

CHALMERS



Leadership Characteristics & Top Management Setup in M&As

A Study of Motives, Trends & Change Management in a Swedish
Context

Bachelor Thesis in Industrial Engineering and Management

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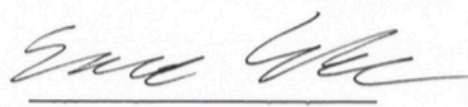
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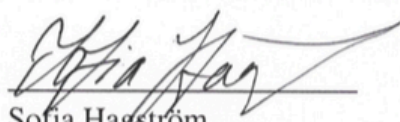
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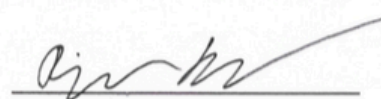
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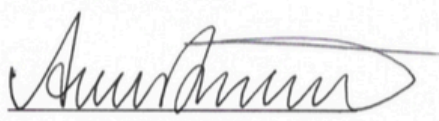
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Abstract

Problem

A decisive factor during mergers and acquisitions (M&As) is the practiced leadership. Although leadership is a commonly discussed subject in business literature, the problems regarding M&A failure remain. The reasons behind these failures can be linked to difficulties in integration between the two companies, employees opposing the merger, or that management is not capable of meeting the new requirements.

Aim

The purpose of the study is to examine different factors that affect an M&A process and the top management team in a Swedish setting. To investigate how leadership is addressed during an M&A and how change management is carried through in the aftermaths of the M&A, different leadership characteristics are mapped out according to their relevance in the process.

Theoretical framework

The theoretical framework is based on international literature about M&As, organizational culture, leadership characteristics, and economic and social sustainability. The purpose of the theoretical framework is to create a fundamental knowledge of issues and problems that can arise in an M&A process. Furthermore, the application of change management in M&As are presented. In addition, differences between international and Swedish leadership cultures are discussed to investigate whether these differences can affect the leadership in M&As in a Swedish context.

Method

Semi-structured interviews were carried out with persons who have broad knowledge and experience of M&As. The answers and discussions from these interviews have been compiled and a discussion of these results was made based on the presented theories in the theoretical framework. Thereafter conclusions were drawn.

Results and Implications

The result shows that the foremost motive for M&As is the possibility of increased growth. However, the motive of acquiring a specific company is often connected to the people within the company. Hence, it is of interest to examine the motives for selling in order to detect the former owner's willingness to remain within the acquired firm. The characteristics considered as most preferable for top management in M&A processes and change management are persistency, creativity, the ability to empower, adaptability and transparency. Furthermore, the standpoint when setting up a good management team is the entrepreneur and his or her competences and characteristics. These are balanced according to the acquired company's current development phase and the expected challenges.

Sammandrag

Problem

En högst avgörande faktor vid företagsförvärv är det praktiserade ledarskapet. Men trots att ledarskap är ett väl diskuterat ämne inom företagsekonomisk litteratur kvarstår problemen med att många förvärv misslyckas. Anledningarna till detta kan ofta hänföras till svårigheter med integration av det nya företaget, att anställda motsätter sig förvärv eller att ledningen inte klarar av att leverera utefter de nya krav som ställs.

Syfte

Syftet med denna studie är att undersöka faktorer som påverkar en förvärvsprocess och dess ledningsteam i en svensk kontext. För att undersöka hur ledarskap bedrivs under ett förvärv samt hur förändringsledning sköts därefter undersöks olika ledaregenskaper och dess relevans under processen.

Teoretiskt ramverk

Det teoretiska ramverket grundas i internationell litteratur kring förvärv, organisationskultur, ledaregenskaper samt ekonomisk och social hållbarhet. Detta för att skapa en grundläggande förståelse för de frågor och problem som kan uppkomma i en förvärvsprocess. Vidare presenteras förändringsledningens applicerbarhet i förvärvsprocessen. Dessutom presenteras skillnader mellan internationell ledarskapskultur jämfört med den svenska för att undersöka huruvida skillnader i detta kan påverka ledarskapet under förvärv.

Metod

Semistrukturerade intervjuer har genomförts med personer vars bakgrund ger ett brett spann av kunskaper och erfarenheter. Svaren och diskussionerna från dessa intervjuer har sammanställts. Resultaten av detta har diskuterats utifrån teorierna presenterade i det teoretiska ramverket varefter slutsatser har dragits.

Resultat och implikationer

Resultatet påvisar att det främsta motivet för förvärv är förhoppningen om en ökad tillväxt. Motivet för att köpa ett specifikt bolag är däremot ofta personerna i det förvärvade bolaget. Därmed ökar intresset av motiven för försäljningen, för att upptäcka den tidigare ägarens vilja av att stanna kvar i bolaget. De egenskaper som kan anses mest eftertraktade hos personer i ledningen är uthållighet, kreativitet, förmåga att motivera, anpassningsförmåga samt transparens i ledarskapet. För att vidare skapa en bra ledningsgrupp utgår detta ofta från entreprenören och dennes förmågor och egenskaper. Dessa kompletteras beroende på vilken utvecklingsfas företaget befinner sig i och vilka utmaningar som förväntas uppkomma.

Glossary

Acquiring firm - Company that is buying another company.

Acquired firm - Company that is bought by another company.

Ambidexterity: In an economic context, ambidexterity is the simultaneous pursuit of exploration, i.e. risk-taking, experimentation and innovation; and exploitation which refers to efficiency and uncertainty elimination by a team, firm or organization (Sarkees, 2007).

CSR - Corporate Social Responsibility is a company's duty to take responsibility for its long term effect on environmental and social well-being.

DD - Due Diligence, in financial context, is the process of evaluating a potential investment to confirm all financial facts.

HR DD - Human Relations Due Diligence is the process of mapping and evaluating a potential investment's top management.

Investing firm - Company that buys shares in another company.

Institutional owners - Large institutional entities such as pension funds, investment companies, insurance companies and private foundations that manage funds on behalf of others, usually owning large portions of a company's available stocks (Clay, 2001).

KPI:s - Key Performance Indicators are a number of quantifiable measures that a company uses to evaluate its performance over time.

Large cap - A company with market capitalization over 1 billion euro (Swedbank, 2017).

LOI - Letter of Intent is a form outlining the main terms of one or multiple agreements between two or more parties before the agreements are finalized (Law, 2016).

M&A - Mergers and Acquisitions is a general term that refers to the affair in which the ownership of companies are transferred or combined. A merger is when two companies coalesce to form a new company. An acquisition is the deal where one company buys another and no new company is formed (Hooke, 2014).

Mid cap - A company with market capitalization between 150 million and 1 billion euro (Swedbank, 2017).

NDA - Non-Disclosure Agreement is a legal contract between two or more parties where they agree not to disclose confidential material that the parties share with one another (Oxford, 2010).

PE - Private Equity is a type of private capital (capital not noted on public exchange) that is usually invested by private equity firms, venture capital companies or angel investors as working capital to a target company to initiate expansion (Oxford, 2017).

Principal Agent Dilemma - The conflict that arises when a person (the principal) hires another person (the agent) to perform a duty that conflicts with the agent's own best interest (Moeller, 2002).

Small cap - A company with market capitalization between below 1 billion euro. (Swedbank, 2017).

SME - Small and Medium-sized Enterprises.

Target firm - Company which is subject of an M&A attempt.

VC - Venture Capital is a form of private equity, a type of financing provided by companies or funds to smaller companies, usually startups that are expected to have a high growth rate (Zider, 1998).

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1 Introduction

The introductory chapter aims to introduce the reader to the research topic that the thesis will discuss. First, a brief background to the study is given with its' purpose. Thereafter, the relevance of the study for the assisting firm of this thesis, HH&P Executive Search is presented. This is followed by the aim of the thesis and a problem analysis. Lastly, the chapter will discuss the limitations of the study.

1.1 Background

For several years, mergers and acquisitions, hereafter referred to as M&As, have been a strategic instrument in corporate business. Goedhart, Koller and Wessels (2010) explain that the motives behind a decision to acquire another company varies with the business strategy of the company. For example, it can be to obtain technologies, intellectual property, a supply channel or a customer network. The motive can also be to set up a business on a geographically new market or cancel superfluous capacity from a certain industry.

The Swedish market for M&As has been held at a stable level since the financial crisis with a small increase in transactions for the last years (Kokko, 2013). However, in general between 40-80 % of mergers fail due to the challenges of execution (Dunbar, 2014). When large changes are to take place in a corporation, disruption and transition time arise, which in turn place high pressure on the leaders. For employees to become more acceptable towards the necessary transitions, they need to feel that the new management care about them (Able, 2007). Thereby, Able emphasizes that the role of top management in the target firm is vital for the success of the acquisition. Harding and Rouse (2007) focus on how HR DD lays the groundwork for a gentle and successful integration process, both regarding merging different company cultures and organizational structures.

The Swedish Venture Capital Association, SVCA (2016), presents a trend of private equity (PE) investments in automation and digitalization of processes. With the digital transformation, buying instead of building innovation enables fast paced business development and accelerates the transformation process of companies. This can also be discussed as a kind of protectionism, acquiring innovation and intellectual property (Hansson, 2016). The author further explains this as an upcoming trend that will expand due to shifts in business strategies and the speed of market change.

1.2 The Business Perspective: HH&P Executive Search

HH&P is an executive search company primarily within the Nordic markets (HH&P Executive Search, 2017). They are advisors to owners, boards and managers of transnational companies. Their involvement in M&A processes is within management audit, HR due diligence (HR DD), assessment and advisory services. The consultants at HH&P work for their customer, the acquiring company, and handle the recruitment processes of top

management in the target firm. Based on the customer's business goals and motives with acquiring the target firm, HH&P searches for and recommends candidates that will be the most successful alternatives.

The HH&P consultants perform the assessment services with a primary focus on the acquiring company's business. Therefore, HH&P is interested in mapping the trends of M&A processes and finding leadership characteristics that different stakeholders find essential within the top management team to perform a successful merger or acquisition. Thereby they may improve their advisory services towards their customers, ensuring competitiveness within the area of HR due diligence and increasing the quality and value of their assessments. HH&P (2016) perceives a trend in demand turning towards a higher priority of analyzing and assessing the top management team in M&A processes. HH&P sees this increase in market demand as a possibility to extend their businesses within the area.

1.3 Problem Analysis

Companies have different growth strategies and goals, both short term as well as long term. To explore how M&As relate to an acquiring company's growth strategy and economic sustainability, the motives for M&As are examined in the first research question. For a corporate takeover to succeed in terms of internal goals of the investor as well as social and economic sustainability, the leadership plays an important role. Therefore, the second research question focuses on obtaining the knowledge of which leadership characteristics that are most preferable in M&A processes. The third research question answers the effect of business strategies, a new owner's agenda and trends on the setup of the top management team and the integration process that follows from an M&A. From this, change management and organization culture is discussed further. The main areas of concern and questions for the thesis will be connected to current market trends. These research questions are listed below.

- What are the motives for M&As and how do they relate to the acquiring and acquired company's business strategy?
- Which leadership characteristics are preferred for the top management team in the target firm during M&A processes?
- How is a top management team set up in the target company for M&A processes?

1.4 Aim

The aim of this thesis is to explore and examine the M&A process in a Swedish context, what leadership characteristics and management setup that is preferred in M&As and the change management that follows.

The study aims to explore factors that affect the M&A process and the top management setup. The intent is to further emphasize how the M&A process is influenced by different leadership characteristics in top management. Moreover, organizational structures and

cultural integration that comes with M&As are examined to gain a profound understanding of the change management in M&A processes.

1.5 Delimitations

The limitations below have been defined to deliver a thesis of the width and depth expected. First, HH&P has their main focus on small and medium sized enterprises (SME). The interview participants are therefore selected based on HH&P's customer segment and preferences. Due to this delimitation, the interviews are primarily held regarding the participants' foremost experiences from PE, Venture Capital (VC) and SME based in and around Gothenburg. HH&P's businesses also mainly involve Swedish customers, which is why the thesis only represents a Swedish setting regarding the experiences of the interviewees and M&A culture.

