategies. Budgets are used beside strategic planning tools. Swedish evidence furthermore shows that management accounting and control systems are not used in a mechanical way to control the new subdivision, and the evidence also shows that co-ordination and integration were subgoals compared to the situational adjustment that was more important.

Finally, from the above it can be vaguely confirmed that different functions within the organization need different integration modes (people, information, formalization, and centralization based) to be successful. From this one could possibly also conclude that organizational learning must take place in different ways in different parts or functional areas of organizations involved in M&As. Accounting information has then to support such different integration mechanisms to the extent required. Nevertheless, accounting is also about formalizing tasks and routines and about people working with the systems and with the information, and about leading this information towards some sort of centralized place where decisions are taken. And this is why a separation as the one Kim et al. (2003) provide, looks well on paper, but has its limitations in reality. Still, their framework and conclusions illustrate that informal functions of control tend to be at least as important as formal ones.

5.3 Studies combining Accounting and Control with M&As explicitly

5.3.1 MACS in M&As and in 'real' environments: Jones' first study

Chapter 5 has shown two very different pictures of the research area. First, the one of a micro-perspective (textbook-view) that described M&A integration as mostly unproblematic and straight-forward. The second picture put the organizations into their real context, which is a world containing different environments. The question now is how organizations really react: is it the way textbooks describe it or has the contingency idea more relevance when it comes to

explaining MACS involvement in M&A integration processes? Therefore, the following six studies will show what researchers have found in organizations situated in real environments. These are the four studies of Jones (1985a, 1985b, 1986, and 1992) which are all fairly old but still exceptionally relevant as they are nearly the only ones that focus on management accounting and control systems in combination with M&As in a explicit way. Two further studies will be provided, as well, namely the one by Roberts (1990) and the new study by Granlund (2003).

Jones' (1985a) first empirical study (interviews with 41 financial executives or accountants in managerial positions in 30 firms) provides insights into the integration process after M&As and the focus of attention is on the role of management accounting systems (MAS) during the first two post-acquisition years. With a quantitative study, he looks at the importance and conformity of individual management accounting techniques (MATs) before and after the acquisition.[50] The MATs under evaluation were of three different categories. Firstly, long-range and strategic planning, formalized capital expenditure appraisal, and control techniques. Secondly, operational control techniques, which included delegation, budgeting, monthly reporting, weekly profit reports, variance reports, cost/profit center control, and marginal costing for decision making. Thirdly, remote administrative techniques such as cash flow reports, internal auditing, and centralized funds control.

The most significant finding Jones (1985a) mentions is that order cannot be instilled in the acquired company only by the mechanical extension of the acquiring firm's controls. When looking at the post acquisition problems mentioned, Jones (1985a) finds that the answers given from the financial managers and other accountants were divided about equally between those related to MAS and those related to wider management problems. Regarding the problems related to MAS, 38 % are assignable to operational control problems, 29 % to MAS interface with management style or philosophy, 14 % with planning procedures, and 9 % each for capital expenditure appraisal and control or technical aspects of financial accounting. Regarding the problems concerning a wider nature, 38 % have to do with the lack of change leadership, 25 % each with the management style in general and with the personality of certain key persons. The absence of planning (10 %) and the expense for the integration (2 %) have only a minor influence.

Jones (1985a) also finds that MATs become much more important after the acquisition. According to him, monthly accounts and reports, budgeting in operating companies and formalized capital expenditure appraisal and control become very important. There is only a decrease in importance in long-range corporate planning, budgeting, cost-center control, and the authority for capital expenditure, and then normally only in large acquired companies which had well developed MAS, when they were acquired by either smaller companies or companies that regarded such techniques as less important. However, even if all information increased in importance, monthly accounting information became paramount while information for the daily running of the business of the acquired company became secondary. This suggests

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[50] What Jones (1985a) mentions as the reason for his study is the failure of earlier studies to acknowledge changes in management accounting and control systems over time, since such systems have been looked at as stable and consistent. Hence, his goal is to identify the role of MAS and how important such systems became as a means of effecting post-acquisition control and how acquiring companies modified and used such systems during the two first post-acquisition years and how the dysfunctional effect of such changes are. His examination included 11 acquisitions combining organizations with different technology that can be marketed to existing or similar customer types, 7 conglomerate acquisitions (in which firms in different businesses without common trading interests were combined), 5 'horizontal' (same type of business with about similar customers and suppliers), 5 'technological' acquisitions (finding new customers for the same technology), and 2 vertical acquisitions.

a change in emphasis from controls for internal use by companies towards accounting systems capable of making possible control by acquirers over acquired companies.

Moreover, the different styles of acquisition (horizontal, vertical, etc.) did not have an impact on changes made in MATs. The size of the acquired organization on the other hand was found to be the main driver for such differences, which Jones (1985a) interprets in two ways. Firstly, managers are incapable of using MATs to fulfill certain post-acquisition needs of organizations, and secondly, that such MATs cannot be used to fulfill such organizational needs. Hence, Jones (1985a) cannot decide on a certain role of MATs for certain styles of acquisitions, for example, for integration, for motivation, or for control, as such needs were very similar in all types. What Jones (1985a), however, finds is that report frequencies increased significantly (to increase motivation and decision making) and that a high level of control conformity was introduced after the acquisition. The importance of certain MATs could be seen in the time chosen to implement them into the acquired organization as the ones that were regarded as most important also were the ones introduced earliest. This only underlines the idea that control had to be installed and that acquired companies cannot be 'trusted'. Thus the acquirer exercised total centralized control over funds and conformity in subsidiary companies.

All in all, the findings suggest that acquiring companies were inclined to extend their MAS in a bureaucratic and mechanistic way to acquired companies, and that the predominant trend was towards reduced freedom and increased control. Uncertainty and other undesired outcomes were, however, the results. Jones summarizes that political processes, rather than structural logic, might have determined the MAS that was adopted. Changes in long-range and strategic planning caused the greatest technical difficulties and the least willingness to co-operate, resulting in resistance. Moreover, Jones (1985a) shows that fast changes in MAT resulted in better performance than when a 'hands-off' policy was chosen for a longer period (about one year). However, as power was removed from the acquired firm's senior executives, procedures became over-formulized, the rhythm of reporting changed, and the quality of information normally was reduced, which can be regarded as a main problem of dysfunctional effects caused by changes in MAS.

5.3.2 Jones' second study

In his second study, Jones (1985b) uses his evidence collected in the study mentioned above to answer some of the disapproval which had been raised against existing contingency research. Hence, this time, he adopts a contingency theory perspective when he relates the findings of his first study to an existing hypothesis. He scrutinizes two environmental variables (competition and technology) and six internal variables (size of organization, organizational goals, degree of structural differentiation, management philosophies, culture, and integration choice) together with management accounting variables (planning, budgeting, capital expenditure controls, operational controls, remote administrative controls). The latter were the dependent variables collected under the term 'management accounting techniques'. He wanted to find out if MAS are best perceived as universal or unique in nature and to comprehend how willingly acquirers are to accept disparities in such systems as reflections of the differences in environmental and structural variables that exist between the partners (which is about the problem as it is seen in Figure 8).

Jones (1985b) concludes in this study that the design of MAS can be "subject to political processes which reflect ideological values rather than being purely mechanical devices" (p. 305), which in turn may not match the needs of the overall organization. This is a statement he had mentioned in his first study; however, simply at a glance. MAS did not change much in acquiring companies but those in acquired firms did in an extensive way. Such changes were normally (with the exception of a few) made towards the acquiring firm's own system and this within only a short time (about one year). Besides the findings presented in his first study, Jones (1985b) now also presents that he has discovered 'implicit' evidence that non-financial information gained somewhat in importance after the acquisition and that there was increased emphasis placed upon forecast information.

The statistical evaluation of different acquisition types and their association of divergence and conformity regarding MAS combined with all organizational variables resulted this time in weak evidence that there are differences between different acquisition types, which can be seen in Figure 11 below. Conglomerate acquisitions which normally occurred between partners with substantial organizational differences tended to be controlled with lower conformity. Horizontal acquisitions, on the other hand, where partners had more organizational similarities and occasionally planned to merge operations, tended to introduce a moderately higher level of conformity. Concentric marketing and technology acquisitions (Jones combines concentric marketing and technology acquisitions in his figure as concentric acquisitions), display, similar to horizontal acquisitions, relatively low divergence between the independent variables of acquisition partners but they were quite different in respect to conformity.
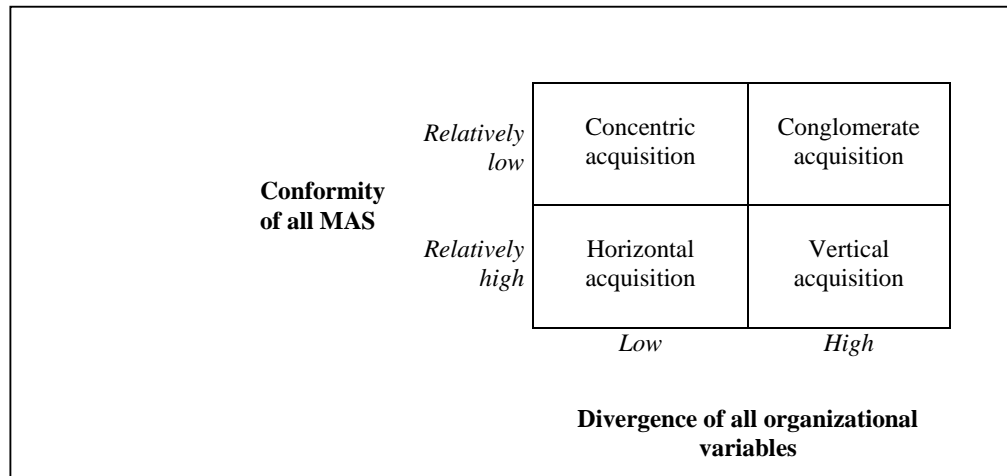
Figure 11: The relationship between conformity of all MAS and divergence of all org. variables

Source: Jones (1985b, p.313)

All in all, Jones (1985b) concludes from the empirical correlation tests that post-acquisition MAS are treated more in accordance with the universalistic theory of MAS (conformity and carry-over) than with contingency views of MAS. Thus, apart from a few cases contingent variables were not significant factors of effective MAS and any correlation between the variables and MAS was coincidental. When comparing the adaptation of MAS with success or failure, Jones (1985b) concludes that even though the overall levels of conformity were quite

high, the four companies with the greatest post-acquisition success[51] displayed very close consistency with the theoretical expectations of MAS conformity.

5.3.3 Jones' third study

In Jones' (1986) third study, two acquisitions made by the same company are analyzed, drawing upon the organizational and contingency theory of accounting and control systems (ACS). Here, Jones (1986) focuses on the changes in ACS and their effects during, again, the first two post-acquisition years. The acquirer is a very large public company (19 000 employees) whereas both acquired organizations are small, employing only a few hundred people. In this study, Jones (1986) examines organizational variables as well (7 environmental variables and 11 internal variables)[52] in combination with eleven features of accounting and control systems.[53] Subsidiary A (the first acquired organization) did not match exactly in any of the 18 sub-divisions of these organizational variables. Subdivision B (the second acquired firm) on the other hand matched exactly in about a fourth of all variables. Hence, Jones (1986) expects to see fewer problems arise during the integration of subdivision B.

The most significant finding in this study is that many of the pre-acquisition controls were shattered by purposeful actions or default. This often included the informal and less formal controls that normally were used to react rapidly to changing situations. Radical changes (82 % of the evaluated factors in subdivision A and 76 % of them in subdivision B) in management styles and organizational cultures could be observed that led to closely similar ACS in each acquired company. The orientation of ACS changed more towards 'the future' and the volume of financial and descriptive data increased for most functions. Accounting reports became the basis for action rather than just as information. The frequency of formal reporting increased. Functional responsibility accounting received more attention but the classification of costs declined. Stricter accounting bases were introduced and internal costing systems were improved. Budget and forecast participation was emphasized but the use of informal chats declined. Control styles became much dependent on the accounting information collected and the authority delegated. Access to accounting data was restricted to a few even though this access was slightly enhanced and the use of accounting information changed from an ad hoc and intuitive manner to a more formalized one.

These radical changes once more underline Jones (1985a) first findings that management accounting and control systems (ACS in his case) seem to accord with the spirit of the universalistic theory. These comprehensive changes furthermore had an impact on the human beings in the organizations. Senior managers in the acquired companies, for example, were not

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[51] Jones was aware of the problem the term 'success' would have in such a context and he therefore used a special measurement that combined the economic outcome of the companies with the opinions of the interviewed ones in terms of optimism or pessimism on the longer-term prospect of the firm.

[52] These variables are (Jones, 1986, p.290): *Environmental variables*: Competition in price (1) and product (2), business climate (3), technology of production (4) of pace of change (5) of sophistication (6) of administration (7), *Internal variables*: Goals and values (8), size in % of group turnover (9), structural differentiation (10), interdependence of supplies (11), formal responsibilities (12), methods of integration (13), control systems (14), structure (15), leadership style (16) culture of senior management (17), culture of middle management (18).

[53] These eleven features of ACS were: orientation, formal responsibility, quickness, detail, accuracy, relevance and selectivity, consultation, style and control, availability as data base, technology, procedural rigidity (Jones, 1986, p. 292).

highly motivated, and as performance declined, control became even tighter, resulting in conflicts and power games which in turn gave way to further delays and reduced morale of employees. Only the replacement of senior managers by 'professional' managers and supportive education for middle managers helped to solve the problems that resulted from the radical changes. The end of the story, however, only appeared about three years later when subdivision A, still not meeting expectations, was divested to an overseas conglomerate. Within subdivision B, a new 'professional' finance director should replace the old one also about three years later, when expectations were not met. But when results turn out to be even worse, the subdivision was sold as well.

5.3.4 Jones' fourth study: Management buyouts

In the last study of Jones' theme dedicated to mergers and acquisitions, he tries to look at such deals from the other side, namely by investigating changes made in accounting control systems (ACS) during the two years following management buyouts. Management buyouts are more or less the opposite of M&As in such as they involve the separation from a parent group or company and this in turn is normally a diminution in size, a simplification of integration problems, and the reduction of conformity needs. Thus it introduces the outlook of ACS to closer matching with contextual variables of the organization that becomes 'free'. Jones (1992) interviews senior managers in 17 companies and finds that improvements in operational efficiency were achieved by modifying organizational structures and the attitudes of participants. These adjustments were interconnected with changes in ACS as such systems now were adapted to organizational contexts. Operational control was now at the center of attention for management accounting techniques (MAT) after the buyout and the quality of information produced increased. Formal control was intensified also after management buyouts, which is similar to what Jones found in most cases after acquisitions. Hence, it seems again that ACSs are used to above all control, and that especially formal control techniques are what managers employ as soon as there are organizational changes.