Moreover, the study does not primarily focus on leadership characteristics in general, but on leadership in mergers and acquisitions. The thesis focuses on the top management team of the target company and which leadership characteristics that are required during an M&A process. This delimitation derives to HH&P's request to find preferable leadership characteristics in M&As. As this thesis studies the implications of leadership, which mainly involves management and employees, the shareholder impact will not be discussed further.

It should also be noted that the term *M&A process* is limited to the time period from that the initial contact is initiated between a buying and a selling company, to when the M&A is executed and the new owners have taken control (or partly taken control depending on the scope of the M&A) of the bought company. That is, when the new owners have initiated their business in the target company.

Furthermore, due to the secrecy of business information and investment strategy, the respondents' possibility to answer certain questions may be restricted. This is also the case regarding questions that challenge the confidentiality of corporate information and ongoing M&A processes.

2 Theoretical Framework for the M&A Context

The chapter will address different aspects of the thesis' subject to create a theoretical framework. The information presented forms the basis for the analysis of the study. M&A processes are first described in general, including the motives behind them and their impact on employees and the organizational culture. The section follows with a presentation of the principal agent dilemma within M&As and observed differences between countries in leadership and organizational culture. Thereafter, change management, desirable leadership characteristics in M&As and trends within markets are discussed. Lastly, the chapter connects sustainability with M&A processes.

2.1 The M&A Process

Although there is no established process which all M&As follows, a general procedure is presented below to give the reader a quick overview and a setting for the subject of the thesis. Benson and Shippy (2013) give a description of the process with an initial contact being established between the involved corporations. It can be either the buying or selling part of the potential deal who initiates this. Next, if both parties are interested in the proposed merger or acquisition, a form of Non-Disclosure Agreement (NDA) is signed to assure that corporate information regarding the M&A process is handled with confidentiality. When a NDA has been signed, the target company can start sharing information to the acquiring part, which could include financial statements, customer information, and market forecasts. The analysis usually results in a letter of intent (LOI) which may include a preliminary offer.

After the establishment of a LOI, the process of due diligence (DD) begins. According to Gillman and Luis (2010), a DD process can include nine main audits; financial-, compatibility-, legal-, marketing-, management-, information systems-, production-, external environment- and reconciliation-audit. When the DD process is complete the acquiring company can re-assess its preliminary offer and decide whether to continue with the merger or acquisition. If so, the final negotiations can begin which may or may not result in a deal. When the parties have reached an agreement the deal is announced and the challenging process of integration can begin.

Mercurio (2013) mentions that an M&A process often includes more parties than just the companies engaging in the merger or acquisition, and the importance of the other parties' involvement. Furthermore, Mercurio explains that services from external attorneys, accountants and valuation professionals in the form of investment bankers, are typically employed. These legal M&A advisors and investment bankers offer assistance regarding target selection, valuation, strategy and securing sufficient financing. They are also commonly involved in the DD.

2.2 Motives for M&As

There may be several reasons for a company to engage in a merger or acquisition. Motives mentioned in the literature includes e.g. synergy effects, economies of scale or to reduce market competition. Since the motives generally differ between the target and acquiring firm, they will be presented separately below.

2.2.1 Motives for the Acquiring Company

The main motive for an acquiring company to engage in an M&A is almost always to improve profitability or corporate strength (Cartwright & Cooper, 1992). Goedhart, Koller and Wessels (2010) emphasize that to create value and ultimately reach success with an acquisition, it is first and foremost of great importance to have well-articulated and specific value creation ideas. For less successful mergers and acquisitions there tend to be vaguer such strategic motives. In the context of M&As, these motives usually include synergy, growth, market penetration, vertical integration and competition elimination according to Cartwright and Cooper.

Hard synergy effects can come both in the form of cost reduction and in the form of increased productivity (Cartwright & Cooper, 1992). Cost reduction often means achieving economies of scale by integrating companies' business functions such as marketing, finance and human resources. Raising productivity means being able to exploit complementary strengths between the firms involved in the merger or acquisition. In addition to this, Nahass (2009) explains soft synergies as management of working capital and management structures within the target firm.

An M&A can also allow for additional company growth to supplement organic growth (Cartwright & Cooper, 1992). Donaldson and Lorsch (1983) discuss how M&As are used to secure long term growth as organic expansion becomes increasingly difficult on mature markets. Another incentive for M&As which is closely linked to a growth strategy is market penetration (Cartwright & Cooper, 1992). This means expanding one's business to a new country or market by using company acquisitions (Gaughan, 2015). Expansion to new geographical areas implies acquiring a company which is already well established on a certain market and can serve as a springboard to launch indigenous products on that market. Market penetration through an M&A is often used by larger companies to enter high margin segments of the market (Austin & Leonard, 2008).

Vertical integration aims to cut costs for the acquiring company by buying firms in its supply chain (Cartwright & Cooper, 1992). With fewer companies in the supply chain, there are fewer layers where margins are added to the total costs. Likewise, the target firm in an M&A process may be in possession of certain desirable assets for the acquiring company, which could include the technologies, products or the team of employees (Gaughan, 2015). Furthermore, another motive behind a merger or an acquisition is to eliminate market competition. To acquire a firm that operates in the same market will not only increase their market shares, but also eliminate the competitor (Motis, 2007).

Goedhart et al. (2010) mention picking winners early as another main motive for M&As. It concerns acquiring a company early in its life cycle, long before competitors notice its potential. Christensen, Alton, Rising and Waldeck (2011) mention especially how companies that acquire disruptive products or business models can expect growth in revenues as well as in margins. However, the strategy demands that the acquirer is willing to take risks since the acquisition involves making several bets where some will succeed and some will fail (Goedhart et al., 2010). Additionally, the buyer needs to have the right skills and patience to be able to nurture the acquired company. Austin and Leonard (2008) mention six activities that favor M&A effectiveness, which can be seen as the requested skills in nurturing a new company. They include managing cultural sensitivities, capturing synergies, aligning values, providing reassurance and engaging the entrepreneur. The authors lastly add that without skillful management, a promising merger may fall through because potential benefits are not sufficiently explored.

There may be more types of strategic rationales behind an M&A decision, such as buying cheap or transformational mergers, yet Goedhart et al. (2010) stress that these seldom result in successful acquisitions. Christensen et al. (2011) accentuate that it is of great importance to first and foremost identify what it means for the corporation to buy another. The authors emphasize that “each day, the wrong companies are purchased for the wrong purpose, the wrong measures of value are applied in pricing the deals, and the wrong elements are integrated into the wrong business models” (Christensen et al., 2011). In other words, it is difficult to succeed with an acquisition if the purpose of the deal is not clear. Cools, Gell and Roos (2005) suggest that in order to succeed with an M&A process, the acquiring company needs to define the strategic intent of M&As in their corporate strategy, have a valuation discipline of potential acquisitions and conduct early cross-functional integration planning.

2.2.2 Motives for the Acquired Firm

For a company being acquired, the incentives can differ from those of the acquiring company (Motis, 2007). Austin and Leonard (2008) name a few motives based on case studies of M&As between a larger and a smaller part. One reason is to gain scale. In order for a smaller company to expand and grow in a desired pace, more capital may be needed. One way to access such capital is to be acquired by a larger corporation. Another way to gain scale is by gaining access to larger distribution networks and hence more customers. Austin and Leonard exemplify this by using the Unilever’s acquisition of Ben & Jerry’s. Unilever’s international distributional facilitated the international expansion of Ben & Jerry’s significantly.

With increasing competition in a target firm’s market, merging or being acquired by a larger company could be a viable option (Austin & Leonard, 2008). By gaining access to the capital of the larger acquiring firm, competition becomes easier to fend off. The reason for wanting to be acquired, especially for smaller, privately owned companies, could also be that the owner wants an exit. Two of the interviewees in Austin and Leonard’s article mention this; there could be a desire to cash out after a lifetime of work.

2.3 Impact of M&As

M&As have implications for all parties involved, both during the actual process and in the aftermath. In the M&A literature, the affected parties mainly consist of the employees, management and shareholders (Gaughan, 2015). Since M&As generally involve some sort of organizational restructuring as people from at least two different corporate cultures are forced together, the employees are one of the most affected parties in the process (Nemanich & Keller, 2007). Employees are called upon to increase productivity to both continue their regular job and perform additional work required for the integration of the two or more organizations (Hambrick & Cannella, 1993). Changes are made to the regular processes which the acquired company's employees are used to work by, and there is uncertainty regarding responsibilities. These adaptations to the new organization may obstruct decision-making in critical moments.

Merging of business functions to increase economies of scale are almost certain to involve lay-offs (Terry, Carey & Callan, 2001). The fear of job loss among employees could induce increased levels of stress in the workforce which in turn can have a negative fallout on work morale. Increased stress in the work environment could also result in lost privileges after the merger or acquisition. Moreover, employees fearing job loss might lead to loss of competence within the acquired company (Bianko, 2000). As people fear for their jobs, they may seek new ones in a pre-emptive measure and ultimately, key talent is lost. According to Hogg and Terry (2000), reduced job satisfaction is also a risk during M&As. It follows from the cultural changes which can induce anger and frustration in the workforce.

2.4 The Importance of Culture

As previously suggested, the fusion of several organizations which often is the case during M&As, implies a clash of cultures. In this thesis, organizational culture is defined according to the definition suggested by Hofstede, Neuijen, Daval and Sanders (1990). More specifically, Hofstede et al. describe organizational culture as patterns shared by the organization regarding how employees and customers are treated, how power and information flows through the corporate hierarchy, employee-commitment, the extent of freedom in decision-making and other shared customs and beliefs.

The importance of considering cultural differences between nations and organizations for the success of M&As are highlighted by Gill (2012). The article studies two cases and attempts to explain differences in outcome between the Renault-Nissan merger and the Daimlerchrysler-Mitsubishi merger. Gill explains how the alignment between leaders' behavior and the organizational and national culture was critical to why the Nissan-Renault merger had a successful outcome and why it did not succeed during the merger of Daimlerchrysler-Mitsubishi.

Nadler and Thies (2001) emphasize the importance of effective participation by the CEO and top management to bring about cultural change. An earlier study by Cartwright and Cooper

(1993) finds that all employees in the firms must be involved when change or integration is to be made, i.e. not restricting efforts to only top management. Moreover, the notion of management accounting for culture and people in M&As is enforced by Ashkanasy and Holmes (1995). Employees' resistance to embrace new firm culture and management's neglect to this issue are major reasons for the failure to realize synergy in a merger or acquisition (Schuler & Jackson, 2001).

2.5 Principal Agent Dilemma within M&As

Worstall (2013) presents the principal agent dilemma as the when the agent's incentives are not resulting in a behavior which best benefits the principal. For example, the main interest of the shareholders is not necessarily what is the main interest of the management. Moeller (2002) approaches the principal agent dilemma within an M&A as the balance of power between the CEO and the shareholders. The author discusses the CEO's share of ownership as a relevant aspect. If the CEO obtains a large amount of the target firm's shares it becomes costlier for the shareholders to intervene the business. Therefore, Moeller explains that the relative power of shareholders is an important factor in how the principal agent dilemma is treated within M&As.

The principal agent dilemma can also be addressed as the asymmetry between the principal (the acquiring company) and the agent (the target company) in three different ways (Marsch, 2015). The asymmetry may appear as a result of hidden characteristics of the agent. The principal is incapable of valuing these characteristics before the final contract is made and therefore exposes a risk of selecting an insufficient agent. Another asymmetry exists if the agent has a hidden intention that differs from the principal's expectations. The principal has to depend on the loyalty of the agent because after the deal is closed, there is a limited possibility to control the agent's actions. In M&As, the agent can for instance remove target firm assets without it being noticed by the principal. The third asymmetry is created by hidden information. The management team of the acquiring company is able to observe the target company and their activities but since they don't know all the circumstances, they can't evaluate them properly.

2.6 Differences Between Countries in Leadership & Organizational Culture

Although leadership during M&As is a fairly well explored topic in management literature, most studies on the topic are conducted in the United States. A report published by Jones, O'Leonard and Bersin (2012) suggests that management and leadership culture differ between countries including Sweden and the United States. The differences in management and leadership culture call to question the external validity of previous studies and whether these findings are applicable in Sweden. Jones et al. (2012) conclude in their report that there is no general leadership model that fits everyone. Leaders in India and China excel in information analysis, detailed planning and organization, while leaders in Sweden and other northern European countries exhibit visionary and transformational leadership styles. In the

US, the authors find that leadership tends more towards a business driven and individualistic style.

Brikinshaw (2002) discusses Swedish management and the Swedish approach to business in a global perspective. The general management is centered around two styles, namely empowering and coaching, where countries tend to mix these differently based on culture and history. For example, the Swedish culture and social-political background focuses less on the individual and more on the collective. The US management style on the other hand focus more on the individual. The Swedish style of management generally favors an empowering style but disfavors a coaching style. Swedish employees highly value the freedom of managing their work uninterrupted by supervisors. Brikinshaw highlights that Swedish employees want a clear objective to meet, but they need to be trusted to perform by methods they choose themselves. Further, Swedish employees also want top management to ask for their advice in questions concerning their area of responsibility. A management style that consider these conditions involves a great part of trust in the employee's own ability to make the right decisions but also acceptance when mistakes are made. Lastly, an absence of hierarchy is a key part in Swedish organizational culture since it makes room for discussion and continuous dialogues that build improvement according to Brikinshaw.

2.7 Change Management

Considering the cultural integration and organizational change which most often is required when dealing with a corporate merger or acquisition (Bijlsma-Frankema, 2001), there can be parallels drawn to the field of change management. Kotter's *eight-step-model* (1996) is based on his extensive experiences and studies of corporate change processes.

The first step to lead a change process is *establishing a sense of urgency* (Kotter, 1996). To keep traction during a change effort, a sufficient number of the people involved in the process must understand why it is necessary. This leads to the second point, *creating the guiding coalition*. Without a strong, trustful committee pushing for change in the same direction, communication and decisions throughout the organization will be too slow. Following from this, *developing a vision and strategy* is important (Kotter, 1996). If there is no vision behind the change, the forces of resistance will not be overcome and the status quo will prevail. When a vision has been developed the next step, *communicating the vision*, may seem obvious but is too often overlooked. Kotter explains that change efforts risk to stall if this is not carried out correctly.

Given that the steps one to four have been followed through, *empowering employees for broad-based change* should be forthcoming. According to Kotter (1996), empowerment in the entire organization is needed for broad-sense change. Empowerment means removing all barriers for implementing the change vision. When the change process has been initiated, the next step is *generating short term wins*. If the change process shows no results, enthusiasm among the non-zealous believers may die out. To hinder this, generating short term wins is vital, otherwise people will be more reluctant to continue. Kotter's seventh step and eighth

step, *consolidating gains and producing more change* and *anchoring new approaches in the culture* are very interconnected. They are about ensuring long term results of the change efforts and aim to make sure that all interdependent parts of the organization are aligned in the change. If change is not ingrained in the culture of the business, results will not be sustained in the long term.

2.8 Desirable Leadership Styles & Characteristics

What is desired by leaders during M&As has already to some extent been investigated in the literature. That the success of a merger or acquisition is contingent on management's leadership skills is well established, see e.g. (Jaffe et al., 2013) and (Cartwright & Cooper, 1993). Two leadership styles which have been recognized as specifically successful during M&As are transformational and authentic. Additionally, the stimulation of a so called learning organizational culture has been proven to be of great importance in the M&A process to overcome challenges with integration.

2.8.1 Transformational & Authentic Leadership

Specific leadership styles that facilitate the integration processes during M&As are discussed by Nemanich and Dusya (2009). They explain that for an acquisition to be successful, support of ambidexterity in the organization is crucial. The rapid changes that a merger or acquisition brings about can make people return to old routines and suppress explorative behavior (McNamara & Baden-Fuller, 1999). Such a change overload tends to crowd out exploration in favor of exploitation (Benner & Tushman, 2003). Nemanich and Dusya (2009) argue that for the required level of ambidexterity to be achieved, leaders should prevent the organization's impulse towards exploitation and promote explorative methodologies.

Nemanich and Dusya (2009) continues by explaining how a so called transformational leadership stimulates ambidexterity. Elenkov, Judge and Wright (2005) describe transformational leaders by four characteristics, all important for ambidexterity in the context of M&As (Nemanich & Dusya, 2009). Firstly, such leaders communicate a strong vision and provide challenging work for their team. Secondly, they question the status-quo and promote creativity in the organization. Thirdly, transformational leaders act as role models by demonstrating persistence and determination. Lastly, these leaders understand and accept individual needs for e.g. personal growth, as well as creating a learning environment.

The notion of viewing an M&A as a change process is strengthened by Nemanich and Dusya (2009). Although their framework is slightly different, transformational leadership and authentic leadership share several characteristics both with each other and with Kotter's eight-step-model for leading change. Key aspects regarding transformational leadership, challenging the status quo, communication of a vision and empowerment by individualizing coaching, are found both in Kotter's eight-step- model and in the findings of Nemanich and Dusya (2009).

Another leadership style which has been found to be successful during an M&A is authentic leadership (Gill, 2012). Additional to affirming the importance of alignment between corporate and national culture in the Renault-Nissan and Daimlerchrysler-Mitsubishi mergers, Gill also explains how authentic leadership played a central role in these mergers. According to Walumba et al. (2008), authentic leadership encompasses four distinct dimensions; supporting a positive ethical climate, self-awareness in one's actions, transparency in decision-making and balancing different opinions.

According to Gill (2012) all four of these factors were crucial for the success of the Renault-Nissan merger. Balancing of opinions and self-awareness proved to be key in aligning the corporate and national culture. A high level of transparency as well as moral conduct led to increased trust for top management. Also, authentic leadership has been reported to assist in overcoming many of the challenges with M&As (Caza & Jackson, 2011).

2.8.2 Learning Environment & Culture

The importance of organizational culture for M&As has already been explained earlier in the theoretical framework of this thesis. Integration and change of cultures are central aspects for M&A success. A key point made by Nemanich and Dusya (2009) is the triadal link between the success of the cultural integration process during an M&A, transformational leadership and management's avocation of a learning-centered workplace culture. A learning culture can be identified to encompass three factors. The first is supporting psychological safety, which is created by transformational leadership in form of individualized coaching according to the authors. Next, a learning culture also means openness to diversity in opinion, transformational leaders foster this by challenging the status quo and promoting creativity. Thirdly, a learning-centered culture means including people in decision-making. Transformational leaders do this by creating mechanisms for employees to engage in strategy formation (Vera & Crossan, 2004).

Stimulating the three components of learning culture during M&As through transformational leadership is important for several reasons. Supporting psychological safety can mitigate the negative effects from fear of job loss among employees (Nemanich & Keller, 2008). Openness to diverse opinions has been shown to actively promote the exploration side in ambidexterity (Keller, 2001). Additionally, Taylor and Greeve (2006) conclude that both exploitation and exploration are supported by openness to opinions. Increased participation in decisionmaking reduces the risk of employees not accepting change and of workers keeping to the old way of doing business.

Opposition to the acquisition or merger in the workforce can be a severe hindrance to M&A success (Schuler & Jackson, 2001) by bringing about idle behaviors such as sabotage and productivity decline (Marks & Mirvis, 1992). Such opposition may be overcome through communicating a clear vision following the model by Kotter (1996). This is supported by Bass (1998), who claims that for employees to be positive to new objectives they need to relate to the new vision.

As job satisfaction risks to decrease during the change process of M&As (Hogg & Taylor, 2000) competence and productivity loss may follow. Hence, improving job satisfaction in the workforce becomes imperatively important during M&A processes. Transformational leadership has in several studies been shown to improve job satisfaction, see e.g. (Berson & Lintin, 2005). According to Bass (1985), this comes from how these leaders communicate a meaningful vision and lead by example. In addition, individualized coaching, which is a part of transformational leadership, has been shown to make workers feel well treated and to resolve their personal uncertainties (Bass, 1998).

2.9 Trends within the Market that Relate to M&As

Which leadership characteristics that are deemed to be important in M&As can be expected to relate to the current market climate. Two such trends have been identified in the literature; namely the increasing interest in human capital and the wish to keep the entrepreneur operative within the acquired firm.

A service-based economy is being more and more noticeable on the global market today. For example, the Organization for Economic Co-operation and Development (OECD, 2000), has found that services play an essential part in OECD member countries, representing over 60 % of the total economic activity. The author further points out that the trend can be expected to continue, or even accelerate, since service-oriented and knowledge-based activities are becoming increasingly salient. From this trend, Zhou (2016) mentions how a shift will be noticed from physical capital to the direction of human capital, which will contribute more and more to productivity. OECD emphasizes how this will increase the importance of human capital in corporations.

From this, it is easy to understand why M&A success highly depends on streamlining people, cultural and organizational assets (Giffin & Schmidt, 2002). In other words, the success greatly depends on capturing and aligning the human capital within the acquired firm with the human capital within the own firm. Giffin and Schmidt mention how M&A executives often focus on financial matters such as risk assessment, financial DDs, and in which way the acquisition will create shareholder value, but that “the hurdles to success can relate directly to such people issues as workforce management and cultural integration. Finessing these soft issues is the hard part of integration and has the strongest influence on a deal’s long term success” (Giffin & Schmidt, 2002, pp. 2).

Another trend examined by Austin and Leonard (2008) is when larger corporations acquire smaller innovative firms. In this case, the entrepreneur should maintain a significant economic interest after the acquisition. Doing so will help align the interests and incentives in the acquired company, reducing risks of moral hazards. According to Austin and Leonard, keeping the entrepreneur on-board, especially for innovative firms with a strong brand, will help retain creativity and brand value. In turn, this increases the likelihood for the merger or acquisition to be successful.

2.10 M&As & Sustainability

Sustainable development is necessary to improve the quality of life for all citizens without using natural resources beyond their limit (Weybrecht, 2014). The focus lies on future generations; their needs should not be compromised as a consequence of present actions. To ensure this, both individual behavior and institutional structures must change regarding policy and practice. Businesses contribute to sustainable development by embracing strategies and activities that satisfy today's stakeholders while guaranteeing future human and natural resources.

Corporate sustainability can be described with Elkington's model called *The triple bottom line*, where companies should address three different bottom lines to measure their long term financial, social and environmental performance (The Economist, 2009). The first bottom line includes corporate profit and the second one measures the organization's social responsibility through its operations. The third and last bottom line involves the company's effect on the planet, estimating how environmentally responsible it is. When a company follows the triple bottom line, it takes account for all corporate costs. Corporate sustainability thereby provides long term profitability and competitive advantages as well as keeping a prospering society and planet (Brockett & Rezaee, 2012).

2.10.1 Social Sustainability within Corporations in M&As

Corporate Social Responsibility (CSR) is a subject surrounded by debates and inconsistencies concerning its conceptual issues and proper definition (Orlitzky, Siegel & Waldman, 2011). Banerjee (2008) presents the rationales behind CSR as corporations thinking beyond money-making and instead paying attention to environmental and social issues. They behave ethically and demonstrate the ultimate level of transparency and integrity in their operations by involving themselves with the community they operate in regarding increasing social welfare and providing community support. Garriga and Melé (2004) offer a shorter definition, meaning that CSR-approaches focus on different aspects of social reality; namely economics, social integration, politics and ethics. They elaborate the four aspects further by asserting that CSR theories are focused on meeting objectives that produce long term profits. This is done by using business power in a responsible way, integrating social demands, and contributing to a more sustainable society by doing what is ethically correct.

Although, it is not always clear what the benefits from CSR are. Thorpe (2013) mentions that corporations engaged in CSR often have an approach toward the impact on the community rather than on the firm. However, Epstein-Reeves (2012) claims that CSR efforts act as a tool for optimization of e.g. innovation, cost savings, long term thinking and employee engagement. Orlitzky et al. (2011) adds that CSR endeavors can result in increased trust and reduced transaction costs in the long run.