5.3.5 Roberts' study: Management by conferences

Roberts' (1990) results come from a case study including only one large corporate acquisition as his study is an in-depth analysis of general control mechanisms and strategy issues in a corporate merger process. He explores the connection between the use of accounting information for performance reporting and control and the formulation and implementation of business and corporate strategy. His case study includes a large British international with a relatively bad economy previous to the acquisition that is becoming part of another large British organization that had about twice the size of the acquired organization. The story of Roberts shows two pictures of success/failure of the integration and the relationship after the acquisition deal. The first picture is the one that shows the great autonomy that is given to the different divisions of the acquired organization. Here, the process of socialization and simple conferences is used to control and supervise, and this process is also used to build mutual knowledge and trust. The outcome of this is high productivity gains and high returns on capital employed. The other picture, however, shows a less positive image of the integration process. This one also looks at it in terms of volume produced and people employed. Hence, production declined by several hundred percent and about four out of five employees had to leave the acquired organization during the four years following the acquisition.

Depending on the story told, this entire integration process was a success story or a total catastrophe. Externally, accounting information was in Roberts' case used to give the image of a 'success story' but that did not reveal the internal organizational processes by which this 'success' was realized. Roberts' story is furthermore one that shows that corporate financial concerns in the form of a corporate financial strategy are often the dominant ones compared with long term market concerns. Conferences have in this context been used as an alternative form of accountability and that in turn reduced the potentially possible tension between accounting and strategy. Roberts illustrates that power is removed from the acquired firm's management even though the earlier MAS is intact after the acquisition. The subsidiary in Roberts' study then develops new cost accounting systems (due to rationalization fear), but new practices within the parent company restrict the acquired unit's capital investments. Here, Roberts shows how new organizational rules, norms and values are being established during the post merger era, and he brings up how conferences are used to spread new strategies and practices to the acquired unit.

5.3.6 Granlund's study on management accounting system integration in M&As

The latest and most accurate study when it comes to the purpose of this thesis is the recently published case study of Granlund (2003). Here we can find answers to how management accounting and control systems work due to culture differences after M&As because Granlund looks at the integration of management accounting systems in corporate mergers of equal size but with different cultures and different management accounting systems. [54] The object under study (longitudinal case study) was a large Finnish food producer (Proco) that had acquired another large food producer (Unico) in 1993. Information was collected from 1993 to 1996 with help of interviews, document analysis, participative observation, and informal conversations. In comparison to earlier studies (the ones mentioned above), Granlund tries to deepen our understanding of the role of management accounting and M&As by describing the integration process of such systems but also to explain what role corporate culture plays during such tasks.

He finds four main factors that play a crucial role in such an integration process. These are "goal ambiguity, cultural conflicts, unintended consequences, and dominant individuals" (p.208). A major problem was that goals not only were different and sometimes far too many at the same time, but at certain times, there were no goals at all, which then often resulted in unintended consequences. Culture collision could best be observed within management since the acquisition came quite suddenly, and therefore, it came as a shock for some employees within the acquired organization. Different management styles were seen as hindering and frustrating and the result of this was delay in implementing group-wide control systems and uncertainty. Cultural conflicts were also seen as the reason why managing the group was problematic since a common tone could not be found. About two years after the acquisition the real management accounting system implementation finally started. Because the two firms involved were of equal size, a simple replacement of one of the management accounting systems did not seem to be possible. This was something the former CFO of the acquirer company saw as the main reason for the failure of the integration, something that was easy during earlier integrations, when smaller firms were acquired.

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[54] Granlund (2003) does not, surprisingly enough, mention if the culture embedded in this case includes both national and organizational culture due to a cross-national acquisition, or only corporate culture. From the study's content and earlier articles by Granlund on similar topics, however, I assume that the acquisition only includes organizational culture differences.

Dominant individuals in Granlund's (2003) investigated organizations play another key role. One such player was the Group Controller who, surprisingly enough, came from the acquired organization. He had free hands and acted very autocratically. The problem was that this Group Controller waited too long to start the integration and when he finally had evaluated and selected the best management accounting practice from each company, he made all decisions himself. This probably increased the speed of the integration after the slow start but was at the same time very value-laden and not accepted everywhere.

All in all, Granlund's (2003) findings support most of the findings of Jones (1985a, 1985b, 1986 and 1992) but also the ones of Roberts (1990). There are, however, differences which mostly have to do with the fact that Granlund's (2003) study includes organizations of equal size, because when compared with Proco's earlier acquisitions, which were between organizations of dissimilar size as well, most of Granlund's (2003) results support earlier research. Still, Granlund finds some dissimilarity. In comparison with Jones' (1985a) first study, he cannot find that management accounting techniques became more important after the acquisition; hence, the opposite is true for him, which also can be seen in the diminishing frequency of reports. The biggest difference, compared with Jones' (1992) fourth study, is that informal cultural control tasks were used at Proco Group to facilitate change in organizational structures and the attitudes of participants, whereas Jones (1992) reported that the new owner/managers used the accounting and control system for that purpose. In contrast to Roberts (1990), Granlund (2003) does not find that the acquirer let the acquired company use earlier management accounting systems; but on the other hand, the acquired unit's capital investments were not restricted either.

5.3.7 Summary

The section above continued considerably on the theme of contingency that was part of the evaluation in earlier sections as three of the six presented studies here use such an approach. It is only normal to find many variables when looking at contingency studies and this is also the case here as particularly Jones comes forward with numerous factors that are influential on management accounting and control systems in M&As, and especially the two first years after the deal has taken place (in all Jones' studies). The results of his different investigations and the ones by the other authors, however, do not provide a clear picture of the implication of such contingency 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 study differ compared with Jones' 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, only to a very limited extent be seen as such a driver. 'Time' appears to be a variable as such, as changes that are important to the acquirer are done as early as possible, and some evidence exists that supports the fact that fast changes result in better outcomes than slower ones. 'Performance' is a further variable that appears to be important as control becomes tighter when the acquired organization's performance declines. A further variable is 'politics' or 'ideology' as several of the above studies underline that the design of management accounting and control systems (or with other names) is done more according for such reasons rather than in accordance with structural logic. Hence, systems are designed more according to possibilities and not according to needs.

The above studies also provide some interesting findings when it comes to the role of management accounting and control during the integration processes or more often how the role of such systems changes throughout such processes. Apart from the study by Granlund, there is evidence that the acquired organization's management accounting systems 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. Moreover, if report frequency increases or decreases cannot be determined with certainty 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 management accounting and control systems are changed towards the acquirer in almost all cases and the evidence of older studies shows that this is normally done relatively quickly after the acquisition (within one year). In Granlund's newer study, however, this takes a much longer time. The explanation for this is probably 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 Jones studies with). As we have seen from earlier chapters, 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 '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. This can be summarized by saying that the management accounting and control system'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 the last parts that need to be summarized here. One can clearly see that management accounting and control problems only are a part of all problems mentioned by accounting and control related managers (all persons interviewed seem to have been managers). From the content of all studies and particularly the results of Jones' first study, 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 issues 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 management accounting and control systems were not designed to fit functionally. A final finding is that mostly informal and less formal control mechanisms were destroyed in the acquired organization, but we do not know if this was done on purpose or not.

The studies provided here compared with the ones provided earlier furthermore indicate that control and superiority in a Swedish context probably are not in the same way. Jones' studies provide a picture in where more extensive and mechanical adjustments within management accounting and control systems (and techniques) are the case particularly for control purposes. The question one can bring up here is if this is simply coincidence due to different organizations observed or if this has to do with the fact that Nilsson examines his merged organizations about a decade later? Possible answers can be found in that Nilsson's organizations are situated in Sweden, a country with a business climate known for high consensus among different parts in general. Jones' studies, however, involved organizations

located in Great Britain, a country with a more traditional view of governance and management (Johanson, 2002). Another answer could be found in the reason that different industries were investigated. This could in fact be the case as the frameworks provided above underline that different industries have different pre-conditions when it comes to combining co-ordination and adaptation. This is the same as Ghoshal and Nohria (1993) mention about forces for global integration and forces for local responsiveness, simply on a more micro-level. Hence, the type of industry can be seen as an important variable when investigating M&As as there appear to be different pre-conditions.

5.4 Increasing the Frame: Accounting Regulations and Standards

5.4.1 Globalization and accounting in general

The above three sections have given quite different pictures. First is the one by typical textbook authors describing what accountants and controllers have to do during M&As, which was a quite straight-forward approach. This view described integration mostly without looking at the broader context surrounding these entities. Sections 5.2 and 5.3 then showed how 'real cases' worked and this at a higher level, where things are not as rational and simple any longer. There, however, specific acquisitions were scrutinized and generalizations are due to this only to a certain extent possible. Although, from these sections we find out that accountants and managers have to consider many issues that are part of finance topics when evaluating M&As (e.g., Table 7) but also during the integration stage in M&As (e.g., Table 8). That financial accounting to a very large degree is involved when discussing management accounting and control issues during M&A is also underlined by the more detailed descriptions in the four 'textbooks'. I will in this section therefore examine accounting in general and the function of financial accounting in particular as a potential variable that explains management accounting and control in M&As. Hence, in this section, I will increase the observation level and look at the impact of different accounting regulations, standards, and practices in general on M&As. The reason for this is that, even though globalization is a key term today, this is not at all true when it comes to the mentioned issues. In fact, Mueller, Gernon, and Meek (2001, p. 11) argue that there are no two countries that have 'identical' financial accounting practices. The following part will show that these 'financial' accounting practices are part of the explanation why management accounting and control practices differ as well, and why such differences have an impact on M&As.

Research dealing with transnational or comparative accounting issues within financial but also management accounting does this in a relatively complicated manner. The easiest way to structure these research streams is probably to employ Amat et al.'s (1999) framework in which he makes out four different parts when it comes to international accounting disciplines. In a transnational context, financial reporting issues in multinational enterprises are the main focus, evaluating above all subjects such as foreign currency, adjustment of accounting principles, and consolidation policies. Management accounting, on the other hand, deals in a transnational context mostly with questions related to transfer pricing, operating currency risks, and the evaluation of performance, and this also within multinationals. Comparative research within financial accounting then copes with the different national financial accounting practices such as cluster analysis and above all accounting approaches that are related to different cultures. Comparative management accounting, on the other hand, compares national

management accounting practices, which then normally contains the descriptions of individual countries' descriptions of how something is done. What one, however, must keep in mind is that the border lines of this framework are very vague.

When two merging organizations are located in the same country, they are supposed to have applied and followed more or less the same accounting laws and principles. In that case, accounting regulations seem, at first sight, not to be an explaining factor for integration problems. However, viewed from an international merging or acquiring company's perspective, the world is a bewilderingly complex mosaic of national markets with different languages and commercial cultures, each with its own set of company laws, accounting practices, corporate tax structures, banking and financial systems, competition rules, and other regulations. In such a case, and this is a stated focus of this thesis as I have an international orientation for M&As, different accounting regulations and standards may be explaining factors for integration problems.

5.4.2 International accounting and national accounting differences

International accounting regulations, standards, and principles normally refer, as we have seen in the term used above, to financial accounting information. Such information is oriented primarily toward those parties that are external to the company and who provide capital to it. This is in general the topic of 'international accounting' or 'global financial reporting' textbooks (c.f. Flower & Ebbers, 2002; Mueller, Gernon, & Meek, 2001; Nobes & Parker, 2002) and as such is not the center of attention for this study, since I focus on accounting information mostly for internal purposes such as management accounting and control.[55] However, it is generally accepted that accounting standards and principles are, besides diverse organizational structures and cultures, one of the main explanations for how accounting is practiced in different organizations and how accounting is used as well. This firstly because such regulations and standards are more or less the mirror of the value system or attitudes of accountants, academics, and other experts in the field of accounting, but also the society as a whole. And secondly, because the rationalization and standardization of accounting information, which I will describe later, has changed the way accounting is practiced in organizations.

This thesis focuses on international M&As, particularly involving the US and Sweden, and it therefore seems only logical to include some of the most general and accepted standpoints about differences in accounting regulations and standards regarding these two countries. Radebaugh and Gray (1997, pp. 67-68) summarize several studies that have looked at national accounting differences from diverse perspectives. What they argue for is the general dissimilarity that can be found in different nation states and their underlying reasons. Hence, Sweden is, for instance, a country in which the corporations usually follow 'macroeconomic patterns', such as national economic policies. This can be seen by the 'typical accounting income smoothing' which is done to promote economic and business stability. Depreciation rates are adjusted to stimulate growth. Special reserves are created to promote investment and social responsibility accounting has been developed to meet macro-economic concerns. In the

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[55] International accounting is often referred to as a sub-area of accounting and when talking in international accounting terms, most authors look at one of the following four issues. Comparative analysis (national accounting, reporting, and auditing practices or national accounting theory), policy at the international level (standardization), accounting for multinational operations (financial or managerial accounting), and the taxation of international operations (Riahi-Belkaoui, 2000).

US (and the UK) on the other hand, accounting developed more as an independent discipline. There, accounting is viewed as a "service function" that is derived from "business practice". In the US, "deep-seated respect for pragmatism and judgment exist", and accounting is considered to be able to develop its "own conceptual framework, derived on a piece-meal basis from its own successful business practices, where income is a pragmatic measure that seems useful in practice, and full and fair disclosure is a generally accepted accounting principle" (Radebaugh and Gray, 1997, p. 68).

Radebaugh and Gray (1997) further state that Sweden is, when it comes to financial reporting measurement practices, most macro-uniform and the government and economics in general were the drivers for such practices. In the US and Canada, however, such practices are micro-based, business oriented, pragmatic, and have their origin in Britain. As a regulatory background, the term "true and fair view" is Sweden's (and many other continental European countries) leitmotiv, which implies that there are fewer regulations and rules and that one uses more sound judgment, even when it comes to the legislation. In the US on the other hand, detailed prescriptions exist for each type of transaction, and with this directive system the US try to minimize the risk of accounting misuse. Another strong player in this respect is the capital the enterprises use, and where it comes from. Here, Radebaugh and Gray (1997) state that the stock market is the dominant influence in the US (and the UK) whereas taxation and the sources of finance are at least as important as the stock market in, for example, Japan and continental Europe, especially Germany.

Nobes and Parker (2002) are two other prominent authors within this area and they present comparable classifications as Radebaugh and Gray (1997). They have tried to include even newer models (most of them have been developed by others) of financial accounting systems in their work. The content though is about the same as in Radebaugh and Gray (1997). Here, Sweden is part of the typical 'macro-uniform, government-driven and tax dominated' accounting class. The US, however, can be found on the other class side, namely the one that is 'micro-fair-judgmental and commercially driven'. Business practices and professional rules drive such systems in the US and another special characteristic is that in US accounting systems, equity has a very central role. This cannot be stated about the Swedish accounting systems, even though an alternative is missing in Nobes and Parker's (2002) model. The Swedish alternative, however, will be provided later in this thesis.