In M&A processes, the importance of CSR has increased and is becoming a success factor in the company practice (Shreck, 2009). Josselyn (2015) further stresses that M&A failures are

a serious threat to the long term sustainability of a corporation, making CSR more than a management buzzword. It is a key ingredient in M&A strategy.

In Austin and Leonard's article (2008) it is emphasized that the challenge in M&As is achieving a combination of the three potential gains. These include reduced production cost at the acquired company, increased product revenues of the acquired company or a transaction of special capabilities from the seller to the buyer, without damaging or disrupting the delicate social core value proposition of the acquirer. That is, for a merger or acquisition of a company with a strong centrality on social dimensions, initially the focus must lie on the social values and how to protect them. The authors recommend the acquiring company to understand, respect and preserve the organizational culture of the target company. Not to homogenize them into the own firm's organizational systems, practices and structures.

Moreover, Able (2007) explains that for employees to become more accepting towards the necessary transitions following an M&A, they need to feel that the new top management cares about them. Hence, it is of great importance that the right leaders are placed into the correct roles so that a match between the organizational cultures of the target firm and the acquiring company, as well as their respective business strategies, can be secured. Additionally, Great Place to Work (2014) emphasizes that a company's culture, working environment and code of conduct are reflected in the way the employees are creating and delivering value to the customer. Hence, top management plays a vital role in setting the standard and guidelines on how the acquired company will work with these issues during a merger and acquisition. By doing so, employees of the acquired company are engaged "to deliver the brand promise to customers, shareholders and the community, in turn leading to profitable business growth" (Able, 2007, p. 5), which is in line with CSR theories.

2.10.2 Economic Sustainability in M&As

Coallier and Keller-Koopman (2014) describe economic sustainability by referring to the creation of long term profitability and continuous improvement with measurable goals and relevant guidelines. Doane and MacGillivray (2001) simply define economic sustainability as how a firm stay in business. They continue by describing the concept as "the process of allocating and protecting scarce resources, while ensuring positive social and environmental outcomes." (Doane & MacGillivray, 2001, pp. 16). One of their key conclusions is that companies that only rely on historical financial indicators such as turnover and profit, risk a premature death due to the harsh corporate climate. The number of players in the marketplace has also increased, something which in turn creates a business environment with higher risk-taking as well as more business opportunities for companies (Weybrecht, 2014).

Gupta (2012) points out the importance of M&As for a country's economy. Through corporate mergers and acquisitions industries can be restructured. M&As can also function as engines of growth in existing industries by producing economies of scale, increasing the vulnerability of shareholders and augment market competition. Additionally, horizontal growth through M&As creates synergy-based value, i.e. a better economic performance post-

acquisition when the two firms are combined, than what operating separately does (Capron, 1999). Hence, this effect benefits both the acquiring and target company.

As has been mentioned before, one motive for M&As is for the company to grow more rapidly in size compared to other strategies and therefore leapfrog competitors (Single & Rodrigues, 2016). However, there is a risk that a series of acquisitions can conceal impairment in the company's core business. As a result, investors and analysts often inspect the organic growth instead of M&As to get an insight into the company's growth prospect and future profitability. Moatti, Ren, Anand and Dussauge (2014) further discuss the subject by arguing that both M&As and organic growth are ways to achieve horizontal growth, i.e. an expansion in the same general market, but that the strategies differ regarding bargaining power and operating efficiency. Moreover, Moatti et al. claim that the advantage from M&As, which is increased bargaining power, vanishes over time since the strategy decreases the operating efficiency in a longer term.

Martinova, Oosting and Renneboog (2006) claim that long term performance develops slower with hostile takeovers and tender offers. They also find that the company's economic performance differs in a significant way compared to when friendly takeovers and negotiated deals are made. However, in M&A negotiations both parties aim to create high value for the shareholders' investments (Hitt, Harrison & Ireland, 2001). According to the authors, there is a risk in trying to maximize the value to every extent in a negotiation and it can lead to an infected relationship between the management team of the acquiring and target firm, obstructing the future integration. In addition, a negative result may create a bad reputation that affects future negotiations, not only for the target firm but also for the investors. Murphy and Lang (2014) point out that to ensure economic sustainability, the company have to meet the needs of current stakeholders without hindering the ability for future stakeholders to fulfil their needs. Therefore, it becomes important to include both parties' interests in M&A negotiations.

Organizations need to stay profitable and create value for shareholders to survive and thereby enhance a sustainable performance (Brockett & Rezaee, 2012). The foremost goal of many companies is improving economic performance, but to provide value for stakeholders they also must address ethical, social and environmental issues. In M&As specifically, a well-handled integration process between the two firms is of essence to secure the merged company's survival, i.e. its economic sustainability.

3 Method

This chapter includes a discussion on the chosen method approach that best will meet the purpose of the study. The introductory section explains the general working procedure of the project. A motivation for using a qualitative study is presented, followed by a description of the procedure in creating the theoretical framework. The chapter continues with describing the qualitative study in the form of interviews that was carried through, and a discussion is made both on the construction of the interviews and how they were analyzed. Lastly, the method process altogether is analyzed in terms of validity and objectivity.

3.1 Working Procedure

The study consisted of interviews with key persons in the M&A process, namely experts in the area, the management team before an M&A process, the appointed management team during and after an M&A process, owners and investors. In order to map how the M&A process influences which leadership characteristics that are preferred, a literature study was weighted together with the information gathered from the interviews.

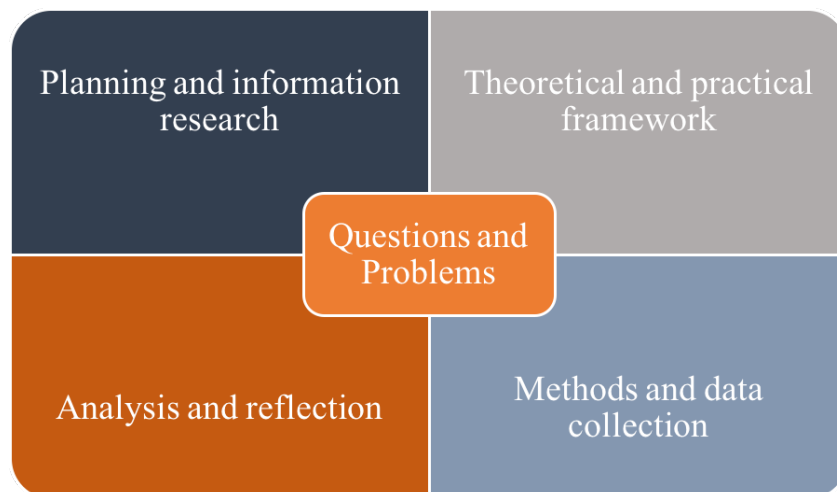


Figure 1 A model for research methodology (Eriksson & Wiedersheim-Paul, 2008).

The working procedure began with the project group and HH&P forming an idea of the project. Yashar Mansoori, the supervisor on this project, helped specifying the purpose. A planning report was made to structure the project and served as an indication to the commissioning body that the work was progressing as planned. A problem analysis together with a time schedule and limitations for the project were included in the report to accomplish the set purpose within given time frames. These parts align with the first block called *planning and information* research found in Figure 1.

A literature study was made in order to develop a theoretical framework, which is in line with the second part of Eriksson and Wiedersheim-Paul’s model (2008) *theoretical and practical framework*. Initially, the study was designed from a wider perspective where leadership

characteristics were discussed in general in collaboration with HH&P, and what possible factors could affect the outcome of an acquisition. As the knowledge on the subject grew, more and more was added to the theoretical framework.

The next step in Eriksson and Wiedersheim-Paul's model (2008), *methods and data collection*, was accomplished through interviews held simultaneously as the ongoing literature study. Since the purpose of the thesis is complex with no straightforward answer, a qualitative study was suitable (Blomkvist & Hallin, 2015). This is described more in detail further on in the report. Lastly, the results from the transcribed interviews were analyzed by comparing presented ideas and connecting them to different contexts according to the fourth part of the model, *analysis and reflections*. Eriksson and Wiedersheim-Paul additionally point out the importance of connecting the different parts of the study before reaching a conclusion.

3.2 Choice of Method Approach

When deciding upon a method approach, the present knowledge within the field needs to be considered (Wallén, 1996). As described in earlier sections, the field of preferred characteristics in leadership has been researched in e.g. the US and in countries around Europe. It is important to keep in mind that the business environment in Sweden differs from other countries in terms of for example lack of hierarchy and a larger focus on the collective rather than on the individual (Brikinshaw, 2002). By also taking into account the specific situation in an M&A process, this thesis is considered to be conducted in a new field of investigation. An explorative study is often used to bring basic knowledge to the subject (Malterud, 2009). It is also according to Wallén a suitable method to sort out relevant variables and concepts, and examine what should be considered as part of the problem. Basic research is what should be done in this field of investigation and therefore an explorative study was carried out for the thesis.

When performing an explorative study, it is generally suitable to use an inductive method approach (Wallén, 1996). In this thesis, the aim is primarily to search for new connections and trends within leadership and the M&A process, and it can therefore be said to be an explorative inductive study. The inductive part is mainly carried out in form of interviews. According to Wallén (1996), the best way to study people's experiences and opinions is generally just to ask them. Since that is what this study primarily examines, it is also chosen to be part of the method approach. Interviews were therefore held with 16 persons. The aim of the interviews was partly to gather information from people with a lot of experience to cover different opinions and aspects regarding leadership characteristics in M&A processes. Further, it was also to get a complete understanding of every interviewed person's contribution to the field of M&As.

In this study, 15 out of 16 interviews were recorded and transcribed whereas one interview was based on notes taken by the interviewer. However, certain explicit information was left out due to the fact that some interviewees preferred to be partially anonymous. This was

especially when some interviewees talked about specific M&A cases and could not share information due to confidentiality.

The interviews were conducted in Swedish since that is the native language for all the interviewees and thereby the language they felt most comfortable with. Moreover, the transcriptions had to be translated into English to be comprehensible in this thesis. Since the authors of this thesis are all Swedish, they are considered to have enough knowledge and experience of the used language.

3.3 Choice of Qualitative Data Collection

In an explorative study, a qualitative approach is often applicable (Malterud, 2009). The qualitative study aims to explain and interpret the concepts and connections within the field of the study (Wallén, 1996). This is also suitable as a first step of a quantitative study when deciding upon variables to measure. Therefore, the thesis was best performed in an exploratory manner, seeing that few earlier studies exist.

One of the main reasons to conduct a qualitative study is when there is a vague subject based on subjective experiences (Wallén 1996). This kind of problem is best researched with a qualitative study since feelings and opinions easier can be expressed in words rather than measured with numbers. According to Wallén, it has been proven successful to use such a study when there is a subject with complex connections. In the area of leadership characteristics, present managers' experiences and the aim of the acquiring company play a role in the hiring process. Therefore, complex connections and hard measured reasoning often arise.

3.4 Interviews

Concerning the main questions of this thesis, interviews were chosen as primary information source in the search for qualitative first-hand data. The candidates were asked both general questions regarding their backgrounds and experiences, as well as case specific questions. The method provided a wide range of qualitative answers that later would be analyzed and compared.

3.4.1 Designing the Interviews

Hauge (1998) presents two main approaches in designing interviews, namely structured and unstructured. A structured approach follows a strict scheme of closed questions with predefined answers, often used in quantitative studies. Unstructured interviews include open questions and gives the interviewer the liberty of constructing questions based on received answers. The author also describes semi-structured interviews, which is a third option that uses both open and closed questions. The method of semi-structure was used in this thesis since this approach provides the interviewer a more agile way of conducting the interview. The semi-structured interview format is closer to a real conversation which makes the process of collecting both quantitative and qualitative information easier, according to Hauge.

The method for handling the candidates' different backgrounds was to provide customized interview frameworks for different target groups. In total, the candidates were divided into four categories depending on their past experience and current position. The four categories were named top management, previous top management and owners, field experts, and investors. The frameworks were almost identical for all categories, but specific questions were dependent on which category the candidate belonged to. According to Andersson (1985) even small changes to questions might jeopardize a survey. For instance, leading questions and negations should be avoided. The different interview templates were therefore closely formulated and reviewed to be as similar as possible. Hence, the interviewer's own influence on received answers would be minimized. In the Appendix the interview frameworks are found.

Eriksson and Weidersheim (2008) mention common mistakes in interview studies. For example, questionnaires with too many questions, multiple questions in one or too complex questions. To avoid these, the questions used were decided through a series of steps in which these common mistakes could be carefully avoided. The method included brainstorming a first draft for each target group. The drafts were then divided into different categories such as background, general thoughts about M&A, and case specific questions. The questionnaires were then reviewed and cut down in an iterative process until the first drafts with around 14 questions each were complete. The final drafts were then reviewed by the supervisor Yashar Mansoori.

A special part of the interviews is a list with 14 characteristics that was given to all interviewees. The purpose was to let the candidates rank the characteristics from most important to least important in the context of M&A processes. The list is based on a personality test provided by HH&P and CEB, a supplier of talent assessments. The personality test was used as an inspiration because of its thorough descriptions of the characteristics' potentially positive and negative effects. The original list had around seven themes, each with a set of five characteristics. The final draft was then put through an iterative process with discussions, cuts and internal reviews among the group members until 14 characteristics remained (see Appendix).

3.4.2 Interview Objects

The interview candidates primarily contacted were people with first-hand experience of M&As. To get a wider scope with multiple perspectives, a diverse range of people in different positions were targeted, e.g. persons entitled as CEOs, investors and owners with personal experiences from M&A processes. The candidates also consisted of field experts. Experts in the sense that they work at an executive search firm that provides the investors with advice within recruiting and HR due diligence services connected to M&As. In other words, people with experience of searching for and evaluating desired characteristics in top management.

The total number of interviews conducted were 16, ranging from 30 to 120 minutes depending on the received answers. The process of conducting interviews was continued until data saturation was reached. That is, when there was enough information obtained in order to replicate the study and the possibility to gain new information was low (Fusch & Ness, 2015).

The interview candidates were gathered through personal contacts, chain recommendations and web searches for Gothenburg related investment companies involved in M&As. The first couple of interviews provided more insight into what kind of companies that should be targeted in the search for candidates. The main method for establishing a first contact with candidates was through phone calls. Beforehand, a thorough mapping of the targeted candidate and the company they represent was made to make sure that the right person with the right knowledge was contacted. Through the phone call a brief explanation of the aim of the thesis was presented and if the candidate agreed to be a part of the study, an interview was scheduled. After the first conversation, a confirmation email was sent with more detailed information along with a preview of the interview questions.

The interviewees came from a wide range of different backgrounds such as small, privately owned firms as well as companies noted on the Swedish large cap stock market. The companies were defined as either large or small, where two out of three of the following demands had to be fulfilled to be defined as a large one; more than 50 employees in average, more than 40 million SEK in total assets, or more than 80 million SEK in net revenue (Bolagsverket, 2012). In Table 1 on the following page the interviewees are presented.

Table 1 Company and candidate information retrieved from www.allabolag.se and company websites.

Name	Role	Company	Corporate type	Corporate size	Interview date
Andreas Höye	CFO	Chalmers Ventures (Chalmers Innovation Seed Fund)	Investment & Venture Capital Company	Small Company	Mar 9, 2017
Finn Konsberg	Owner	Farligt Gods Gruppen	Service Business	Small Company	Mar 27, 2017
Fredrik Jignéus	CFO	Ernstströmgruppen	Investment Company	Large group of companies	Mar 30, 2017
Hans Ljungkvist	Chairman of the Board	Profura	Investment Company	Large Group of Companies	Apr 3, 2017
Henrik Johansson	Partner & Managing Director	Arctos Equity Partner	Investment & Venture Capital Company	Small Company	Mar 20, 2017
Håkan Krook	Fund Manager	Chalmers Ventures	Investment & Venture Capital Company	Small Company	Apr 4, 2017
Jan Svensson	CEO	Latour Industries	Investment Company	Large Group of Companies (NASDAQ Stockholm)	Mar 30, 2017
Ludwig Alholt	CEO	Brunngård Group	Production Company	Large Company	Mar 27, 2017
Marcus Bäcklund	CEO	Mindmancer	Service Business	Small Company	Apr 11, 2017
Mattias Josephson	CEO	Idéfabriken	Investment Company	Small Company	Mar 6, 2017
Mattias Grönberg	Partner	HH&P Executive Search	Consulting Firm	Small Company	Mar 22, 2017
Paul Brunngård	Owner	Brunngård Group	Production Company	Large Company	Mar 27, 2017
Victor Örn	Investment Manager	Pegroco Invest	Consulting Firm	Small Company	Mar 9, 2017
Anonymous 1	CEO	Company 1	Production Company	Large Group of Companies (NASDAQ Stockholm)	Mar 24, 2017
Anonymous 2	Associate	Company 2	Investment Company	Large Group of Companies	Mar 30, 2017
Anonymous 3	Investment Manager	Company 3	Venture Capital Company	Small Group of Companies	Mar 27, 2017

3.4.3 Analyzing the Interviews

According to Thomsson (2002), a systematic analysis of the interviews is essential to gain a deeper understanding for the material and what new information it has brought forth. It is common that the problematic issues of a study become more and more clear as the interviewing process proceeds. Generally, the time spent on the analysis will be mirrored in how interesting the final results of the study are. Thomsson further argues that if resources are scarce, the advice is to limit the problematic issues of the study and perform fewer interviews, to be able to spend a sufficient amount of time on the analysis. In terms of this study, the time available was the principal limitation. Hence, 16 interviews were executed for a time period of roughly three weeks, which gave the group a sufficient amount of time to perform the analysis.

Seeing that the interviews were semi-structured, the answers were more or less open. Andersson (1985) stresses that open answers can be analyzed and broken down into different categories. In some cases, the open answers entail direct information and can be transferred to established categories, and in some cases more detailed analyzes must be executed so as to find similarities and differences between the answers of the interviewees. Bryman and Bell (2011) present Grounded Theory as a tool for analyzing qualitative data, where coding is the main process. This involves breaking down the data from the interviews into component parts. Gioia, Corley and Hamilton (2012) introduces a way of analyzing qualitative data which includes Grounded Theory, and it was according to this methodology the interviews were analyzed.

The 1st-order analysis includes identifying all categories that adhere faithfully to informant terms (Gioia, Corley & Hamilton, 2012, p. 20). Thereafter, similarities and differences among the categories are searched for, which reduces the large number of categories into a more manageable amount. The ones that are deemed as to be of potential theoretical significance are given labels.

These are in the 2nd-order analysis translated into different concepts (Gioia et al., 2012), which in turn are placed into different categories. The focus now is placed upon discerning concepts that connects to the theoretical realm. By doing so, it is possible to distinguish concepts that can help describing and explaining the problems that are analyzed for the aim of the thesis. A category contains concepts that are regarded as to represent a real-world phenomenon within the field of the study, hence they are more abstract than the concepts (Bryman & Bell, 2011). These are called 2nd-order aggregate dimensions in the context of Gioia, Corley and Hamilton's (2012) methodology.

When the 1st-order categories, 2nd-order concepts and 2nd-order aggregate dimensions are established, a data structure can be developed (Gioia et al., 2012). This enables configuration of data from the interviews, as well as presenting a graphic representation of the analyzing process.



Figure 2 A visualization of the steps in Gioia et al.'s methodology.

3.5 Critical Discussion

Lincoln and Guba (1985) claim that a study's trustworthiness is essential when evaluating its value. Trustworthiness is divided into four parts; credibility, transferability, dependability and confirmability. However, in a qualitative study these concepts are replaced to achieve trustworthiness (Bryman & Bell, 2011). Credibility corresponds to internal validity. Transferability corresponds to external validity, and dependability corresponds to reliability. Lastly, confirmability corresponds to objectivity, i.e. if the researcher is objective in his or her work. Since this project is of a qualitative nature, the critical discussion will be held on the groundwork of the concepts presented by Bryman and Bell.

3.5.1 Internal Validity

Interviews were with key persons in the M&A process. These persons have different backgrounds and therefore different views of the process, which creates a broad data collection. The companies they represent are of various sizes, from small family-owned firms to large enterprises listed on the stock exchange. The work was further divided equally between the six writers to reduce the risk of incorrect interpretations. Every writer proofread each other's work and had a discussion when having different opinions. According to Lincoln and Guba (1985), member checks is the most essential technique to accomplish credibility in a study.

However, to ensure validity of the interview analysis, two out of six group members were chosen to perform the analysis. According to Gioia et al., (2012) there may be an issue with authors interpreting the informant terms and passages of the analysis differently. By reducing the number of persons performing the analysis from six to two, it became easier to agree upon decision rules as for how to code various terms and phases. This was also recommended by the supervisor Yashar Mansoori.

3.5.2 External Validity

Thick description can be depicted as to what extent it is possible for an external part to use the information presented in this thesis correctly in another context (Lincoln & Guba, 1985). Something that depends on how detailed the descriptions are, and can be used to achieve external validity. In this report, thick description was applied by thoroughly accounting how the interviews were constructed and the methods used to analyze them, as well as how the discussions and reflections were supported.

3.5.3 Reliability

External auditing means that a non-involved researcher examines the process and the outcome of the study (Lincoln & Guba, 1985). The purpose is to verify the correctness of the report and evaluate that the data supports interpretations, discussions and conclusions. External auditing can be used to examine the validity of a study. Yashar Mansoori, the supervisor of the project, helped with the reliability by guiding, answering questions and proofreading the report. Moreover, all interview candidates were able to read through the report and provide input before the final draft. To complete the external auditing, another group doing a bachelor thesis opposed the project.

3.5.4 Objectivity

All researchers have different perspectives when approaching a problem which can lead to diverging understandings of a certain situation during the study (Lincoln & Guba, 1985). A researcher's background and position affects the angle of investigation, what is considered the most appropriate findings and the construction of conclusions (Malterud, 2001). The solution is reflexivity and therefore all group members took responsibility in reading literature and analyzing the findings. Every interview included different members of the group which could affect the way questions were asked and thus the answers from the interviewee. Therefore, every writer also transcribed and listened to interviews held by others in order to reach an equitable result.

To get a deeper understanding of the subject, triangulation was used. According to Lincoln and Guba (1985), triangulation means having multiple data sources in an investigation to sufficiently analyze a problem. In this case, both data from the literature study and interviews supported the analysis. To ensure objectivity an audit trail was created. This entails a transparent description of the research path including research design, data collection choices and methodologies used to analyze data (Lincoln & Guba, 1985). The purpose of an audit trail is to clarify what was done in the investigation. Malterud (2001) stresses the importance of reporting the analytical path and claims that it is not good enough to simply describe how and why patterns were chosen. "The reader needs to know the principles and choices underlying pattern recognition" (Malterud, 2001, p. 486)

4 Findings

This section includes a presentation of the findings received from the interviews that were conducted with 16 key persons within M&As. Figure 3 shows the 1st-order categories, 2nd-order concepts and 2nd-order aggregate dimensions that were gathered from the interview analysis. The chapter is divided into four parts in accordance with the 2nd-order aggregate dimensions; the M&A process, the assessment of the top management team, the top management setup and social sustainability in M&A processes.