5.4.3 Harmonization, Financial Accounting and Consolidation Statements

Comparability is a main reason for a harmonization of accounting since there is a pressure on emerging market companies to distribute more transparent and relevant corporate information especially from investor groups, multinational companies, regulators, and the security industry. However, to achieve comparability, more or less all countries require consolidated financial statements. These documents are in practice accepted as the best means of accounting for groups and business combinations internationally, and this might be because they are relevant not only to external users, such as investors, but also to managers as a basis for overall control and evaluation of performance (Radebaugh and Gray, 1997). Hence, the consolidation of financial information is not only necessary from an external point of view but also for internal purposes such as management accounting and management control.

We have, in Section 5.1, seen that the consolidation of financial statements is an important task for accountants and controllers after M&As. Consolidation involves the aggregation of each

line (assets, liabilities, revenues, and expenses) of the multinational's many individual legal entities (in this thesis the acquirer and the acquired) into income, financial position, and funds or cash-flow statements linking to a single economic entity. The desire to harmonize such consolidating processes has during the last years contributed to an even greater uniformity (Nobes & Parker, 2002, pp. 42 - 49). Sweden's financial reporting framework had, for example, already by 1997 much of the same basic ideas of assets and liabilities as the US, and also about the same basic concepts of prudence, accruals and consistency (KPMG, 1997). But there is still much dissimilarity in general worldwide and also between the US and Sweden.

Riahi-Belkaoui (2000) has examined where such financial reporting practice differences come from and he has also found 13 important variables that differ when it comes to financial statements. These are (pp. 482-484):

1) Basis of presentation
2) Consolidation reporting practices
3) Business consolidation (purchase method versus pooling of interest method)
4) Minority ownership
5) Valuation of fixed assets
6) Goodwill
7) Inventory costing (FIFO versus LIFO)
8) Contingency reserve policy
9) Deferred income taxes
10) Pension disclosure
11) Research and development costs
12) Foreign currency translation
13) Long term leases

These 13 variables are the ones most often found in such a context (Riahi-Belkaoui, 2000) but not every variable must be part of, for example, every organization's financial statement consolidation process after M&As. However, in general, the further apart two organizations are when it comes to values and societal characteristics, the more of the above mentioned variables are part of the change process as differences exist. Moreover, many variables are not even part of the list provided by Riahi-Belkaoui (2000) but can still be a matter for examination when M&A deals are closed. And exactly these matters are described in detail in the 'textbook' versions I have provided in Section 5.1, as it is mostly these 'technicalities' accountants and other finance people write about. I have not given a detailed account for these micro features as I wanted to apply a more holistic approach in this thesis. Furthermore, as every organizational combination is different, such consolidation matters would be different as well. Anyway, this does not mean that such 'technicalities' are not important.[56]

5.4.4 Internal accounting plans and computer software

From the above one can already make out how accounting values and attitudes have an impact on how accounting systems in the individual countries are developed. Accounting is moreover an automated and computerized task today. The standardization of accounting system software is therefore often achieved by using templates that have the form of the national accepted

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[56] A very important issue when it comes to US and other countries' accounting standards is the 'Sarbanes-Oxley Act of 2002' that seems to have a huge impact on accounting issues involving foreign subsidiaries of US multinationals (http://www.sarbanes-oxley.com/, 2004-09-27). But this will not be looked at here.

structure of code plans or charts of accounts. In Sweden this can, for example, be seen in the exceptionally popular BAS Accounting plans that are used by all types of organizations. "BAS 2003" is, for example, the name of such an accounting plan (in Swedish 'redovisningsbasplan') that has been based on a logical link to the formats for the income statement and balance sheet and it follows the formats in the Swedish ÅRL (årsredovisningslagen). Adjustments made follow FAR (Förening Auktoriserade Revisorer) guidelines. Within BAS 2003, the terminology of IASB is used as far as possible (BAS-kontogruppen, 2003). About 95 percent of all enterprises in Sweden use the BAS accounting plan, even though the utilization of such a standardized plan is not required by the country law (BAS-kontogruppen, 2003). The reason for this high employment is probably that reporting to authorities, such as, for example, the state or the stock exchange is more similar according to BAS, which helps the authorities and the enterprises. For this reason, one can say that BAS is standard within Swedish accounting practice, but then we are still talking about 'financial accounting' which is mainly for external purpose, since companies always can do whatsoever they want to do for internal purposes.

And this is exactly what organizations do, namely to use accounting information in a purpose that helps them not only to inform external stakeholders but also to coordinate internal activities and to achieve control. For this purpose, the great majority of enterprises use the same accounting plans (e.g., BAS 2003 in Sweden) as such software packages also provide a framework to include all transactions made within the organization. This is then particularly for management accounting and control purposes, which, for example, in BAS 2003 is done in account class 9. Hence, the external accounting information is not only important for external stakeholders but also for the ones who work within the organization, such as managers, accountants, and every other person who has to take decisions about operative, tactical and strategic plans and operations (see e.g. Ax, et al., 2002, chapter 15 and 16). Therefore, it is very common that the financial accounting and management accounting systems form one single integrated entity that follows the same accounting principles and standards in Sweden. This is true not only in Sweden but also in, for example, Finland (Granlund and Lukka, 1998). Within the European Union, the majority of countries require that companies use a particular accounting plan, but there is today still no uniform model that can be used by all member states (BAS-kontogruppen, 2003).

To provide detailed information about transactions, the different charts of accounts are divided into even smaller units (sub-accounts) by adding more decimals. Each position is then a collecting point for a certain transaction. Hence, M&As involving companies from the same country, national accounting regulations, standards, and practices may not be the reason for substantial problems when adjusting the 'norm system' of accounting after M&As. Difficulties will, however, turn up within the 'action system' as every organization uses their own and specific sub-accounts. In international M&As though, both systems may be challenged since country specific accounting differences may have an impact on both of them. Furthermore, in the accounting system presented in Figure 2, financial accounting seems to be very similar to the 'norm system' as it almost entirely rests on regulations, standards, and practices developed within certain countries or country groups. Hence, financial accounting is this way a determining factor for how accounting is practiced (management accounting) and used (management control) in organizations.

From all this follows that it seems like societal characteristics are first translated into the norm system, the one that contains regulative and normative features of how something may be done, and this system is the one that, to a large extent at least, contains mostly 'financial accounting tasks'. First then, a new translation occurs, giving way to actions in form of accounting

practices (management accounting) and the use of accounting (management control) which is then the place where things really are done. This does not imply though that social characteristics do not have an impact on accounting and control practices directly, but it seems like such influence goes often through financial information. Therefore, one could probably say that accounting regulations and standards' biggest impact is on the norm system of the total accounting system. However, as accounting software providers try to include as many of the regional laws, regulations and standards in their products, such as the BAS 2003 accounting plan, and they furthermore try to increase the functionality of their software by adding as many 'internal accounting possibilities' as possible, accounting regulations and standards indirectly also have a strong impact on the action system of accounting.

5.4.5 How global are management accounting and control practices?

From the above, we see that management accounting and control practices are the result of the organizational environment, and this directly but probably most often indirectly as a good deal of such characteristics are first translated into financial accounting. The above discussion also shows that when discussing accounting practices in general, this mostly refers to 'financial accounting'. This way management accounting and management control are simply the result of 'financial accounting' and it therefore seems that 'financial accounting' determines how accounting is practiced and used in organizations. Financial accounting is done separately in different countries, and the questions I therefore want to introduce are, how global are management accounting and control practices, and how big are the problems of potential national differences? One can ask oneself if there is such a thing as a globally standardized management accounting and control, the same way as Olson et al. (1998) have asked themselves if there exists a globally standardized new public financial management (NPFM).[57] But a problem one stumbles against immediately when starting such a search is that surveys flourish with all terms possible.[58] Furthermore, studies comparing different national management accounting (and control) practices in a relatively holistic way (by looking at how practitioners as an entity within the national border are practicing) are rare. Most reports on such issues simply look at one company or several companies in the same country (Drury and Tayles, 1995) or simply compare the practices of one organization in one country with the ones of another organization in another country.

Bhimani et al.'s (1996) collections of different European Perspectives on management accounting theory and practices, however, is such an illustration. Here, different authors show where some European countries stand but also where these 'routines' come from and how they have developed. Already the fact that the subject of management accounting has mostly remained national in orientation prior to this book, according to the foreword of Anthony

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[57] Olson et al. (1998) did in fact find out that such globally standardised new public financial management techniques do not exist. Such techniques, however, are more and more similar to private sector techniques (see e.g., chapter 16 in Olson et al.).

[58] Whereas some talk about management accounting in general, others summarize their findings as 'management accounting models', such as Bjornenak and Olson (1999), or even management accounting techniques.[58] These techniques, models, or ideas which is another term used by some authors, can therefore not be found in older articles, in which writers often refer to 'long-range planning, strategic planning, budgeting, variance reports, cost control, marginal costing' and so on, when talking about management accounting techniques. This is probably, to some extent at least, the reason why it is fairly difficult to see what has happened during the last decades, and to find out if such practices have become more global.

Hopwood, exposes how international such practices can be. The result of the investigation is in line with the first impression. According to Hopwood (in Bhimani et al., 1996, p. vii), there is

> *"...limited consciousness of past traditions and achievements, and the potential that these might have for casting light on the complex problems which face management accountants trying to recouple their practices to changing business conditions and organizational forms. Ideas about management accounting in Europe seemingly remain diverse, fragmented, and poorly articulated."*

The content of the book then also provides evidence that management accounting practices differ to a great extent within European countries. Amat et al. (2000) furthermore confirm in their article that such differences also can be found when comparing Europe with Latin America, and they also provide seven factors that have an influence on how management accounting is practiced (pp. 16-19), which can be seen in Table 9 below.

1) Compliance (with, for example, national cost accounting regulations, tax rules, price controls)
2) Bonus schemes (attitude towards salary and bonus decisions)
3) Ideology (western ideology versus more political and ideological views as in e.g., China)
4) Competition (the more competition the more focus on effectiveness and more advanced MA techniques)
5) The advocacy role (e.g., tendency for budget manipulation to achieve the 'right' numbers differs from country to country)
6) Operational involvement (different view and activity of accountants)
7) Attitudes to labor costs (how to reduce them and what to do with the redundant labor differs)

Table 9: The seven factors influencing (cross-national) management accounting practices

Source: Amat et al. (2000, pp. 16-19)

In another study Amat et al. (1999) analyse the literature on management accounting in different nations and they find twelve key factors that can be identified as influencing an individual country's approach to management accounting. These twelve are in short: government, taxation, price controls, protection and competition, the management accounting profession, academics, ownership of the firm, bonus schemes, inflation, other country influences, objectives, and the propensity to manipulation. This can be compared with the environmental conditions Riahi-Belkaoui (2000, p.486) mentions that are likely to affect the determination of accounting standards. There are five such conditions: cultural ones (the border of the country is the border line for accounting as well), linguistic ones (accounting is then seen as a language), political and civil ones, economic and demographic ones, and legal and tax related ones. Furthermore, he presents four elements that are responsible for the different accounting practices (pp. 484-485). This is firstly the state of economic development of a nation, secondly the state of business complexity, thirdly the state of political persuasion, and finally the reliance on some particular system of law. These variables, although partly being from a study comparing Europe and Latin America, support the idea that management accounting practices must differ nationally in about the same way as financial accounting practices do, even though laws and regulations seem to be much less the reason for such differences.

So what is all this about, one can ask? The above presentation is an attempt from my point of view to show that management accounting (and control) tasks differ, especially from country to country due to environmental or societal characteristics and that such differences are a main variable when investigating such issues in M&A integration processes. There is evidence that supports this proclamation; however, my evidence is relatively limited when it comes to such differences between Sweden and the US, which after all is the stated focus of this thesis. [59] Still, I dare to say that environmental and societal characteristics have an influence, if not directly then indirectly, namely through financial accounting. The next part, however, will provide a closer look at management accounting and cross-cultural studies.

5.4.6 Cross-cultural studies in the area of management accounting and control

The section proceeding provides some evidence that management accounting and control is different due to societal differences. In this section, I will try to become more specific and evaluate available management accounting and control literature that involves such societal differences. The reason for this is to be able to appraise the impact of cultural difference in management accounting and control practices when it comes to the integration process in M&As. Culture has over the past 20 years become very important in the design of accounting and control systems because many corporations have developed multinational operations (Chenhall, 2003). Due to this, culture has as a variable found its way into numerous contingency-based studies (as the ones seen in Section 5.3) as they have extended their framework to also include this factor into their concept. Hence, their studies have in so doing become more sociologically orientated.

Harrison and McKinnon (1999) provide a review of such cross-cultural research that is done in combination with management control systems design. Their aim was to examine the studies for their convergence and disparities in terms of whether they provide evidence for or against culture's effect on management control systems, but also to find out about the studies' theoretical and methodological strength and weaknesses. They find 20 studies that can be classified into this category, all from English language research journals, dating back to 1981. From this they state that there is relatively little recent research about culture and MCS design, which can be seen in their report as most studies presented are from the 1980s. Their paper also shows that all studies, except one that includes Mexico, focused on the comparison between a variety of Asian nations and the Anglo-American nations of the US and Australia. As a reason of this, they mention the substantive differences between Eastern and Western cultures, whereas I believe for some other reason may be part of the explanation as well. [60] Furthermore, Harrison and McKinnon (1999) provide evidence that Hofstede's (1980, 1984) typology has been adopted extensively, almost exclusively, by cross-cultural researchers in management control system in recent years.

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[59] Studies comparing North American (or in the best case US) management accounting practices with European (or possibly Swedish) management accounting practices are rare, and I believe that this research area needs to be examined more in the future.

[60] It seems quite obvious that another reason for this is that many studies have been executed by a combination of people who may have a background in the 'research cultures' as well. Here I think especially about English native speakers and Asian emigrants (which can be concluded from the authors' names). Another reason is that many authors have been part of several studies and the material for the new study therefore probably has been built on an old study.

However, very little replication or confirmatory work has been done in the studies since different cultural dimensions have been drawn on in different studies but often to support the same culture-management control system linkage. No less than twelve of the 20 studies were conducted by comparing the way managers and other employees in the US work with accounting and control tasks with the ones of Asian countries (Japan, Hong Kong, Singapore, Thailand, Malaysia, Australia, Taiwan, or a combination of them). Not a single European country was part of the studies.

The conclusions drawn by Harrison and McKinnon's (1999) are not sufficient when one expects to find answers to the question if management accounting and control systems are designed differently, and if people work differently due to dissimilar cultural heritage. That is, Harrison and McKinnon (1999) do not give a real overview of the findings but go directly on to criticize particularly the methods used and the way culture was defined in the studies, which they do by providing four main weaknesses. Weaknesses, one without doubt better is aware of when doing cross-cultural studies on accounting practices but unfortunately not conclusions that give answers to what happens within accounting practices when, for example, a European or Swedish organization merges with, or is acquired by an American organization, or vice versa. Despite that, most of the studies included in Harrison and McKinnon's (1999) presentation use the cultural typology of Geert Hofstede and this demonstrates how important that researcher's ideas are within the field of management accounting and control. The next part therefore gives a short overview of his thoughts, applied in a Swedish versus US context.

5.4.7 The difference in culture between Sweden and the US according to Hofstede

Hofstede (1980, 1984) is probably the most well known and most cited author within the field of cross-cultural studies of organizations since his typology has been extensively adopted over the last twenty years (c.f. Harrison and McKinnon, 1999; Chow et al., 1999)[61]. He studied value differences between workers (116 000 questionnaires) of the worldwide subsidiaries of the multinational company IBM in 50 different countries and identified four dimensions to distinguish differences in national cultures. In a subsequent phase, Hofstede added a fifth dimension, which he called 'Confucian dynamism' later translated to 'Long-term versus Short-term orientation'.[62] Together these five dimensions are:

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[61] For an extensive overview of studies that are based on Hofstede's taxonomy see Chow, Shields and Wu's (1999) article in Accounting, Organizations and Society, Vol. 24, pp. 441 – 461 but also Harrison and McKinnon (1999) article about cross-cultural research in management control systems design: a review of the current state (in Accounting, Organizations and Society, Vol. 24 (5-6), pp. 483-506).

[62] His classification is a rather old one, which is a disadvantage as cultures change over time. But at the same time it has the advantage that it has been an object for much debate during the last twenty years and this means that it has been extensively validated, probably more often than any other cultural taxonomy (Chow, Shields, & Wu, 1999; Harrison & McKinnon, 1999). However, Hofstede's (1980, 1984) work has led to a blossoming of research on values both within and across cultures, and especially the dimension 'Individualism versus Collectivism' is the value that maybe has been examined more in detail than any other topic in contemporary cross-cultural psychology.

There are newer typologies that separate culture values differently such as, for example, in Schwartz (1999), Schwartz and Bardi (2001) or Smith et al. (2002). However, these typologies are then normally used for particularly psychological reasons and only to some extent in a business context. However, even these studies support the assumption that culture differs and that this has a great impact on work related issues.

1. Individualism versus Collectivism
2. Large versus small Power distance
3. Strong versus weak Uncertainty Avoidance
4. Masculinity versus Femininity
5. Long-term versus Short-term orientation

For a comparison of the two countries Sweden and the US, I will here short describe these five dimensions. Hofstede's 'Individualism' relates to individuals' emphasis on self-interest versus the interests of the group (Collectivism). The US has, among six other countries (Australia, UK, Netherlands, Canada, and Italy) 'Individualism' as the highest dimension with a score of 91. This indicates that it is a society with a very individualistic attitude and relatively loose bonds with others. The population is more self-reliant and looks out for themselves and their close family members. Sweden, with a score of 71, is also above the world average of 43 but with a rather big distance from the US. 'Power Distance' is the extent to which the members of a society accept that power in institutions and organizations is vertically distributed unequally. Sweden's score is 31 and the score for the US is here 40. Hence, both countries are low ranked compared with Hofstede's world average of 55. This is indicative of a greater equality between societal levels, including government, organizations, and even families. This also reinforces a cooperative interaction across power levels.

'Uncertainty Avoidance' is the degree to which members of a society feel uncomfortable with uncertainty and ambiguity. Hofstede's world average is 64, the US scores 46 which is much higher than Sweden's score of 29. This low ranking is indicative of a society that has fewer rules and does not attempt to control all outcomes and results. It also has a greater level of tolerance for a variety of ideas, thoughts, and beliefs. Hofstede's fourth dimension 'Masculinity' is the preference for achievement, heroism, and assertiveness and material success, as opposed to an emphasis on interpersonal relationships, modesty, caring for the weak, and the quality of life (Femininity). Here, a great difference exists between Sweden with a score of only 5 and the US with a score of 62 (world average is 50). A higher score indicates that the country experiences a higher degree of gender differentiation of roles. The male dominates a significant portion of the society and power structure. The dimension 'Long-term orientation' finally is characterized by persistence, ordering relationships by status and observing this order, thrift, and having a sense of shame, whereas short-term orientation is characterized by personal steadiness and stability, protecting your 'face', respect for tradition and reciprocation of greetings, favors, and gifts. The score of the US is with 29 very close to the one of Sweden, which is 33, and this is low for both countries compared to the world average of 45. This in turn indicates that both societies believe in meeting their obligations and this also tends to reflect an appreciation for cultural traditions (Hofstede, 1997).

Chow et al. (1999) have applied Hofstede's typology to examine managerial work and especially the work of accountants. Table 10 on the next page shows, in a summary, their seven management accounting and control related tasks, which they have gathered by analyzing different accounting and control studies in combination with Hofstede's cultural taxonomy.[63] For the purpose of this thesis, their results do not say much though, as the nine studies included contain the examining of the divisions of multinationals in the US compared with divisions in Singapore, Japan, Australia, or Taiwan, but also Australia compared with Singapore, and Hong

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[63] Chow et al. (1999) scrutinized nine studies and come to the conclusion that support for Hofstede's cultural dimensions is uneven. Only one prediction based on uncertainty avoidance is supported, but most hypotheses linked to individuality hold.

Kong compared with Singapore. European countries are missing and the next part therefore looks at studies providing a European perspective on this.

Organizing	**Decentralization** This is the extent to which decision making responsibility is delegated to lower levels in a vertical hierarchy. Hofstede suggests that because power distance relates to the acceptance of vertical power inequality among people, the preference for decentralization is negatively related to it. On the other hand, preference for this control can be expected to increase with individualism because people from individualistic cultures would prefer to have more control over their own actions. **Structuring of activities** This refers to the existence of written policies, rules, standardized procedures, and manuals which specify how to and, sometimes how not to, perform activities. Hofstede suggests that people higher in uncertainty avoidance are less comfortable with uncertainty and ambiguity, and prefer to cope with them by relying on rules of behavior, structuring of activities, and standardization of procedures. Power distance and individualism are also potentially relevant. People low (high) on individualism (power distance) would prefer, or at least accept, having less control over their own work-related actions.
Planning	**Participative budgeting** Participative budgeting refers to the extent to which subordinates have input into the development and selection of the performance plan which their superiors will hold them responsible for achieving. Hofstede posits that low power distance implies a preference for more equality in vertical relationships. In low power distance cultures, because of this vertical equality, employees prefer or expect to be involved with, or have input into, their organization's decision making process, including determining their budgets. In contrast, in high power distance cultures, since superiors are expected to unilaterally make decisions about subordinates, less use of participative budgeting would be expected. Individualism also is relevant, as people higher on this cultural dimension prefer to have more influence over their own actions. **Standard tightness** Standard tightness refers to the ex ante probability that an employee can attain his or her performance plan. The preference for standard tightness is subject to the influences of two cultural dimensions. People with higher uncertainty avoidance prefer looser standards since they are more likely to be achieved. Higher masculinity, however, implies the opposite, as tighter standards are more challenging.
Evaluating and rewarding	**Participative performance evaluation** Participative performance evaluation refers to the extent to which employees have input into the evaluation of their own performance. Hofstede suggests that the preference for this control is negatively related to power distance because individuals in a lower power-distance culture are less willing to passively accept superiors' evaluations. And as with participative budgeting, people higher on individualism can be expected to prefer having more influence on how their performance is evaluated. **Controllability filters** Controllability filters reduce the degree to which employees' performance evaluations are subject to factors beyond their control. In Hofstede's framework, higher uncertainty avoidance implies a greater preference for being insulated from uncertainty and its effects. However, individualism is also potentially relevant, as people high on this cultural dimension are more desirous of being accountable for their personal actions. **Performance-contingent financial rewards** Performance-contingent financial rewards relate to the extent that financial compensation is determined by comparing budgeted to actual performance. Preference for this control potentially is subject to the conflicting influences of three cultural dimensions. First, a greater preference for performance-contingent rewards is expected for a culture higher in masculinity. However, such rewards also tend to introduce or accentuate pay differences across co-workers, which is contrary to low-individualism cultures' preferences for relatively equal pay and avoidance of interpersonal comparisons and conflict. Uncertainty avoidance also may be relevant. Since performance-contingent rewards increase the variance of the total compensation, preference for them can be expected to decrease with uncertainty avoidance.

Table 10: Hofstede's taxonomy applied to management accounting and control tasks

Source: A summary of the framework of Chow et al. (1999, pp. 445-449)

5.4.8 European studies on cultural diversity and accountants work practices

Cross-cultural research is unmistakably dominated by literature coming from 'over-seas'. But there are a few studies that have scrutinized the above issues by examining European organizations, and some of them, particularly in comparison with US companies. Granlund and Lukka (1998) provide a study in which they have examined management accounting and how this is pursued in Finnish companies. By interviewing eight controllers and observing some of their everyday life, they conclude that the Finnish management accountant is going through a significant transition. Firstly, he/she is becoming an important player in organizational decision making and secondly by becoming more and more like other controllers in other countries, hence due to the intense internationalization of Finnish companies in recent years. Granlund and Lukka also argue that, at the macro level, the practices of management accounting, which include concepts, ideas, techniques and system design, have converged globally. And the same is true for technical aspects of the purpose of management accounting. By concluding this, Granlund and Lukka almost delete culture as a force or factor when it comes to management accounting differences in practices.

This is, however, only at the macro level and, as it seems to me, with a very limited reliability (eight interviews in six Finnish firms). At the micro level, on the other hand, Granlund and Lukka see culture having effects on behavioral patterns and styles of information use. In these areas, the typical 'Finnishness' of management accountants was still very strong. In total however, the authors state that the Finnish management accounting style follows international trends in that 'bean counters' become 'controllers', which is, as the authors state, the same development that can be seen in Sweden, with the only difference that Finland is a few steps behind.

In about the same light, Ahrens (1997) has examined management accountants in Great Britain and Germany. More concretely, the objects for study were management accountants who worked for firms which had recently acquired firms in the other country, and who were confronted with contrasting conceptions of the roles of management accounting expertise. In his ethnographical study that mainly focused on accounting talk in general and the knowledge of the accountants involved in the study, he was searching for answers to explain everyday practices of British and German 'brewers' (when you work in a brewery you are a brewer, even if you are an accountant?). Ahrens' (1997) findings are not in line with Granlund and Lukka's (1998) global heterogeneity ideas. The German management accountants see 'controlling' as a tool to visualize but not for action, and to be able to use such a tool, you had to be an operational expert. This very much reflects the cybernetic model of a controller in the academic literature. The British management accountants, however, see themselves as having overcome the stage of "score keeping" (p. 635). They want to act in a proactive manner by taking part in the formulation of strategic directions and in their realization of concrete operational goals. This is more spontaneous and the result of a feeling 'let's take the business forward' than according to textbooks. Furthermore, accounting talk in the German setting was more closely intertwined with administrative knowledge, while accounting talk in the British setting was combined more with local customer-related forms of knowledge. But the strange thing about all this was that the self-image of the interviewed people was quite different from what the others believed them to be.

5.4.9 Summary

The section above has been a long one and probably almost 'mind-numbing' for the reader, as 'real' variables that determine management accounting and control issues in M&As are not presented in a straight-forward manner. I have furthermore been forced to make some relatively vague assumptions since not everything fit perfectly in the setting I have provided. I believe, anyway, that this section is an important one and also provides variables that are essential when studying management accounting and control and M&A integration, even if the evidence provided here is not as clear-cut as it should be. All in all, the questions to be answered here were: Are management accounting and control practices different in different countries or not, and if the answer to this is yes, why are they different and how does this determine M&A integration processes? The answers to these questions are: Yes, probably they are different and this due to many socio-cultural variables in the different countries, and this means in the context of M&As that management accounting and control practices are dissimilar in the different organizations that merge, and this especially when situated in different countries. This is in fact the answer I can provide here, in a downscaled version, of course.

But the above says much more. It says firstly that macroeconomic patterns in different countries are the reason for certain perspectives with accounting systems in general in certain countries and with certain accounting practices but also management practices. The macroeconomic variables are many, and depending on the framework one uses from the ones provided above, one can get a whole range of management accounting and control issues that differ from country to country. For example, in Sweden, accounting is 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. Macroeconomic patterns have then an impact on both, financial reporting practices and management accounting practices, either directly or indirectly. Hence, macroeconomic patterns are a determining variable.

The above also provides evidence that authorities' demand 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, for example, Sweden. Standards are then mostly the reason why adjustments have to be made after, for example, M&As, when two organizations' management accounting and control systems have to be aligned in order to produce homogeneous reports. Therefore, such accounting standards in the form of computer programs are another variable. The modifications necessary after M&A are then, what I call, 'technical' adjustments to be able to prepare consolidated statements. And this is what most parts are about in the typical 'textbooks', of which I have given proof in Section 5.1.

5.5 Individuals and 'Change' and Resistance to Change

5.5.1 Individual's perception of management accounting and control change

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. Some parts have furthermore shown that such beliefs even exist when it comes to accounting and control tasks within the organizations involved in such business arrangements. However, some authors have also shown that it is individuals and not organizational factors that resist new management accounting practices. Evaluation of such studies will be part of this section.

Jermias (2001) is, for example, an author who conducted laboratory experiments to find out why people are motivated to resist change and what mechanisms these people use to rationalize their judgment. The reason for his study was that management accounting innovations (such as ABC costing techniques) seem to have a small impact on the development of management accounting practices in general. He criticizes that research solely focuses on organizational factors when investigating this topic, and that few have looked at the individual level, which includes why people do not want to change the systems. Jermias finds that people's judgment about the usefulness of costing systems is influenced by their commitment to their favoured system. Therefore, they 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. In addition to that, people normatively know that their judgment should be objective yet they unconsciously make prejudiced judgments that are influenced by their devoted course of action. Therefore, the 'emotional attachment' to the old system, such as the ABC or a general management accounting and control systems, is as such a variable that cannot be neglected.

For Granlund (2001), people fundamentally resist changes in management accounting practices because they feel comfortable with routines, as they enhance the feeling of security. Thus he makes out three main factors that are very intertwined in management accounting system change projects. These are an economic or functional one, an institutional one, and an individual factor (p.153). In his case, which is based on a case study of a large international food producer, the severe financial situation (the company had serious financial troubles) was the most important factor affecting the development of management accounting change projects. Better cost information was needed, overhead allocation procedures had to be changed, and advanced IT was on the market whereas competitors already made use of it. A mimetic process (in DiMaggio and Powell's words) was necessary here. Scarce financial resources on the other hand were a barrier to change and the already complex enough structure of existing systems further delayed change.