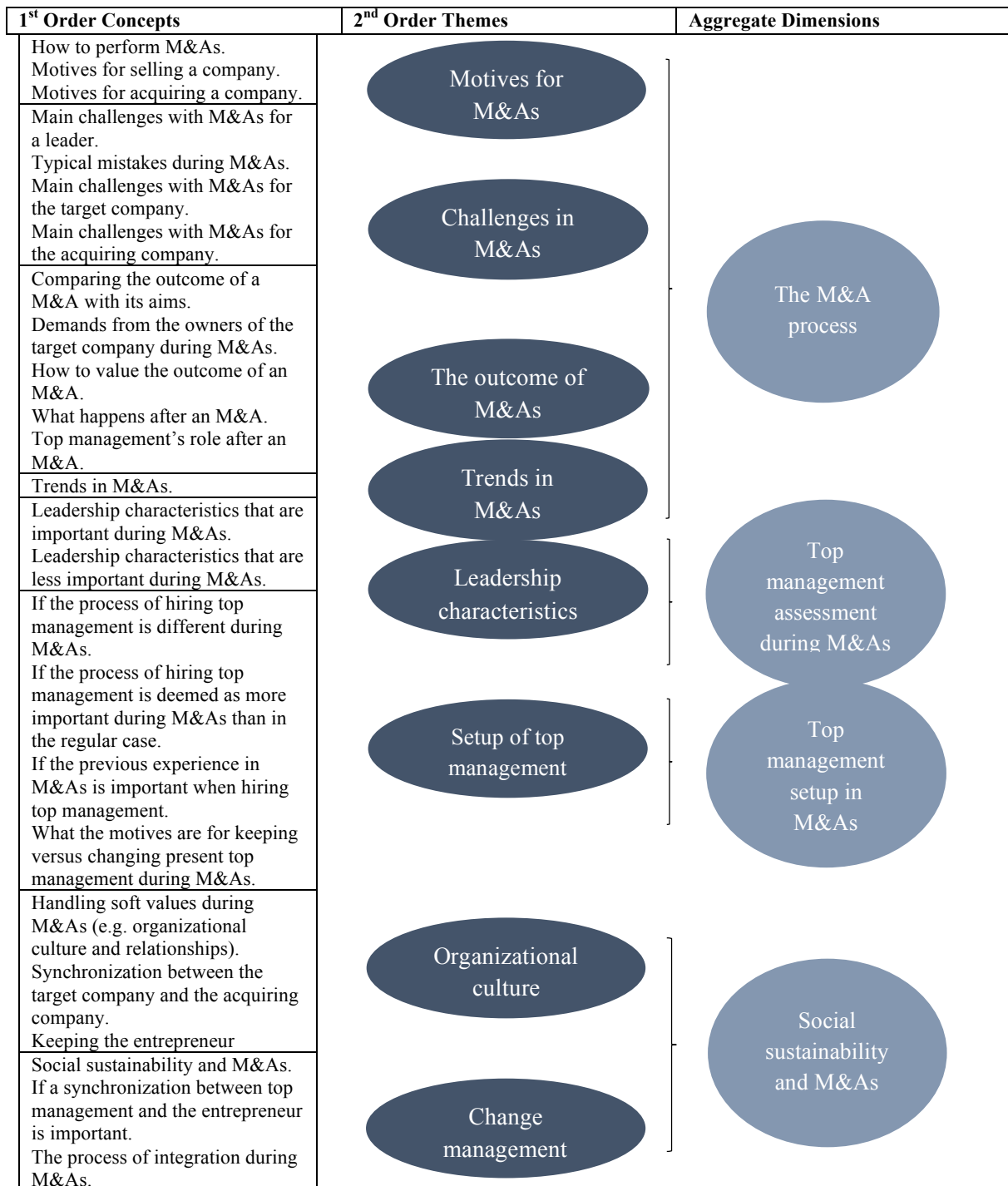


Figure 3 A visualization of the findings gathered from the interview analysis.

4.1 The M&A Process

All the interviewees had different backgrounds and roles in M&A processes. They came from companies of various sizes and with different strategic intents with M&As. This resulted in findings for motives, challenges, common outcomes and trends in the process, which are presented below.

4.1.1 Motives for M&As

Concerning motives for performing M&As, three different aspects were discerned. First, there were motives for using M&A as a strategy for growth. Second, there were motives for acquiring a specific firm. Third, there were motives for the owners of the target firm to sell their business.

M&A as a Business Strategy

Finn Konsberg and Anonymous 1 described the two types of growth that exist for firms as organic growth and growth by acquisitions. Anonymous 1 described it with *“I would say that about 70 % of all companies use the same approach. We shall grow organic but we shall also grow by acquisitions. The problem today is that in mature markets, if you look at Europe, the US and so on, is that the markets do not grow [...]. As a company you have to grow organically [...] but if you only have a few percent organic growth and you still have a big balance sheet with an industry behind, then you have to fill your industry with goods, you need to produce and therefore you also have to conduct acquisitions”*. In markets with low organic growth, Jan Svensson agreed with this need of growth by acquisitions. *“Companies have to grow, because if you do not, you lose competitiveness. If you do not have the luck of working in a very successful industry which grows a lot by itself; that is, where the underlying growth is very high, then you do not get a high growth rate. So, if you want to have a proper growth rate and be valued accordingly, then you have to acquire”*.

However, Fredrik Jignéus accentuated the importance of primarily focusing on your own business and only see acquisitions as a complementary strategy. Although, he admitted that today's state of market and access to capital give rise to an aggressive acquiring strategy. Jignéus additionally mentioned the pressure from the board as a reason to perform M&As. This was confirmed in the interview with Andreas Höye, who described the specific demands from the company's owner. He further explained that the owner's set objectives regarding international success, global investors in the companies and return on investments etcetera are spread among the portfolio companies.

The most common explanation of the motives is that M&As are done in order to develop and expand the acquired firms. According to Håkan Krook, this is mainly done by contributing with capital. Anonymous 2 added the contribution of knowledge, which altogether enables a more aggressive development of the target company. Anonymous 3 and Henrik Johansson emphasized that the way of doing so is to claim a place in the board and direct the acquired company from there. In comparison, Victor Örn mentioned their strategy as taking a more

operative role in the top management team, by even sometimes taking over as e.g. CEO themselves during a shorter time period.

Acquiring a Firm

The most distinct finding in this area is that there are a lot of reasons for a firm to carry out an M&A. The first two reasons for M&As were described by Anonymous 1. *“Either you take new products into an old market [...] or you take an existing product into a new market. In order to succeed fast, an acquisition is needed”*. These motives are also mentioned by Anonymous 3 and Finn Konsberg.

Finn Konsberg, Håkan Krook and Fredrik Jignéus further declared that the wish of getting control of another firm’s intellectual capital and technologies is another reason for initiating an M&A process. For example, Henrik Johansson described the motive of wanting the acquired firm to develop their already existing ideas since they, after the acquisition, can be more risk taking. Moreover, Konsberg, Krook, Jignéus and Mattias Grönberg described the basic motive of taking over the target firm’s customers, and by doing so reaching the critical mass and economies of scale. Konsberg also motivated this by explaining the opportunity of additional sales from the acquiring firm to customers of the target firm.

Reducing the number of competitors on the market and hence giving more power to the acquiring firm as well as their customers is presented as another reason for M&As by Grönberg and Konsberg. To consolidate the market is mentioned by Grönberg, Anonymous 1 and Victor Örn, together with synergy effects from Konsberg and Grönberg. Jignéus also mentioned the synergy effects as a reason for M&As, which follows from an increased network of suppliers and distributors.

Furthermore, Grönberg added the aim of getting key persons of the target firm into the acquiring firm. To succeed with that, Hans Ljungkvist described partnership as a good way to convince top management to stay. Anonymous 1 on the other hand, suggested not to buy the whole firm but to buy a majority of it and to write a call and put option with the entrepreneur for the remaining part to ensure commitment. Lastly, Grönberg talked about acquisition of shares as a pure financial investment.

Selling a Firm

Henrik Johansson mentioned the possibility of lowering risk-taking within a firm with the help of M&As. When selling a part of the company, the owner can place the profit somewhere else, and with less money invested in the company the ability and willingness to take risks increases. That was what happened when Paul Brunngård sold parts of his company Brunngård to the investment company Nalka. The company had a culture of being agile and fast moving, but since Paul Brunngård was the major owner of the target firm, he was no longer willing to take risks. By selling, the risk for Paul Brunngård was reduced and the acquired company could continue to grow.

Mattias Josephson further discussed the timing of selling a company and explained that a company should sell when there is no longer a possibility for them to grow on their own. Something that Ludwig Alholt emphasized by saying that a company may need to get a new perspective from the outside in order to take the next step.

Finn Konsberg explained that the motive for the M&A also affects how the selling process will be performed. Reasons such as age and health of the owner, as well his or her ability to take the company further can impact the attributes of the process, or if the M&A will even be executed at all. A motive that nearly always results in an acquisition being executed, is strategic selling where one part of a business is sold due to not belonging to the core business of the selling company.

4.1.2 Challenges in M&A Processes

Generally, a number of challenges must be faced with and handled before an M&A process can fully succeed. These challenges can appear for both the acquiring firm and the target firm, as well as their leaders, respectively. Of course the challenges are connected, but due to the fact that this thesis specifically investigates the leaders' influence in M&A processes, the two firms' challenges and the leaders' challenges will be discussed separately. The major challenges will also be further elaborated in separate sections.

Challenges for the Acquiring and Target Firm

Anonymous 1 described one challenge as *“to not upset the customers when consolidating a market”*. Because when a consolidation is performed, the number of suppliers on the market is reduced and as a result the power will shift more from the customers to the suppliers. Another challenge emphasized by Anonymous 1 is the speed of acquisitions. The M&A process must be fast so that the leaders of the target company can go back to focus on the daily operations as soon as possible. Victor Örn stressed this by saying that if the process is not quick enough, one risks losing focus of the own firm's business. Likewise, Henrik Johansson said that the acquiring firm should avoid burdening the leaders with managing both the M&A process and the operative work as much as possible.

A challenge described by Håkan Krook, is that the target firm often has to find more investors to invest in the company after the M&A. For these co-investors *“It is important that they have capital for follow-up investments and that they have knowledge and a network of customers, suppliers or potential partners to contribute with”*. The challenge is to find these investors and to cooperate with them.

Finn Konsberg talked about the challenge for the acquiring company of keeping the entrepreneur in an operative role in the target firm. Firstly, a challenge may be to trigger his or her willingness to work with the new owner's agenda. Secondly, if an argument arises about what to pay for the target firm, a strategy can be to offer the entrepreneur a fixed price as a base accompanied with a variable price dependent on the performance of the company in a set future. Although, new challenges can arise regarding valuing the performance of the

acquired firm, since the entrepreneur and the acquiring firm may have different opinions on this.

Jan Svensson also stressed the challenge of when to meet and evaluate the existing top management. Often the acquiring firm want to meet the team as early as possible to evaluate them. The acquired firm owners in contrast, want to wait until the deal is done so that the management do not have to be interrupted of an M&A that ends up not being carried through. *“It is a hard balance because as a buyer we want to meet the management team as soon as possible, maybe even before an agreement has been made. From the perspective of the seller, you rather want to wait with letting the buyer meet the management team. Then it becomes a conflict”*.

Challenges for the Leaders

Anonymous 2 mentioned the challenges that come with many uncertainties. For example, how to get everyone onboard in the organization and at the same time fulfilling the new owner’s demands. To meet these challenges, a leader is required to have a holistic perspective of the organization. Additionally, many uncertainties come with new assignments in general in the organization following an M&A. Fredrik Jignéus described the problem of having many things to focus on simultaneously, which requires having a good team to rely on in the organization. Victor Örn also mentioned the need of multitasking in the M&A process.

The principal agent dilemma is another issue that was mentioned in the interviews.

Anonymous 1 described that in an M&A process, it is the CEO that represents the owners. That can become a problem if the CEO does not have the same motives as the owners. Finn Konsberg explained that this partly can be solved by selling shares of the company to the top management team. The principal agent dilemma can also arise when buying a firm and keeping the former owners in the acquired company. Jan Svensson stressed the challenge of predicting whether the former owners are still motivated to work for the acquired firm when they have sold their shares or not.

4.1.3 The Outcome of M&A Processes

The outcome of M&A processes can differ a lot. According to Håkan Krook, this is especially the case when acquiring small businesses in an early stage. Only a few will become rewarding investments. However, Anonymous 1 argued that when buying a successful firm, the only thing that is needed and should be done is to contribute with resources and letting the acquired company continue with their business. Further, Mattias Josephson emphasized that the main outcome is dependent upon many different aspects of the motives behind the deal. An M&A can go according to plan but the main motives may still be lost. Even though the outcome of an M&A is beneficial for the acquired company in monetary terms, it comes with a great deal of risk.