Regarding the institutional factors, Granlund (2001) identifies the ones that relate to the old corporate culture (institutionalized practices, normative pressures in the model of institutional isomorphism) and the general "routinization of organizational practices". The accounting profession and its change is another institutional force but together, they made the system "shake" but not "change". The human factors finally were the ones that were sometimes responsible and they were also essential for the explanation of the observed phenomena. In total, Granlund (2001, p.155) believes management accounting systems to be "inherent" stable and that much of this has to do with the "poorly understood human factor". This includes issues such as lacking managerial support and expectations of an increasing work overload.

Accounting change and barriers to such changes are also the topic of Kasurinen (2002) when following the implementation of a Balanced Scorecard. He argues that a more general understanding of the change context needs to be created instead of detailed strategies and normative change programs. This is because earlier studies within the area of accounting and change in general have found the following reasons to be change barriers (p. 327):

- Inadequate education and sponsorship processes
- Inadequate internal commitment creation processes
- Behavioral and organizational implementation variables
- Organizational structures
- Organizational culture
- Power distribution
- Inadequate agreement on the organization's goals and the technology required for achieving them
- Cultural infrastructure
- Failure to secure the legitimacy of a new system
- Inability to find a workable relationship between the languages of production and accounting
- Different views on change

Table 11: Change barriers during accounting change

Source: Kasurinen (2002, p.327)

Most reasons listed in the table have been mentioned in some way in earlier sections and the table as such can almost be seen as a kind of a summary. The conclusion Kasurinen draws from earlier literature is that actors have to be looked at, which he also does in a large Finnish based metals group and its divisions. For Kasurinen, the actors involved in accounting change projects are then *motivators* (the market, the environment, the product-life cycle stage, and the financial situation), *facilitators* (earlier BSC introduction, a well structured situation), and *catalysts* (special experience). They provide, together with leaders, the potential for change. However, *confusers* do not understand topics such as at what level the change has to be made, who owns the changes, and what the goals with the changes are. They are therefore a barrier group as they slow down a change process. Another such group is the *'frustrators'*, who consists of people that may lose something, be it power, influence, wages, position or the job in the long run. The final barrier group consists of *'delayers',* which relates to the management accounting techniques in question. Kasurinen underlines here that the rather technical nature and the lack of clear cut strategies in relation to information system implementation are the main problem.

The three authors mentioned here are all elaborating on the field of organizational change or resistance to such change, which also goes under the term 'organizational learning'. I have earlier given examples of definitions but the problem seems to be that the concept of organizational learning has been applied to different domains, which probably is the reason for divergence as well. Simon (1979) has used organizational learning together with the phenomenon of bounded rationality in that he found insight and innovative ideas to occur to individuals and not organizations, which is the same as Jermias (2001) stated. From the above we can also see that organizational learning occurs at different levels and a construction that provides an instrument for analyzing more or less all levels of an organization is Crossan et al.'s (1999) organizational learning framework. They declare organizational learning to occur on three levels: individual, group (here several people not several organizations), and organization.

These three levels define the structure through which organizational learning takes place, and they furthermore identify four processes of learning. At the individual level, the process of "intuition" and "interpreting" can take place. Intuition happens within an individual, as organizations cannot intuit. Individuals however "have an intuitive insight and begin to make sense of it through the internal conversational process" (p.525) first by talking to one-self but then by "interpreting", which is a much richer and more robust process as other group members are brought into the course of action. Individuals' experienced images, their employed metaphors, are now spread out in groups as conversations unfold and language develops. This is, according to Crossan et al. (1999) when the second process takes part, namely the interpreting, and this is what ultimately results in great differences for the company.

Later, when actions take place in concert with other members of a workgroup and there are shared understandings of how things are and how they should be, mutual adjustments take place. Crossan et al. (1999) call this process "integration" as it entails the taking of coordinated action by members of a workgroup. For the authors, it is now when these workgroups informally make judgments about what should be replicated or not, and if there should be formal rules and procedures. Furthermore, routines become embedded during this stage as we now can talk about the highest level of organizational learning, namely the process of "institutionalizing". For Crossan et al. (1999) workplace practices are part of the "integration" process of organizational learning. And for them actual practice is not what is specified in manuals or necessarily what is taught in classrooms. Practice is rather the stories told by community members. But is this what mangers generally believe practices to be? One can definitely question this as practices normally, after large organizations have merged, turn out to be formal planning processes with interactive systems, and this because relationships become formalized and routines develop (Simons, 2000).

5.5.2 Perception of accounting systems success or failure

The above shows that behavioral aspects probably often are as important as technical aspect for system success and also the study of Shields (1995), who examined 143 firms' ABC implementations and their degree of success with a mail survey, supports this. His intention was to provide exploratory evidence and he finds that there is a great variation in the degree of success within these firms when it comes to ABC, and that especially behavioral and organizational variables (in particular the support of top management; the link to competitive strategies, performance evaluation and compensation; training, ownership by non-accountants; and adequate resources) are important to explain this variation. Moreover, Shields concludes that technical implementation variables (such as canned or custom software, external consultants, sort of systems) were not significantly associated with ABC success. His advice is that attention must be given to how well an innovation, such as the implementation of a new MAS, matches the preferences, goals, strategies, agendas, skills and the resources of dominant employee groups. Because the information output is used for various purposes by various organizational sub-groups, Shields also believes that system implementation success depends on specific group based behavioral variables, which is in line with what has been mentioned earlier.

Scapens and Roberts (1993) have, in about the same light, investigated the emergence of resistance to the implementation of a new information system within a large multinational

organization with different subcultures.[64] The major problem in the company was the divisional manager's unhappiness with the information he got from the different units and his belief that this has to do with the lack of consistency in coding procedures but also with poor costing systems in general in some units. Accounting becomes more important when financial pressure and economic concerns later on increase, and the multidivisional form with its emphasis on the profit center concept enhances the amount of financial information and control in the organization. Because of accountants' expertise in this area, the accounting function gains an enhanced role in the management process. However, different forces exist. Unit managers wanted to have accounting systems only primarily for local use whereas divisional directors and controllers needed better control. But as information was not delivered to the division, outside people (financial director and project leader) were recruited to make sure that information comes through. However, these people lacked the detailed knowledge.

Thus Scapens and Roberts (1993) state that although different organizational participants can agree on the desirability of changed information systems for controlling internal operations, there can be a very different awareness of the precise nature of these information needs. For the authors, resistance is not illogical and simply emotional but often the result of very real concerns and fears. This includes the inability to find a workable relationship between the languages of production and accounting which leads to resistance to accounting change. Scapens and Roberts report on the difference between divisional managers' liking for information defined primarily in economic terms and unit company managers' preference for accounting information focusing on production factors, scheduling resources and delivery issues. Hence, sometimes the accounting system's technical features can be premised on accounting information system designers technical theory of control which may not accord with the views of users.

5.5.3 Summary

The short section above shows relatively clearly that individuals play an important role when things change in general (such as when accounting systems have to be changed after M&As) 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. Resistance to change can occur as people often feel comfortable with routines (as they also provide the feeling of security) but also because changes can imply an increasing work overload. From the above we can understand 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. Furthermore, the inability to find the right relationship between the different languages spoken in the organization (such as production and accounting) seems to be another variable that has to be thought of when investigating change in organizations.

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', and to pool them in the right way, which is then probably what 'change management' is all about, and what also reminds me of the managerial, strategic, and process perspective of the chapter before,

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[64] Scapens and Roberts (1993) used a grounded theory, however, very close to thoughts and ideas of the structuration theory since they employ three dimensions of structure (signification, legitimation, domination).

where most things can be planned. The short part about organization learning, however, shows that such a process is, from the perspective of individual actors, done by 'intuition' and by 'interpreting'. Groups are only able to 'integrate' when shared understandings are in place, and it takes quite a while until routines develop, which is then the highest level of organizational learning. All in all, one can say that system implementation success is very much dependent on behavioral aspects, probably more than technical aspects.

5.6 Information Technology and its Impact on M&As

5.6.1 Information Technology as a driver of change

The introduction chapter illustrated that this thesis is about management accounting and control in modern organizations. 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 and Schell, 2001). Therefore, a closer look at such systems is given in this section.

Information systems used within organizations can have all kinds of names but the maybe the most common ones are the accounting information system (AIS) and the management information system (MIS).[65] An information system that is very popular today, especially in large companies, is the so-called enterprise information system (EntIS), 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). But this system is better known under the term Enterprise Resource Planning (ERP), which describes the manner in which the enterprise information system is developed. As mentioned earlier, 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. 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 wish 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).[66] 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; 0'Leary, 2000).

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[65] The AIS, is the system that performs a firm's data processing tasks by gathering data that describes the firm's activities and transforms the data into information, which is made available to users both inside and outside the firm. The MIS main task though is to make information available to users with similar needs, and the information is made accessible in form of periodic reports, special reports, and outputs of mathematical simulation. (McLeod and Schell, 2001)

[66] Hyvönen (2003) also shows that ERP systems often have been chosen when the motives have been of strategic as well as of technical nature. But when the reasons, for example, only included one of them, either strategic or technical, 'best of breed' systems were more attractive.

When looking for research about information systems that are used in a functional way in organizations (such as accounting information systems), one recognizes relatively quickly that such topics can rarely be found in contemporary literature (Granlund and Mouritsen, 2003), except for studies that have appeared only recently due to much criticism. The popularity of these systems during the last few years has also had its effect measured in the number of published articles and books. What my literature review has revealed is that most ERP studies (and also studies that focus on other information systems) have only a normative character and describe how ERP systems change your business, in most studies to a better one, of course, or how to implement ERP systems in general. Hence, they focus on project management and the implementation process by reporting about the different steps the project must go through and, in better studies, also the different risks and problems that arrive when such systems are implemented (e.g., Davenport, 1998 and 2000; Ribbers and Schoo, 2002; Mudimigh et al., 2001).

In such studies one finds out that ERPs are able to coordinate activities, decisions, and knowledge across many different functions, levels, and businesses. Duplaga and Astani (2003), for example, report about the benefits of ERP systems, which are in short 'quicker information response time, improved on-time delivery, lower inventory level, better resource management, improved interaction with customers and suppliers'. What they also find is that the big-bang method (change everything at once) is a risky one for large companies; smaller firms, however, prefer a short implementation time, even though smaller firms experience the same implementation problems as larger firms. The number one problem in all firms, according to Duplaga and Astani was training and education, followed by lack of in-house expertise in ERP, the lack of data accuracy, and the lack of company-wide support and involvement. Mabert et al. (2003) on the other hand state that ERP systems give large companies financial improvements whereas smaller companies report better performance in manufacturing and logistics.

Nevertheless, it is exactly these goals and expectations that are most difficult to achieve since the implementation of an information system of this size often is very costly (for multinational companies up to several hundred millions of US dollars), complicated (some practitioners and academicians say that nobody understands all parts of the change that are necessary), and it furthermore takes a long time. This is what 'ERP experts' (cf. O'Leary, 2000; Laudon and Laudon, 2004) state. They regard a time frame between three and up to more than five years as normal for such a system implementation in very large organizations. What can be mentioned here, however, is the fact that this time period does not even include the total paradigm shift within the company that is necessary to achieve a high return in form of increased productivity and output.

I have found some recent studies that relate such information systems to management accounting and control issues, illustrating a diverse picture of failure and success stories in organizations. Dechow and Mouritsen (2003), for example, speculate on the meaning of "corporate integration". Their main purpose is to examine how ERP systems can be "kept alive" after their implementation, or as they say, "when it is practice". Strassman (2003) on the other hand looks at the future of ERP systems in general and he pictures an end for such systems in the near future. Furthermore, Granlund and Mouritsen (2003) summarize the problems that exist in the relationship between management control and information technology and they also try to give a picture of the research done is this field. Hyvönen (2003) then looks at Finnish companies and he compares the use of ERP systems with the use of 'best of breed' systems (BoB). He wants to expose if the financial department is more often used to implement BoB systems, while manufacturing departments are more often used to implement

ERP systems or if 'things' are in another way. Lodh and Gaffikin (2003) finally look at a steel producer in Australia and they are mostly concerned with the question how ERP technology drives or enables cost management system development. Their goal with the study is simply to illustrate and analyze the implementation processes of an integrated accounting and cost management system (modules of SAP).[67]

The findings of these studies differ regarding most topics as well and this is only normal since they had different aims with their studies. However, similarities exist in so far that all researchers find ERP systems to be complex and with a big impact on business practices. Dechow and Mouritsen (2003), for example, cannot understand why many believe that such systems can go live and become unproblematic as soon the implementation is over. Their findings underline that the integration into the corporation but also the ability to keep such systems alive very much depends on the 'capabilities of organizational "actors" to activate technology for a specific "agenda". It also depends on if the actor network can mobilize a managerial theory on the use of technology for a managerial purpose or not. Interesting is the fact that organizational actors do not speak about integration in the cases of Dechow and Mouritsen. What they do, however, is to talk about different ways of managing.

Similar arguments can be found in the study of Lodh and Gaffikin (2003) who use the same theory (Actor-Network) as Dechow and Mouritsen (2003). They find that the technical design of the system only is a part of the implementation process to keep 'actor-networks' in line. To manage change including behavioral implication on the implementation are other critical issues. Lodh and Gaffikin argue that managing the process of change is crucial, since change is not only a constant; it is rather the outcome of a continuous translation process. For them it seems like the ownership of information in an integrated business system environment (such as ERP systems) is like the source of power in managing the management control system of an organization. The differences in the use of opposed hierarchical segments (in, for example, SAP are these: client, company, plant, location, etc.) can therefore give rise to conflicts among various occupational groups (e.g., engineering, supply, IT, HR, Finance and Planning). The authors assume that terminological changes may have immediate behavioral implications, but also changing roles of future accountants when such integrated systems well are in place.

The presentations of Hyvönen (2003) and Strassman (2003) have in common that they both look at ERP systems versus 'best of breed' systems. Whereas Hyvönen (2003) sees no danger for the future of ERP systems, Strassman (2003) believes that suppliers of ERP software are headed for a dead end since system integration in the future will be accomplished by Web-based services that can deliver integration of dissimilar systems. He does not support the

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[67] The here mentioned authors have used somewhat different perspectives, methods and theories to analyze the relation between information technology and management accounting and control. Dechow and Mouritsen (2003) investigated three corporations and held 54 interviews (theme-based semi-structured interview guides) with practitioners, which were summarized in a qualitative manner and by applying Latour's Actor-Network theory. The same theory is used by Lodh and Gaffikin (2003) who wanted to understand the translation processes of the implementation, and their method chosen was, as they say, an active (reflexive) field research method (since this one is more appropriate to enhance and reflect on a subjective notion of knowledge claims). The research time was over two years (1992 – 1994) and they attended meetings, review sessions, and training courses, and held interviews and collected internal material. Strassman (2003) does not provide evidence for a certain research method nor theory, as he is a typical 'consulting writer. Hyvönen (2003) does not use a specific theory either but gives a rather impressive description of his method. His conclusions are based on a 300-firm survey (via a postal questionnaire) from the 500 biggest industry companies in Finland, where business units were the targets and not the whole firms.

argument that one software provider for all different tasks is the best solution since this, as he states, requires forced conversions from legacy systems, which are "horrendously expensive" and in addition "traumatic" for the people who work with them. His suggestion for the future is, however, that companies should use their 'best of breed' systems and plug them into each other with help of new network possibilities, such as the Internet, Intranet etc. This, he states, will reduce huge development budgets and avoid the collection of forced incorporation, which in turn would make the whole change process easier for system users since such implementations were smaller. Furthermore, a faster replacement of failed applications would be possible, which, as Strassman (2003) considers, would help to faster achieve 'interoperability' after mergers and acquisitions.

5.6.2 ERP systems and the role of accountants

Accountants are often daily users of accounting systems and when changes occur due to system changes or M&As, system users will always be part of such transformations. A study that discusses the changing role of management accountants due to the implementation of an ERP system is Caglio's (2003) report. Here the goal with her study is to examine how the adoption of a new ERP system challenges the definition of the expertise and roles of accountants within organizations.[68] Caglio finds what she was looking for since she explains the change in accountants' positions and practices as a structuration process, and information technique (ERP) is therefore interpreted not as 'pure action nor as pure structure', but rather as "modalities of structuration" (p.127). She is witnessing a phenomenon of 'hybridization' between accountants, information system people, and line people. By this, she means that accounting gets more and more spread in firms. Accountants take on roles, with cross traditional distinctions between job positions. IT people and line people start using accounting information due to its accessibility via the ERP system. Caglio (2003, p.146) states:

> *"With the new ERP, certain forms of mutual knowledge have become increasingly disembedded, being lifted out of specific positions, incorporated into the IT system and re-articulated across all the position-practice incumbents who can draw upon the ERP in the accomplishment of their day-to-day activities".*

Moreover, Caglio finds evidence that accountants' traditional role within organizations is declining, since accounting literacy, through ERP's, has become easily transferable to non-accountants, such as information system people and line managers. With this in mind one can assume that the role of accounting and control and the one of accounting and controlling people (controllers) involved in mergers and acquisitions may be reduced when such systems are implemented. Hence, the next part will look at this more closely.

5.6.3 Stories about ERP systems and M&As

There only exist a very few reports that tell us the story of success and failure of M&As in which information systems have played a key role, and this seen from an accounting perspective. Most often, authors conclude then that success depends on how you manage these systems and the change of them. Hence, such studies most often have characteristics, which

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[68] Her data comes from in-depth interviews with key participants at different levels of a medium size firm based in Italy in the implementation process of the new ERP system, and in addition to that, data from a firm internal database was used.

one can categorize under the title 'consulting genre'. A study that combines management accounting and control issues with M&As in a more reflective way is Scapens and Jazayeri's (2003) report about ERP systems integration after a hostile takeover bid (this bid, however, took place in 1986). The authors focus especially on the implementation of a SAP R/3 ERP system in the Europe division of a large US multinational in the building industry. Their aim with the study is to investigate the way in which the implementation of SAP has 'contributed' to the process of management accounting change in the case company. To be able to do this they apply a longitudinal case study that describes the experience of local operating companies of the European division of this US multinational. Scapens and Jazayeri (2003, p.202-208) describe the problems with the implementation, whereas the most visible ones are that different sites need different solutions, but this was system technically not possible. The transfer of the information from the many legacy systems to the new SAP system is another difficulty. Furthermore, they find resistance to change from people that were afraid to loose their jobs. The systems itself was very inflexible because of its complexity and high integration, especially as it is organized around business processes and not functions. This is mainly because the system, as Scapens and Jazayeri argue, does not recognize organization boundaries. Quite big problems, for example, arose merely when trying to solve the time difference between the US and the UK.

For Scapens and Jazayeri, the above-described issues are especially a problem since SAP (and most other ERP systems as well) is designed around business processes, and because such processes have first to be reviewed before a system can be implemented, which then also requires significant change in both, organizational structures and culture. What Scapens and Jazayeri moreover mention is the huge and costly character of such systems, and that such an implementation involves tremendously large numbers of people. To train and retrain them was, according to the authors, a major cost of installing SAP. What they believe to be SAP's probably greatest advantage is the integration it provides across all business activities and processes. This, however, forces people within the individual functions to understand how other functions operate, and since SAP is very process-oriented, it is essential to have a process mind when it comes to the structures within the organization.

Scapens and Jazayeri (2003) summarize their main findings in four characteristics that focus on the SAP system, which however can be applied to most other ERP systems as well (as the authors declare). They do not explicitly explain their findings with the issue of M&As in mind since this was not the main purpose of their study. They find that integration is a central feature that led to more teamwork and greater cross-functionality within the observed European division. This also led to a much more complex role of managers or leaders since the organization had to become more process oriented. This in turn increased the need for networking. Another finding is connected with some change in management accounting practices. They discover that line mangers now need to have accounting knowledge to be able to manage their daily tasks, which is about in line with Caglio's (2003) statement about 'hybridization'. Their second observation is that standardization is enforced through SAP but this only leads to much concern, since the system is not compatible with the organizations specific requirements and it was not as functional as the legacy system which it replaced. That a process of "routinization" is taking place is their third result that characterizes SAP since many every day processes that take place often is done by SAP automatically (as e.g., adjust stock records, produce delivery documents, raise the invoices, make the entries in the sales ledger, etc.). This reduces, or as the authors say, eliminates, routine jobs and gives the system users more time to prepare information that is better support to business managers, and possibly also more forward looking, which is another point of Scapens and Jazayeri. The last

finding of the two authors is that the system enables the centralization of system design, control, and other support activities such as "transactions processing and financial accounting" (p.225). This, however, meant that most of these activities changed to the headquarters of the merged company, which in this case was situated in the US in the part of the acquiring firm.

5.6.4 Summary

Also this section was a short one as it only included the main points that can be made about information technology (here in form of ERP systems) and M&As and this regarding accounting tasks. The main reason for the section was that ERP systems almost certainly are part of at least one of the organizations that are involved in M&A arrangements, either in form of the acquirer or the acquired. A fact is furthermore that the impact of such systems is much larger than what I have been able to report here and this can very well be seen when going through modern management accounting textbooks that combine technological aspects with more fundamental accounting aspects. What impact this has on M&A integrations cannot be found yet in such textbooks. We therefore have to be pleased with the material provided above right now. From that material, I conclude that such systems (here ERP systems) have an impact on accountants' traditional role as they enforce integration, which leads to more complex roles of mangers 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 system also imposes more standardization which, however, is not easy when having organizational boundaries instead of the boundaries the system requires. Routine work is now mostly done automatically by the system but this then also leads to a change in power as the central part of the system, where the programmers and information users sit, now can decide how things have to be done.

When it comes to such systems (as 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, and what 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, very complicated, and very time consuming. 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 in these thesis (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. But I dare to conclude that information technology, here in form of ERP systems, is a very important variable when investigating M&A integration processes.

6. MODELING 'MACS' and M&A INTEGRATION

In this final chapter, the model of management accounting and control and the integration process in M&As is developed. The building of this model will be done by collecting the summarized variables provided in earlier chapters, and according to the problems stated in Section 2.6, I will therefore start with the answers to research questions 2 and 3 before I continue with the modeling of the results to research question 1. However, the analysis of the research areas has brought up that the issues under investigation do not seem to be as straightforward as one could expect them to be, at least not to me. Therefore, I divide the answers to research questions 2 and 3 in six sections, starting with a rather theoretical (and to some extent, research dependent) illustration of variables (Section 6.1). This will then be followed by more pragmatic variables that can be found on different levels (Section 6.2 to Section 6.6). The last section (Section 6.7) will then combine the findings from these six sections and this will be modeled as management accounting and control systems' involvement in M&As integration process (as shown in Figure 12).
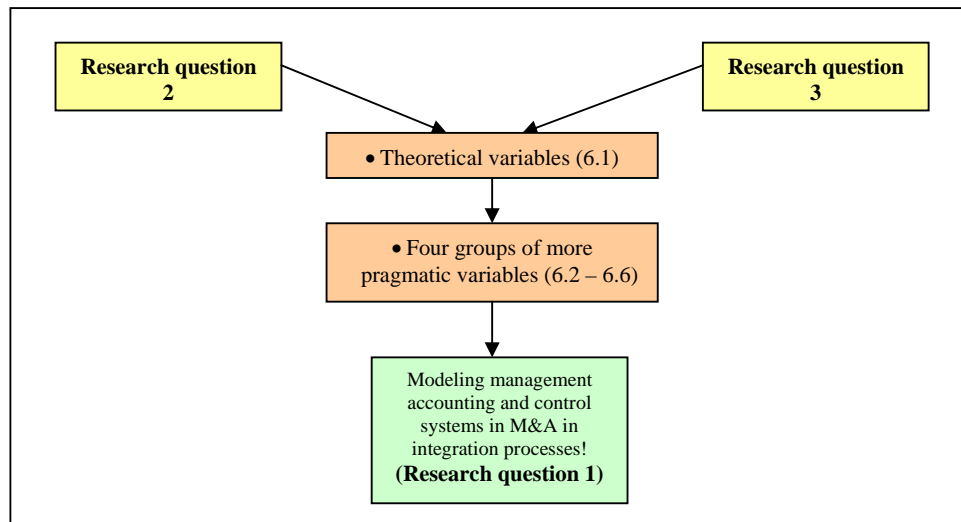
Figure 12: The structure of the analysis

6.1 Theoretical Variables

6.1.1 The 'perspective used' as the largest 'theoretical' macro-variable

Section 4.1 pointed towards macro-variables that are involved that determine specifically how integration processes in M&As are looked at and interpreted. The other sections in Chapter 4 then also used these perspectives as a framework to provide variables, then normally more micro-level based. When I started, I did not exactly know that the solutions would look as they do now, but as work proceeded, I more and more became convinced that it is very much dependent on the perspective chosen which determines what kind of variables are important. The evidence found in Chapter 5 then only supported this first impression since management accounting and control literature also follows some general rule of 'research stream thinking'.

This means that how certain issues regarding the integration process after M&As are dealt with depends on what view or perspective the researcher assumes. Hence, the perspective is, according to my findings, the most important and biggest macro-variable that determines how management accounting and control is described in general and hence also what their role and function is. All smaller variables have to be interpreted in this context.

Now let us look more closely at the perspectives chosen. In Chapter 4, I mentioned four, to some extent, combined perspectives, namely the managerial and strategic perspective, the process perspective, the HR and cultural perspective, and the acculturation perspective. Figure 13 below summarizes these four perspectives' main assumptions in a relatively straight-forward manner, whereas more detailed descriptions will be given later, when looking at more micro-based variables. 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). These ideas or theories about how integration takes place determine then the way management accounting and control (MAC) systems and tasks are experienced (mostly practitioners) and described (preliminarily academicians) or to what they are related in general.

Perspective / view	Focus / main variable (or believe)		Focus on MAC related to:
Managerial and strategic perspective	Fit	Assumption that managers have to decide what fits best together A → B → C	• MAC systems for coordination, control, conflict resolution • MAC as procedures and tasks • MAC relatively separated from human, cultural, and social aspects • MAC as a 'hard' variable
Process perspective	Process	A can be led to B and then C if managed the right way → best process for best fit	
HR and cultural perspective	Actors and Actions	Culture and people make things work!	People and culture provide MAC practices→look at them!
Acculturation perspective	Acculturation process	Acculturation is the way to proceed; the question is simply how much?	MAC systems and system users have to be acculturated to the extent that seems to be necessary!

Figure 13: The M&A research perspectives, their focus, and MAC systems in general

In Chapter 5, I presented six different sections which were not directly linkable to perspectives. The process of writing this thesis has, however, resulted in the following framework, in which different views are the reason for certain focuses as well, in about the same manner as this is the case above. I use here the term 'view' as accounting literature in contrast to M&A literature does not provide real perspectives when it comes to the issues under investigation.

Perspective / view	Focus / main variable (or believe)	Focus on MAC related to:
Textbook view	'Adequacy' and 'accuracy' of systems, processes, and practices	• MACs and other necessary tasks can be changed 'over night' when planned in detail and executed by smart managers • Mostly a technicality
A more expanded view - A parent-child view	Structure / Strategy Environment Parenting styles are different	• Fit between organization and environment in focus • Object of control important • Type of control important • Organization's automatism leads to problems • Group co-ordination versus situational adaptation • Different fits at different levels
The evidenced view	MACs mostly as system-technicalities MACs also as socio-cultural 'artefacts'	• MACs need to adapt/do adapt • MAC need to change/do change • MACs have different roles • MACs are the reason for problems
A macro - societal view	The socio-cultural content of MAC practices is important	• Better and worse fits (MACs) are possible • The macro-economy determines the way MACs are developed in organizations!
The individual's view	Individual's judgment and commitment determine	• Reaction of individuals • Behavioral variables
An information system view	IS are part of everything and it's their behavior we need to look at as well	• System behavioral variables have an impact on human actions