Finn Konsberg described that when performing a merger, a new business plan leads to new goals and new forms of actions to reach these goals. According to Ludwig Alholt, this also

means new KPI:s and new ways of measuring success. The demands often become clearer with new investors, resulting in more distinct goals and fewer challenges for the leader, as described by Mattias Grönberg. Grönberg mentioned that a company driven by an entrepreneur on the other hand can change goals overnight depending on the mood of the owner, making the challenges for the leader more significant.

4.1.4 Trends in M&A Processes

When talking about trends in the M&A process, Mattias Grönberg said that nowadays the motives for M&As are generally more discussed than earlier. Also, the entrepreneur in the target firm has become increasingly important. Therefore, it is common that the acquiring firm does not buy the whole firm but instead allows the entrepreneur to keep a part of the company. Hence, he or she continues to be a part of the acquired firm. Grönberg further elaborated that the knowledge of how to replace a position with a better suited leader has improved. This is because the process is something that has been performed many times, leading to more experience.

Henrik Johansson described that today many investment companies have grown so much that they are no longer interested in smaller companies, but instead focus on mid cap firms. Therefore, the business potential within the area of small cap firms is something that Johansson is taking advantage of. It is a segment with large potential and less competition from other buyers, but with larger challenges considering that it comes with a smaller and often untested management.

4.2 Top Management Team Assessment

The second part of this chapter comprises of a focus on the top management in M&As. More specifically, the preferred and neglected leadership characteristics are presented.

4.2.1 Preferred Characteristics

With starting point in the list of preferred leadership characteristics, the interviewees discussed which were most preferred in an M&A context.

Persistency, Performance & Determination

Håkan Krook said that *“all of the characteristics in the list are doubtlessly characteristics of a great leader. You have definitely captured what we search for in a business leader, but in M&A processes some of the mentioned characteristics are more important. We seek a determined, persistent and performance oriented person with a genuine drive to develop and put his soul in work”*. Fredrik Jignéus strengthened this statement in his discussion of the leadership characteristics that influences the outcome of the M&A process. Jignéus said that *“persistency, decisiveness and a strive to develop and succeed will have a positive effect on the future business of the acquired company”*. He further explained that the M&A process is very demanding for the leader of the target firm due to the high degree of confidentiality and intensity of the process.

Also, the leader of the target firm must handle the daily operations and the M&A process simultaneously. This infers an extreme workload and therefore requires the leader to be able to allocate his or her time correctly. Victor Örn discussed this challenging situation for the leader and concludes that the leader must possess a capacity of handling operations in different dimensions simultaneously, which he broke down into being performance oriented and persistent. Andreas Höye also emphasized the importance of the leader to be persistent. *“Being the leader of a startup, you have to be prepared to work extremely hard, and with a very low income. You cannot think that it will be a regular nine to five work. Success comes to the ones staying at the office until midnight. And to be able to handle that, you really have to be persistent and believe in what you do”*.

Interpersonal Skills and Adaptability

Mattias Grönberg explained that the required leadership characteristics depends on the goal of the M&A, but that three characteristics are consistent and independent of the goal. *“A person with a communicative ability that values transparency throughout the organization and is determined in his or her decision-making as well as persistent when a decision has been made. A leader has to be persuasive within the top management team to align the employees to work towards a centered goal”*. In addition to Grönberg, Ludwig Alholt described social skills as being aware of and taking care of the company on the different team members’ strengths.

Moreover, Alholt accentuated the value of a leader to be communicative and transparent within the organization during an M&A process *“in the context of an acquisition, it is of great importance to describe the process and explain what it will entail for the employees. Because people are loyal. Of course, if you have worked for a leader for a long period of time and that leader disappears, the risk of employees leaving the acquired company. With that comes the risk of losing parts of the value that was actually bought and acquired”*.

Paul Brunngård explained the dependency of a leader that has an adaptable and flexible approach. *“A combination of interpersonal skills, communicative skills and a willingness to understand other people is what is required for a leadership to be successful and a top management to work”*. Anonymous 2 agreed with earlier statements but highlighted that in a recruiting process for an M&A, the preferable characteristics first and foremost depends on which position is searched for. For example, the characteristics mentioned above may be equally important for a HR position.

Creativity

Finn Konsberg stressed the importance of a leader to be creative in the daily operations as well as in a strategic dimension. *“A successful leader is confident in meetings with potential investors and has the ability to find new aspects and solutions in the ongoing M&A negotiations”*. To further address the need for creativity, Andreas Höye explained that creativity is vital for the small startups that they invest and believe in. *“The leader of a small*

startup must be creative since finding new solutions and searching for a path to success is what they do”.

In addition to this, Hans Ljungkvist confirmed that creative leaders are essential for small firms and startups. But regarding a creative leadership, Ljungkvist sees a clear distinction between smaller and larger firms. He explained that as the size of the firm increases, the need for creativity in the M&A process is transformed into strong focus on the strategic rationale in decision-making and a persistency in operations. *“As the company grows, the possibility to change direction each day decreases. With that said, creativity in startups is essential, but in larger companies, the demand shifts more and more to a persistent leader with a strategic mindset in decision-making”.*

4.2.2 Ambiguous Characteristics

From the interviews it was also discerned that three of the leadership characteristics were not deemed as necessary, but instead had dubious interpretations. Namely career focus, detail orientation and reliance, which will be discussed further.

Career focus

Among the interviewees, performance was placed among the top characteristics and in many cases compared to a strong career focus. Finn Konsberg claimed that performance orientation does not necessary need to equal a strong career focus. Instead, Konsberg described the distinction between the both characteristics as *“in many cases, the success factor is not natural talent, instead it is the strive to succeed and willingness to work hard for it. The image of a career focused person is too much related to prestige and status. In business operations, you cannot put prestige into work, that will hinder you from reaching your goals. But being performance oriented, ambitious and appreciate a challenge, that are descriptions of a person that will succeed. A strong career focus does not contribute”.* Marcus Bäcklund mentioned this distinction as well by pinpointing the vitality of a performance oriented leadership. He compared this to a leader with a strong own agenda to develop in his or her own career, and suggested that a strong career focus may result in a negative effect on the overall M&A process goal. *“A performance oriented person is goal oriented. He has a drive to succeed with the acquisition and works with the plan that has been made, for the sake of the company. The risk when a leader has his own career in focus is that the company’s goal will suffer from this”.*

Detail Orientation & Reliance

The characteristics of a detail oriented person were discussed and concluded to have a negative effect on the overall M&A goal. Instead, the emphasis of delegation is highlighted. As a leader, it is of great importance to be able to delegate among the management team and to allocate the company’s resources in the most optimal manner, to reach the team’s full potential. Paul Brunngård discussed this and said *“as a leader you have to let go of the details, and to trust the employees who actually handle the details. Then, I think that as a leader, you have to have check points in different areas to make sure value is created as*

planned”. Furthermore, when discussing detail orientation and the ability to shift focus from details to a broader management perspective, Jan Svensson added that *“the secret of delegating is to make follow-ups, otherwise it is totally unnecessary”*. Although, Anonymous 2 mentioned that detail orientation may be a useful characteristic in order to be a strategic leader and make good decisions.

The interviewees discussed the need of a leader to be able to shift focus from details to an overall management perspective. By this, they stressed the need for a leader to focus on the essential parts of the M&A process and distribute different assignments throughout the organization. As Fredrik Jignéus described reliance, *“it is always important to trust your team, but during a merger or an acquisition the leader should focus more on being trustworthy in negotiations with the investing firm”*. Håkan Krook discussed reliance from the same aspect as Jignéus and said that *“relying on the team and their performance is one thing, but what really is the most important thing is for a leader to be trustworthy among employees, the management team and the contacts from the investing company”*.

4.3 Top Management Setup

How to structure the top management in M&A processes is case specific. Reasons for whether to keep or change the current top management depends on several factors which will be presented. This chapter will also investigate if previous experience in M&A processes is deemed as necessary, how a synchronization in agendas between the new owners and top management is best handled, and how to evaluate the current top management.

4.3.1 Keeping Versus Changing the Top Management Team

M&A processes are dynamic and initiating a recruitment for top management is highly dependent on the motives behind the merger or acquisition, and what the objectives are. Finn Konsberg described his standpoint as *“totally dependent on the situation, objectives and the existing top management and their potential”*. Mattias Grönberg discussed the disparity in the search for leaders, different actors having different priorities in the executive search process. Grönberg described it as *“in general, one could say that a privately owned firm sees more to the personality of the leader, someone that they will work and spend time with. Whereas private equity firms are more precise and want to find a person with the right competences for a project given a set time frame”*.

For small companies that are being acquired, Andreas Höye is convinced that the top management team in a startup, with the founder as the leader of the acquired company, will be replaced during the expansion of the company. *“It is very rare to see a company transforming from a startup into a global player with the same top management team”*. Höye also declared that Chalmers Ventures does not invest in a startup if they do not believe that the existing management team can handle the stage that the company is in. Henrik Johansson confirmed, explaining *“we do not invest in a company with a dysfunctional top management*

team. Instead, we appoint leaders that can complement the existing top management, to build an organization gradually”.

Marcus Bäcklund however strongly disclaimed the fact that investment companies care for the assessment of the target company's top management team. *“Such sayings are simply empty phrases. We find the team the most important”.* He further argued about the absurdity of the evaluation process, meaning that there exists little structure surrounding it. *“Of course all investment companies claim that they care for the team, but what is the evaluation really based upon?”.*

For small firms, it is not possible nor preferred to replace the whole top management team. Instead, Victor Örn explained that depending on the stage that the organization is in and what the objectives are, different kinds of leaders are preferred. Örn explained, *“the leadership has to match the stage of the company. For small companies, we only add people to top management if it is of absolute need and required to achieving whatever the objectives are”.*

4.3.2 Earlier Experiences from M&A Processes

A leader is not qualified based on earlier experience from M&As. Instead, Håkan Krook and Andreas Höye explained that an involvement in the given industry, or the stage of growth that the acquired company is in, are the most preferred experiences and what they search for in a leader. *“It is not relevant for a leader to have earlier experiences of an acquisition. We search for a person with competence in the given industry or a heavy track record within a similar firm”* Krook implied. Höye agreed with this, and added that *“a leader preferably also has experiences in growing firms, advancing and expanding the activities of the acquired company to a new level”.* Fredrik Jignéus confirmed and said that *“the leader is supposed to focus on the business plan and making sure that the acquired company delivers what is expected, not the M&A process, that process is handled by the investment company and the owners”.*

4.3.3 Top Management & the New Owner Agenda

Since a merger or an acquisition implies a change in the owner's agenda and the objectives of the acquired firm, the leader and top management have to support this strategy whether they like it or not. Jan Svensson described this as *“we need to have a management team that we can rely on, that they will deliver on our set objectives”.* Fredrik Jignéus added a further discussion to this and he explained that *“the top management team, and especially the CEO, is the owner's tool to secure that the set goals are reached within a given time frame. If the acquired company is to expand in a different direction than the owner's agenda suggests, then the leadership has to change”.*

Ludwig Alholt discussed the advantage of a new leadership after an M&A process. When there is a change in the owner's agenda, Alholt explained that he is convinced that a new leader will benefit from not having any earlier experiences of the employees or the management team when realizing the changes and working with the new owner's objectives.

“If I have done things in a certain way for ten years, and all of the sudden I change, then it will affect my trustworthiness among the employees. Therefore, it is beneficial to have no earlier relation to the organization, making it easier for me to handle both the owner’s agenda, as well as the reaction from the organization”.