Figure 14: The MAC - research 'views', their focus, and MAC systems in general

Figure 14 above summarizes the six views I have included in Chapter 5 and which I believe to be the major ones that can be found. I furthermore believe that the framework in Figure 14 is

more appropriate in practice than the first one summarizing Chapter 4 (Figure 13), as it has a less abstract character. That the figure looks this way seems to be logical as well, as Figure 14 describes management accounting and control directly through the 'eyes' of mainly accounting related studies, and this then allows the direct observation of management account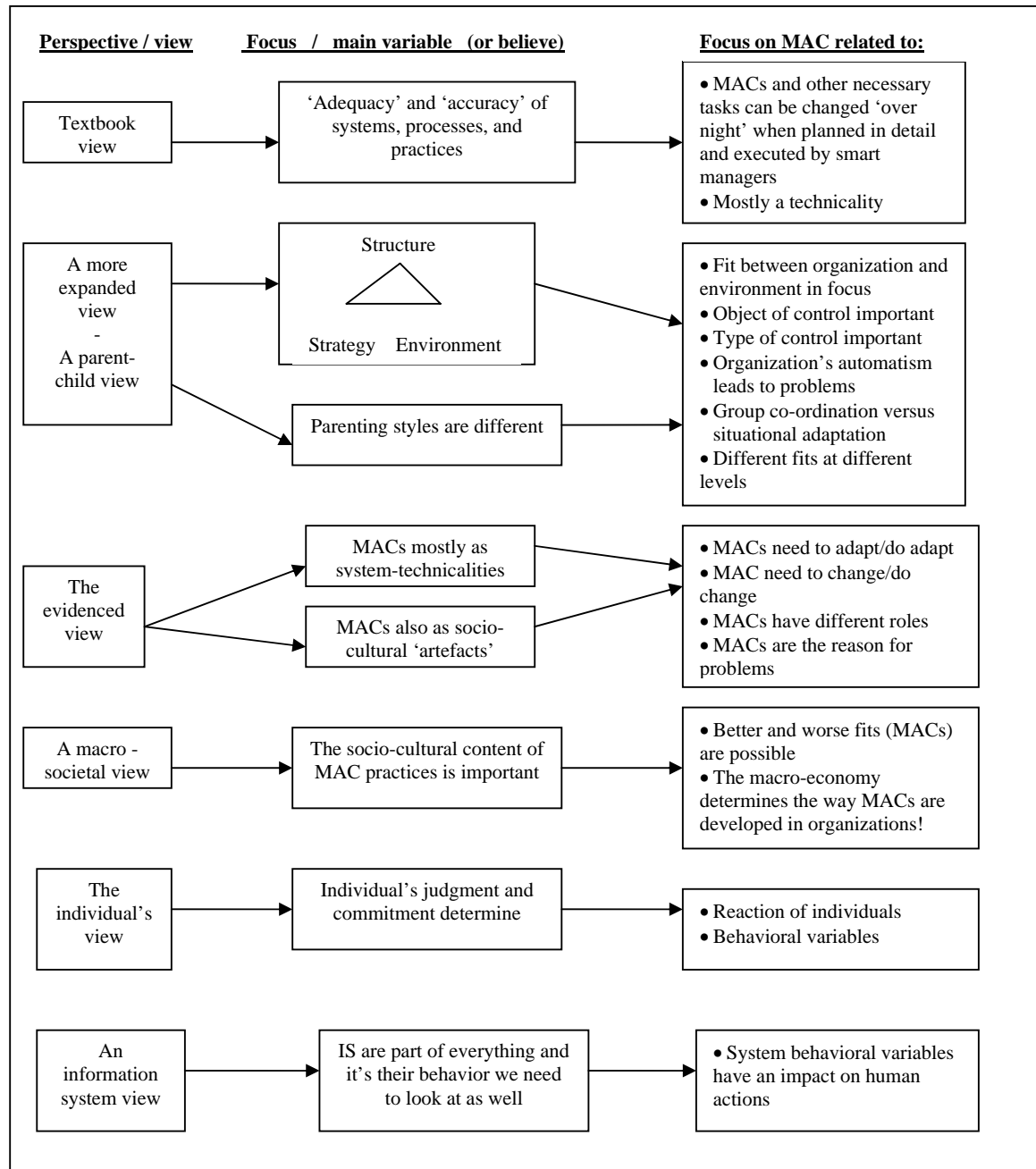ing and control issues. The streams presented in Figure 13 have their background in M&A related literature though, and as this thesis has shown, rather little has been written about management accounting and control systems within that research area. Hence, from the above it is very obvious that M&A literature is relatively poor when compared with accounting literature when it comes to describing integration matters that have to do with, above all, control and how this is managed. However, another main difference seems to be the level of observation as general M&A research normally operates on a higher, and sometimes more abstract, level than MACS research.

6.1.2 'Dimensions' of how you look at integration as macro variable

The conclusions above demonstrate that the perspective, or also theory or view, a researcher uses to describe the issue under observation is an important variable to be aware of. From the literature study, another relatively abstract variable, which I also classify as rather macro, is the type of 'dimension' you focus on when describing such systems during the M&A integration process. I can identify three different main 'dimensions', 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. Within the M&A literature, above all the HR and the cultural perspective (Section 4.4) but also the acculturation perspective (Section 4.5) deal with such issues. 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 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 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 management accounting and control issues during the M&A integration process. But 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).

The technical dimension finally is the one that describes the problems that arise during the M&A integration more in a functional or rational way. I use the term 'technical' as this dimension mostly 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 (Section 5.1) or in some of the managerial and strategic research stream literature (Section 4.2). It probably is most similar to the task included in the 'procedural level' of Shrivastava (1986). Hence, the technical dimension seems to be the one that sees integration mostly as a straight-forward approach where necessary adjustments have a rather limited impact on organizational actors and other system users.

Figure 15 below shows how these dimensions as variables surround the management accounting and control issues. My impression from the literature study is 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 components of integration issues, not solely the more technical ones. The largest dimension is the socio-cultural one as this dimension also appears to determine the political and ideological behavior of managers, actors, system users, but also the researchers describing them.
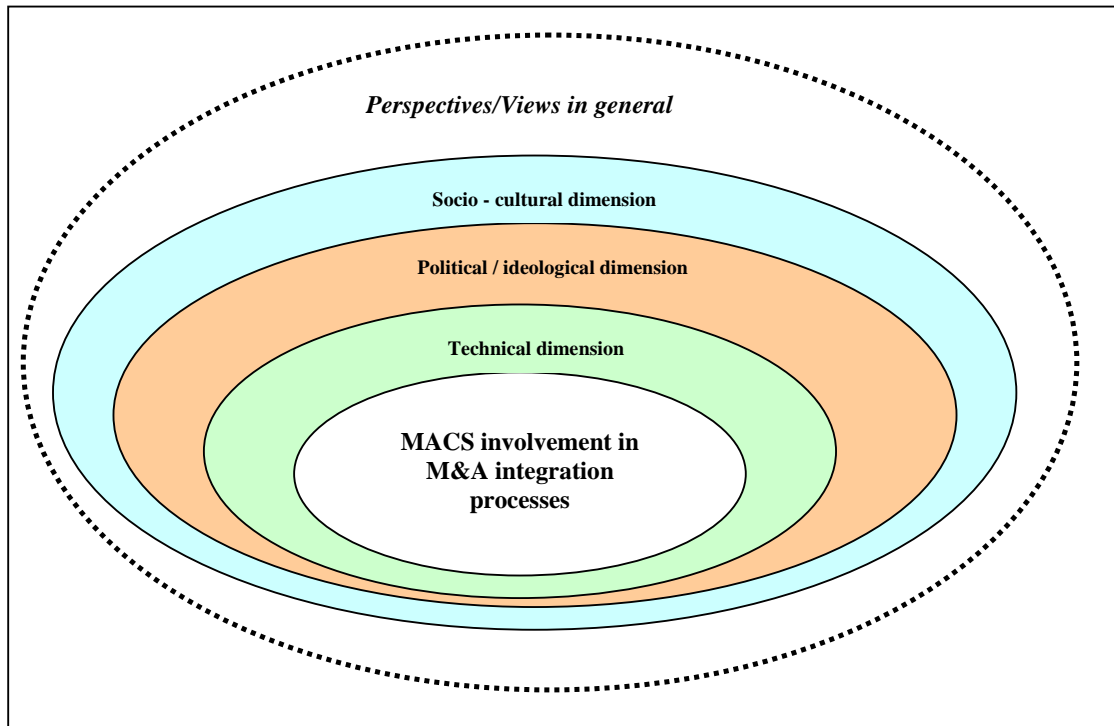
Figure 15: 'Perspectives/views' and 'dimensions' determining MACS' involvement in M&A integration processes

The perspectives and views from the earlier sections can be illustrated as the largest 'dimension' even if it has not exactly the same character as the real dimensions. Perspectives and views, however, influence how the three dimensions within are looked at; hence they enclose them as can be seen in Figure 15. Most of the research I have reviewed in this literature study does simply present one dimension of the integration process to explain management accounting and control 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 that this thesis contains so many different approaches explaining approximately the same method, namely the integration process that follows after M&As.

Despite this variety of perspectives, views and dimensions, there are clusters of thoughts that can be found containing variables and groups of variables that are more pragmatic and logical. To present them and also the logic behind them is what the next sections are about. After all, we want to have a model at the end that can be used for further research, and that is fairly impossible with the ones presented above.

6.2 Finding more Pragmatic and Logical Variable Groups

6.2.1 The development of main groups of variables

The variables provided until now were rather abstract as they only can be determined by looking at the entire research area, or better the two areas, in a very holistic manner, which is what I have done with this study. Hence, the variables look to be mostly usable for theoretical or 'research technical' approaches as they summarize how the entire picture of M&A integration processes regarding management accounting and control issues are described by researchers. To see this entire picture, however, is probably not what an empirical study in the organizational field on its own is meant for as one cannot focus on everything. To develop a research model is also my goal with this study, and to achieve this, I need to provide a more pragmatic illustration of the field under study. Hence, I will now develop a more rational solution containing logical groups of variables that determine management accounting and control systems' involvement in M&A integration processes.

The above illustrated frameworks (Figures 13, 14, and 15), which to some extent summarize the content of this literature study, provide the foundation for the model as one can see the different main contributions in them. 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 investigation. The main idea, though, came from the impression that almost all studies have to consider the organizations involved in M&A deals. Variables that have to do with organizational characteristics and the ones that describe the environment around these organizations seem therefore to be the most common group of variables that all researchers discuss. That organizational characteristics and attributes are part of more or less all descriptions (studies) in Chapter 4 and 5 reinforces this statement, and sound judgment also requires such descriptions when a study has to make sense.

Another group of variables can be identified by looking at the next possible level of variables. When looking at Chapter 4 one without doubt finds the different organizational merger and acquisition characteristics to be the main issue, which can be seen in the descriptions of the different research streams illustrated in Figure 13. In addition to that, also most 'rational' studies in Chapter 5, and the ones applying contingency thoughts support the idea that particular features of the different organizations' M&A tasks are a main group. The group, however, could be part of the organizational features mentioned before and as such appears to be determined by the different organizations involved.

However, when looking more at the content in Chapter 5 which is illustrated in Figure 14, one can find another group of variables that are part of the organizational variables but constitute a large entity themselves. This group contains the different attributes and characteristics of the different management accounting and control systems in the organizations involved in M&As: attributes such as the type of system, the role and skill of system users, system technology, etc. 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 fourth group can be specified. This group is not as visible as the other ones in the literature study simply because there are only a few studies that describe issues that are part of it. I name this variable group as 'MACS' integration management attributes as this group

contains the planning and execution of such issues, but also the MACS' integration logic itself. Furthermore, peoples' reactions to such integration management tasks are included here as such reactions then again are the topic of new management actions.[69] This fourth group is the one that seems to be determined by all other three main groups and in the literature study, it is above all the content of the 'explicit' M&A and MACS' literature that deals with such issues. It therefore is a relatively immature area that involves this group. I believe the relationship between the four groups and between the final research variable, namely MACS involvement in M&A integration processes, can be seen in Figure 16 below, and the next four sections give a detailed description of the model.
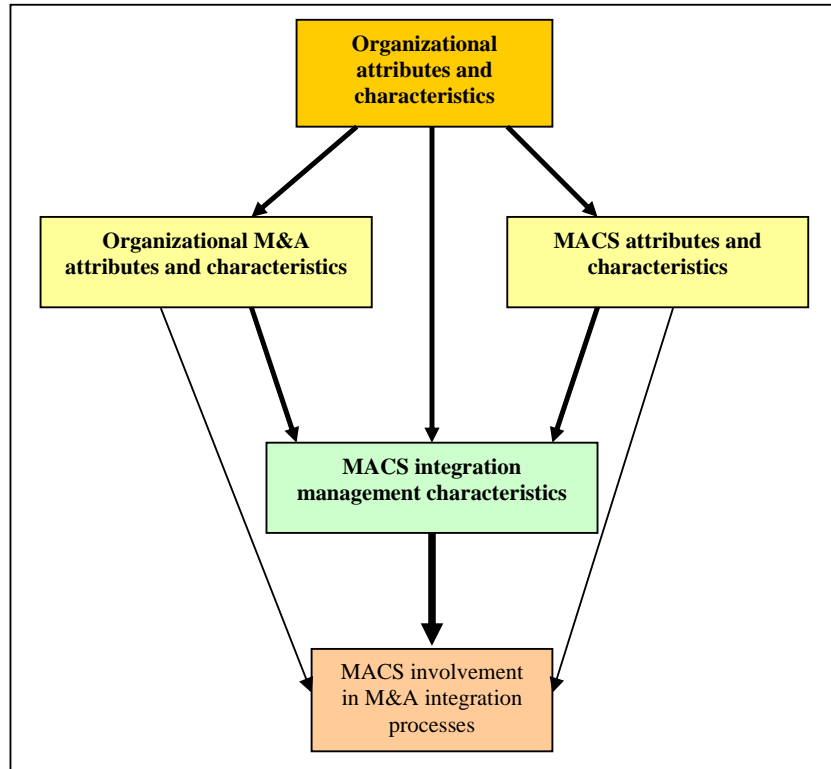
Figure 16: Four main variables determining MACS' involvement in M&A integration processes

6.3 Organizational Attributes and Characteristics

6.3.1 Organizational attributes and characteristics in more detail

Organizational attributes and characteristics are variables that have above all to do with the particular organizations involved in the M&A deal and these variables have therefore a specific impact on the M&A integration process. Variables that are of interest here and have been

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[69] It could be argued that a separate group should be provided for peoples' reaction to MACS integration management actions. 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.

mentioned by researchers who are part of this study are, especially, the size, the age, the structure, the strategy, the environment, the leadership style, and the performance of the organizations involved. Below follows a more in-depth analysis and summary of these, which to me then, are relatively micro-level variables. However, it can be mentioned here that due to the fact that all organizations are different, it is also this group of variables that seems to be the one that provides most contradictory results. Researchers have tried, and still do, to find out what the organizational attributes and characteristics are that determine success or failure of M&A deals, and this is also true when it comes to research dealing with management accounting and control systems. The previous chapters have provided many variables that are organizational ones, as such characteristics have been important issues in, especially, contingency studies (particularly in Section 5.3), but also in many managerial and strategic research approaches (as in Section 4.2). As organizations always are part of the environment they are situated in, they also always include features that come from exactly this environment, be this the socio-economical, socio-cultural, socio-political, or the socio-technical one.

6.3.2 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. Whereas 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) finds that such a difference is the main driver for changes made within the management accounting and control system. 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 negatively, which often also can be seen when looking at 'real' mergers of equals, and the issue that may be the main driver for confusion is the relatively equal power within 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, here 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 (Balinga 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.[70]

6.3.3 The structure, strategy and environment of the organizations

This part is about at least three topics at once, and the reason for this is that it almost seems impossible to separate them when trying to get a true picture about integration issues after

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[70] 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 would be to observe the acquisition of a very old and large organization by a young and small one.

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 would be 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 topics that have been part of this study. 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.

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 such 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 (as e.g., in 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 most other 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).

6.3.4 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. Deep in that sense that much space is provided to it and many different parts of culture have been discussed. 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 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 issues 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 issues 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 very large extent part of procedures and 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 (as can be seen in e.g., Vaara, 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 (as seen in Bower, 2001 or Vaara, 2000).

6.3.5 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 chapters in this thesis 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. The question here is simply to what extent exactly this is the difference that can be found in the literature.

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). For others (Baliga and Jaeger, 1984) the way that can be chosen of the management to control the subsidiaries is by either bureaucratic or cultural control mechanisms. 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 or 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).

6.3.6 The performance and importance of the organizations

The performance of the organizations involved in M&As is the last main variable that I can identify as part of the organizational factors. From the literature study I conclude that the performance of the acquired organization very strongly determines how much autonomy it 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, much research advocates even tougher control when performance in the acquired organizations declines (Jones, 1985a, 1985b, 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)

6.4 Organizational 'M&A' Attributes and Characteristics

6.4.1 Organizational M&A attributes and characteristics as variables

The second group of more pragmatic variables is organizational M&A attributes and characteristics. This includes factors that have more to do with the specific merger or acquisition 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 here 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 attributes and 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.

6.4.2 M&A motives, goals, and expectations

The content of the literature study has shown that 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 came up from time to time in this study is that expectations are far too different when looking at the two organizations that pose such expectations (i.e. Jemison and 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. However, the ones that most often claim this are HR and cultural researchers, but such claims can be seen more and more often, even within the streams of rational and managerial thoughts.

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 rational for integration very often is to achieve strategic fit and not organizational fit (Jemison and Sitkin, 1986), which has been mentioned earlier. 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 and Herndon, 2000) but the question still remains, which goals? Are these the ones of the group or the ones of the subdivision? The answers seems 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.

6.4.3 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 and 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 acquired 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 and 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 and 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 is it 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).

6.4.4 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 see 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 'Theory Y', in comparison to the more fundamental idea of more rational and managerial frameworks that employ the eyes of the 'Theory X' 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.

6.4.5 M&A integration timing

The timing of the integration process is another issue that has been covered 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 management accounting and control systems 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 performed and this is still the case in newer studies where rational views are used (e.g., in Galpin and Herndon, 2000). Other authors, however, complain that the speed of integration in general often is too high and that this high speed leads to 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 (probably the majority) 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.

6.5 'MACS' Characteristics as Variables

6.5.1 MAC attributable characteristics

The third pragmatic main variable is the group that includes the attributable characteristics of the management accounting and control systems. This includes particularly the skill, structure, technology, purpose, and type of management accounting and control system that is used in the different organizations. This third group of variables is on a lower level than, for example, the two groups mentioned above as it is particularly about a certain issue within the organizations, and this in much more detail. Also, this third variable group can be seen as part of the organizational attributes mentioned earlier, in the same way as was the case with M&A integration attributes, but on a more micro-level as it is described much more in detail. Hence it is a variable group that is determined by the different organizations.

6.5.2 Type of MACS in the different organizations

The literature study 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 thesis describe exactly the same systems. Attention must therefore be focused 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 management accounting and control 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 that 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 other studies provide evidence that management accounting and control issues are dealt with differently in different organizations, even if they are situated very closely 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 management accounting or management control issues from a national perspective, and then compare them with other countries. Most such studies come from 'overseas' and compare chiefly the systems of US organizations with the 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). 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.

6.5.3 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 form 'overseas' of course. It is therefore risky to say that such roles generally differ from country to country or even from organization to organization. I have in my literature study provided some evidence that such differences exist. In particular, most international studies that examined M&As and management accounting and control 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 and Nohria, 1993). The study by Granlund and Lukka (1998), and particularly the one by Ahrens (1997), underline that the role of accountants or controllers is not the same everywhere. Above all, these studies show that

even though the skill may be about the same, actors can act in different ways as they interpret happenings differently.

Nonetheless, it can be stated that the role and skill of accounting people and managers in general is a topic that is not well investigated when it comes to M&A integration processes. 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 not the more behavioral aspects of system users, such evidence is rare. My approach to finding general answers about this topic on a more macro level furthermore showed that such issues are not very common in accounting research in general.

6.5.4 MACS technology

Information technology is today part of every management accounting and control system in larger organizations and ERP systems are the ones that during the last ten years above all have found their way into today's businesses. 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 and 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 and 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 and 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 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. At least this is possible, because such evidence seems still to be lacking.

6.5.5 Financial accounting differences and internal accounting plans

Financial accounting issues play a major role during M&A integration processes, which can be seen in several parts of this literature study, probably best in Section 5.1 that illustrates the 'textbook' view. When reading that section, one almost has the impression that M&As are about financial accounting issues even though one is looking at textbooks provided for management accountants. The more precise evaluation of this issue in Section 5.4 then only underlines that financial accounting very much determines 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. Of course, financial accounting as a variable 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, which the frameworks in Section 5.4 have shown.

Moreover, I conclude from the literature study that national, or even regional (EU, etc.) accounting regulations, standards and principles are 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, which can be seen in the studies provided in Section 5.4.

Furthermore, as different authorities (government in general, tax authorities, stock exchange, etc.) have different requirements on the organizations within them, consolidated statements have to be used as soon as there is more than one country involved. 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 and Gray, 1997; Nobes and 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 furthermore 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.

6.6 'MACS' Integration Management Variables

6.6.1 'MACS' integration management variables

Management accounting and control systems' (MACS) integration management attributes and characteristics are the fourth and final pragmatic variable group that I can identify from the literature. Here, the center of attention is above all the planning and course of action of the management accounting and control integration process, the time scheduling chosen to accomplish these tasks, and the integration logic in general when it comes particularly to management accounting and control issues. This variable group seems to be the result of combinations of ideas and tasks that take place in all three before mentioned groups. Hence, this is about MACS' integration matters from a micro-perspective view, that includes the management of organizational characteristics in combination with M&A characteristics and MACS characteristics. As mentioned before, the peoples' reactions to MACS changes are part of this group as well because integration management is about reacting to peoples' reactions.

6.6.2 Planning of the MACS' integration process

The focus of this thesis 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. Mainly Section 5.1 has given proof of such a planning seen from a manager's or accountant's perspective and I will therefore not repeat the content of that part. Some important issues, however, must here be presented once more in summarized form, in order to show how planning as a variable determines MACS involvement in post-M&A integration processes.

The first main message here is to investigate the management accounting and control systems 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.

6.6.3 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 management control systems in the acquired company will be replaced with the ones of the acquirer (Jemison and Sitkin, 1986). The bigger the relationship between the involved organizations, the more parts of the management accounting and control systems 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 moreover shows that the execution of MACS integration is a rather straight-forward 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 logical where 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 there is something 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 then 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), for example, 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).

6.6.4 Peoples' reaction/role in MACS' changes during M&A integration processes

When looking at peoples' reaction and role in MACS changes during M&A integration processes one thing is obvious: there is little research that evaluates these issues exactly. 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 systems perspectives and hence put systems 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)

The studies in the literature overview show that if integration speed is too high, resistance will increase (Jemison and Sitkin, 1986) and if personal freedom is decreased, the same thing will normally happen (Cartwright and 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). Furthermore, 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 (as i.e. 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 management accounting and control system 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 management accounting systems, which is also in agreement with ideas of experts within the field such as Shields (1995) and Scapens and Roberts (1993).

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). And 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 (as in Scapens and Roberts, 1993). Moreover, much literature underlines the fact that systems are very much identical with stability as they are 'inherent stable' (i.e. Granlund, 2001) and this fact is the reason why they are not easy to change. This inherent stability then often leads to resistance. It furthermore seems like 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.

6.7 Modeling MACS' Involvement in M&A Integration Processes

6.7.1 The role and function of MACS in M&A integration processes

The six sections above have summarized essentially all variables that are important when studying MACS in the integration process of M&As. In identifying the variables, I also have provided information about the impact they have on MACS. This section will therefore only summarize the most essential issues to give a more compact answer to research question one, which was the main research question in this thesis. Hence, I will now here illustrate 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 assertions saying that fast MACS changes result in better performance (Jones, 1985a) or the other way around (often by HR researchers). But can the simple fact that the performance of an organization is good explain that the MACS' integration level chosen was appropriate? I believe that it is difficult to really know if the MACS' integration level is the explanation for the outcome or if other things (wrong product developments, other bad investments, etc.) were the main drivers.

So how are MACS involved? The results of the studies that describe the role of MACS within the acquired organization 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 legitimatize 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 emphasizes 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 thesis, however, show that achieving both goals is not something that is an easy task since co-ordination more or less 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' (i.e. Nilsson, 1994, 1997, 2002). Minimum requirements are then a common construct of terms and ideas that help to communicate between headquarters and the new division. This communication then helps to jointly formulate strategies and set up control philosophies, activities which also help to build mutual trust.

6.7.2 The final model

These six sections have provided a rather in-debth summary of variables that determine how MACS are seen together with M&A integration processes in general and what impact such variables have on MACS. Section 6.6 then summarized specifically how MACS are involved in M&A integration processes. I have in this study put the issue under investigation in a very

large context, which has led to a variety of issues. Hence, I have used the description of different perspectives whereas the main two perspectives have been the one of systems and the other the one of system users. The reason for this is that I believe that the two are a unit and cannot be looked at separately. Every organization is different and this is also true for every M&A as it combines two individualities. 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. What the analysis above shows about MACS' involvement in M&A integration processes is more like a framework that has two ends. The MACS involvement can, for example, be mechanical or functional, which are the two extremes found. Where on this 'scale' the MACS' involvement lies is depending on how much each variable determines it, and as there are many variables that have an impact on MACS' involvement it seems to be impossible to know where on this scale it will be. This is also true as every deal is different, and there is not yet much research available that shows real trends.
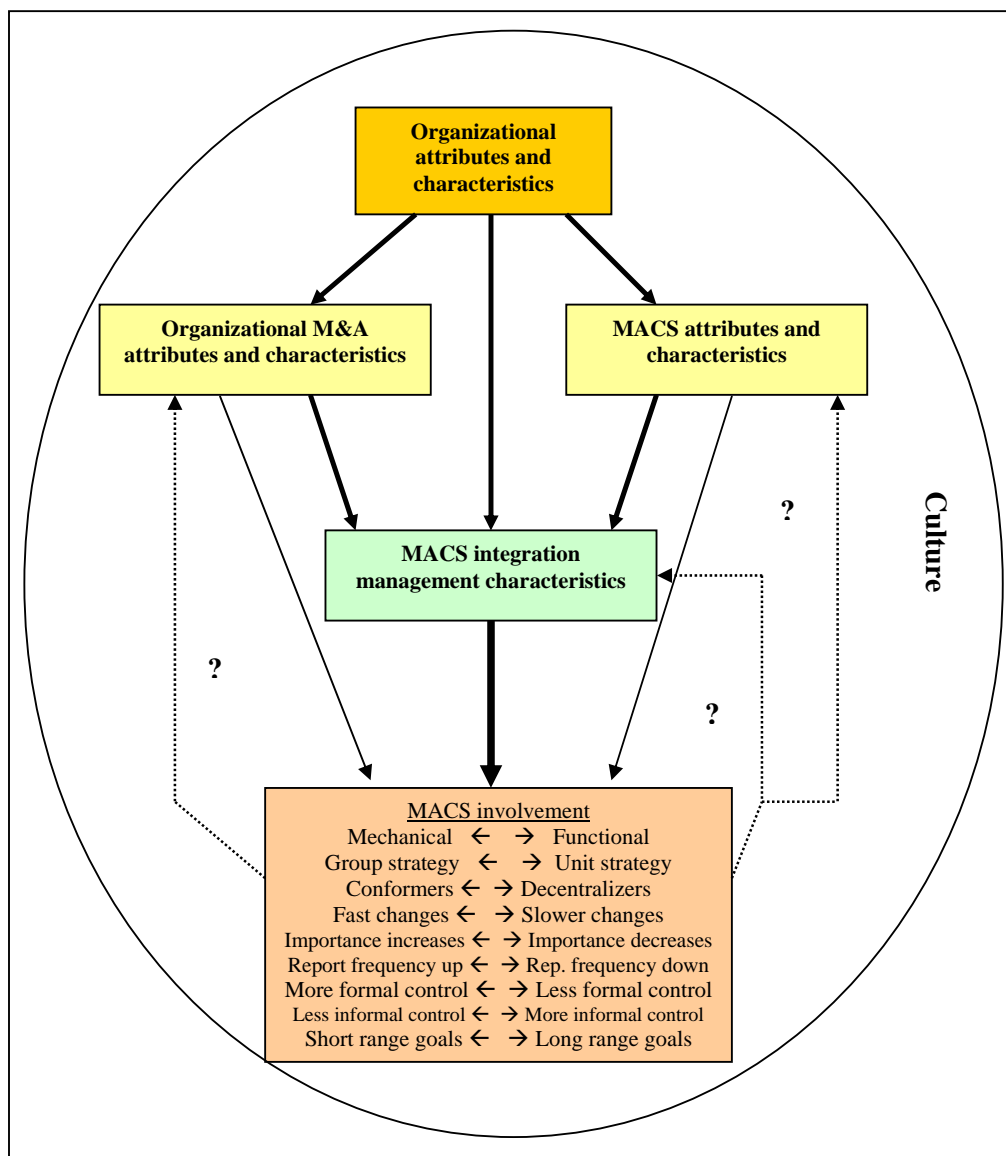

Figure 17: The model of MACS and M&A integration processes

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What I can see from the literature study is that MACS' involvement in M&As integration processes is a very multifaceted area. Hence, it is an area that feels like a Russian Babushka doll: when you open one doll, there follow many more dolls, and it seems like it never ends. Figure 17 above shows the entire picture of MACS involvement in M&A integration processes and one can see the four pragmatic main variables that determine how this involvement will be. However, 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 four main variables influences. Furthermore, culture seems as such to be an even bigger variable then the macro-variable groups as it has an influence on many issues that are part of them. I illustrate this in the figure with the circle around the entire model. Finally, I believe that MACS' involvement also has an impact on the main groups of variables (at least three of them) but this is an issue that definitely needs more research as studies evaluating this issue 'explicitly' are rare. However, the dotted arrows in the figure show this possibility.

6.8 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. 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. 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, however, 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.

6.9 Further Research

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. Management accounting and control 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.

Furthermore, 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.

Finally, how learning processes within management accounting and control systems involved in M&A integration comes across is the last 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 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 be more important in the future than internal growth and this does the management accounting and control literature of today not show.

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