4.3.4 Assessment of the Top Management Team

Due to the confidentiality of the M&A process, there exists a problem in evaluating the top management team. This is something that the interviewees accentuated. Finn Konsberg discussed the biased information as a certain problem. *“Since the owners of the target firm most often is the only contact you have, and they have their own agenda, you cannot fully rely on what they say as long as you haven’t met the rest of the team. As a result, the investing firm is uncertain of the management team’s competence and will have to hope for the best but expect prepare for the worst”.* Fredrik Jignéus discussed this issue as well by adding *“one of our most important questions when deciding on investing or not, is if we can work with the management team. The salespeople, what are they like? Because we do not have any exit agenda. We buy and acquire firms to develop them in a longer perspective. We need to feel that we can trust the management team and that they deliver in their daily operations”.* A solution to this problematic issue of evaluating the management team is presented by Anonymous 1. *“Performing a HR due diligence as a part of the more formal due diligence process is necessary to map the qualities of the management team. See it as an insurance”.*

4.4 Social Sustainability

The final part of the findings chapter includes a depiction of how corporate social sustainability is affected by M&As. The organizational culture will be examined, together with a discussion on how the process of integrating company cultures affects the soft values of the organization. Further, change management will be presented along with leadership characteristics that support this.

4.4.1 Organizational Culture

The effects M&As can have on an organization’s culture are manifold. Below the effects will be presented as the importance of building relations, executing a cultural DD, understanding the spirit of the acquired company and lastly having a leadership centered around the entrepreneur.

Building a Relation

To succeed with a merger or acquisition, it is of mutual interest to build and maintain a good relation. The M&A process is critical for all involved parties and the new owners will set the agenda which the top management will be arranging their work around. Henrik Johansson therefore declared that *“it is absolutely vital to have a good connection with the entrepreneur in a small firm that is being acquired”.* Moreover, Finn Konsberg explained that creating a relation between the top management team and the employees of the organization is key to success. Konsberg explained *“having good relations among employees and the top*

management team is the groundwork to reach the overall goal of the acquisition” and this enables a sense of fellowship and is also an opening to a joint organization culture.

Especially when acquiring a startup or small company the key persons must be ensured to stay within the acquired firm and to keep on contributing to the value creation of the firm. If the key persons are not willing to work for the new owners, parts of the assets that once were acquired will disappear. Anonymous 3 discussed this and concludes that *“the need of ensuring that key persons stay within the organization cannot be enough highlighted”*.

Additionally, Konsberg found it highly consistent for the top management of the acquiring firm to exert themselves further to build relations with the employees. *“Top management should have introductory meetings, show up on the different company sites and engage socially in the new organization”*.

Cultural Due Diligence

It is extremely hard to get a correct interpretation and full understanding for the organizational culture of the target firm. Paul Brunngård gave an example of this, *“even though our present CEO was a former member of the board, he did not know the organization fully. It was when he started operating on a daily basis that he understood what the organization and culture among the employees actually was like”*. Brunngård further explained that the organizational culture is hard to describe for a person outside the business. It cannot be related to numbers or calculations. Effects related to synergies and rationalizations on the other hand, are possible to derive and put a price on. It is more troublesome to estimate the value of the company culture and other soft values of the organization.

Marcus Bäcklund advocated a possible solution to the high uncertainty regarded within the integration of the companies. *“It is very hard to make a cultural DD on how a group of individuals will match another group, there is a lot of risk taking going on in M&A processes. A cultural DD, an assessment of the culture of the different organizations, would have been an optimal solution to this dilemma”*, Bäcklund suggested.

A Leadership Centered Around the Entrepreneur

For small firms that are being acquired, the investing firm place the entrepreneur in the center and gradually adds competences that are required to develop the company and expand the operations. Victor Örn clarified *“all entrepreneurs are different so we focus on balancing the top management team around the capabilities of the entrepreneur. One entrepreneur can be very determined, another very business oriented etcetera. Well, then you have to construct a top management team where the individuals complement each other”*. To minimize internal tension when the entrepreneur of the target company is taken away from the leading position, Andreas Höye described the process of finding a new leader as *“if you are replacing the founder of the company as a CEO, then he or she has to be involved in the search for a new CEO. It is important to get a good match between the founder and the CEO, since the founder only is repositioned within the acquired firm”*. Further, Höye added to the discussion that *“the matching between the old CEO and the new CEO is really important. If the old CEO is strongly supported by the rest of the top management team, then they might turn their*

backs to the new CEO". Hans Ljungkvist agreed with Höye's statement and explains that *"it is important that the newly hired leader fits well into the old organization"*.

4.4.2 Change Management

As have been emphasized previously, a central part in M&As is change management. From the interviews, transparency and the integration process have been discerned as two specifically important aspects and will hence be presented further.

Transparency

During the M&A process, transparency throughout the organization eases the process.

Ludwig Alholt declared *"as the leader of a company you have to clarify that the company needs the change, and that it has nothing to do with the performance of the employees. This because the purpose is not to replace the old management, but to take actions and increase the growth rate"*. Mattias Grönberg agreed with Alholt and said that *"there has to be a clear, distinct picture of what the expectations are on the employees of the acquired firm, as well as the leader and owners have to be transparent with what changes are made in the organization and what the expected outcome is"*.

To avoid misunderstandings or differences in ambition, Henrik Johansson expressed that a joint business plan should be placed on a general level before the M&A process is conducted. Johansson said that *"transparency is important in change management, from both the investing firm and the owners of the target firm. To avoid any kind of conflicts, we want to have the business plan in order before we buy"*. Also, Hans Ljungkvist added his aspect to the topic of misunderstandings and conflicts and he discussed the importance of being transparent with rules and how the responsibilities will be allocated among the top management team. He described this as *"early in the process, it is important to determine what can be decided by the old to management team versus the new top management team, and what rules they must obey. The investing firm must be transparent and communicative with the motives of the acquisition. They must also be transparent with their expectations on the new top management team"*.

The Integration Process

Marcus Bäcklund explained the problematics of company integration from his point of view. He said that *"it is about understanding and mapping the different organizations. To listen, sense and adapt to both companies. One can think that an M&A is only math, profits and growth, but it's not. It is about the people. If it would have been two companies with robots, we could conduct our operations as usual. But it isn't robotics, it's people"*. Furthermore, Anonymous 1 added to Bäcklund's statement, *"it isn't hard to calculate on M&As, but the struggle is that you do not always get what you expect. To buy a small company is 1 % math and 99 % socialization, to buy a large company is 99 % math and 1 % socialization"*.

Both Bäcklund and Anonymous 1 discussed the vitality of integrating the management team and people in the organizations in an appropriate manner to utilize the potential of the created

synergy effects. With a merger or acquisition comes changes of various kind. Mattias Josephson further discussed the response among employees in the acquired firm as *“The fringe benefits are changed and even if the new ones actually are better, it is always hard to lose what you once had”*. Fredrik Jignéus had another standpoint regarding company culture integration *“as an investment firm, we direct our portfolio companies through the board work and strategic management. The work we put in is to ensure that the acquired company is following a business plan that is aligned with our agenda. We believe in an autonomous top management team, with the CEO taking the lead”*.

5 Discussion

The section connects the findings to the information found in the theoretical framework based on the purpose of the study. First, the motives of the acquiring and acquired firm for M&As are discussed. Second, different leadership characteristics in top management are reviewed as well as how they influence the M&A process. The chapter continues with a mapping of factors that affect the M&A process and the top management setup. Moreover, organizational structures and the cultural integration process that follow an M&A are examined. Lastly, a discussion of the importance of change management after the execution of an M&A finishes the section.

5.1 Motives for M&As

Gupta (2012) discussed M&As in terms of engines of corporate and economic growth, which were also featured in the findings. Even though there are advantages with rapid growth through M&As, the importance of focusing primarily on one's own business was highlighted. Therefore, it was suggested to strive for a well-planned and fast M&A process. It ensures that the time spent dealing with the M&A process and the daily operational work simultaneously can be minimized. Altogether, M&As are essential to keep up the economic growth and sustainability in the society considering today's market environment.

When discussing the motives for acquiring a firm, the findings in this thesis aligned with the ones made in earlier literature. The motives mentioned by Cartwright and Cooper (1992), namely gaining synergy effects, market penetration, a broader network, new technology and intellectual capital, agrees with the empirical findings. However, elimination of competitors was highlighted as a motive involving risk-taking since customers might feel that their freedom in the marketplace decreases. This is important to be aware of and to be able to handle when conducting M&As. The aim of picking winners early as was presented by Goedhart et al. (2010) can also be seen as a high risk alternative with good potential of high profitability, but where only a few will reach full potential. Additionally, the motives for acquiring new know-how and key persons such as entrepreneurs mentioned by Nahass (2009) was also brought up as a trend by Zhou (2016). The trend can be derived from the underlying trend of a more service-oriented business environment where emphasis is put on the human capital (OECD, 2000).

The acquired firm's motive often is to develop and expand the existing business with the help of more capital (Austin & Leonard, 2008). However, the strategies for today's investments in Sweden (at least the smaller ones) do not just focus on numbers and hard synergies. Instead the findings implied that focus is more emphasized on the management and the entrepreneur of the acquired firm. Hence, another trend is to only buy shares of the firm and thereby keep the entrepreneur within the firm. By letting him or her keep some of the ownership, his or her incentives to work for the acquired firm were increased.

Due to the above mentioned trend, the target firm's motives for an M&A have been identified to have become of greater interest for the acquiring firm. Some entrepreneurs sell because of personal reasons, as was mentioned by Austin and Leonard (2008). In that case, the chance of keeping the entrepreneur in the business is small. When the motive of selling is to expand the firm by gaining more capital, or benefit from a broader knowledge base or network, the probability of keeping the entrepreneur is larger. Because the entrepreneur can profit from having a connection to the acquiring firm, he or she is more likely to want to remain within the company.

A final motive for the target company is selling to decrease the risk of investments. An entrepreneur that is fully invested in his or her own company is exposed to great personal risk. By selling shares of the firm, the entrepreneur can take more corporate risks and thus enable the company to have a more aggressive development approach without jeopardizing personal savings. Although, it can be difficult to know in advance if the entrepreneur's motive for selling is reduce personal risk or to step down. When the acquired company has a hidden agenda, a principal agent dilemma arises (Marsch, 2015).

Another part of the principal agent dilemma that was suggested by Marsch (2015), is when the acquired company has unknown characteristics. That is, if the acquiring company performs an acquisition with the motive of keeping the entrepreneur and top management team, but afterwards realizes that the top management team did not have the same characteristics and competences that was previously expected. The third type of the principal agent dilemma can appear between the owners and the CEO at the acquired company. The purpose of a CEO is to represent the owners, but in many M&As the motives of the two can be different according to Marsch. It was mentioned that this dilemma arises in situations when the acquiring firm has met with the top management team at the target firm before the owners have decided that they want to sell. If the owners later decide that they do not want to perform the M&A, there may arise a conflict with the top management team if they liked the acquiring firm and consequently were hopeful about a merger or acquisition.

In the findings it was moreover discerned that there is an upcoming trend in discussing the different motives of M&As more frequently. It was accentuated by Goedhart et al. (2010) that clear motives are vital conditions for a successful M&A process. Cools, Gell and Roos (2005) strengthened this argument by adding that the acquiring company should include the strategic intents of M&As in their corporate strategy in order to be successful in their acquisitions. In addition, new investors bring about clearer demands which results in more distinct goals and strategies for the acquiring firm. Given these two conditions, the possibility to perform an M&A with a positive outcome in the future is larger. That is, performing M&As which generate the needed growth for economic sustainability and take both companies to the next level.

5.2 Leadership Characteristics

It has been confirmed in both the literature and the interviews that the entrepreneur and the people within top management are fundamental when conducting M&As (see e.g. (Jaffe et al., 2013) and (Cartwright & Cooper, 1993)). Thereby, it is of interest to map which leadership characteristics that are desired. The findings are partly in line with the existing literature regarding the preferred leadership characteristics. Four of the interviewees deemed the qualities persistence, determination and performance orientation to be paramount for leaders during M&A processes, which agree with those that were presented by Nemanich and Duscha (2009). They described determination as being an integral part in leadership for M&A success since it is crucial to keep traction in the integration process.

From the findings it was also observed that the ability to communicate is an important characteristic for top management to possess. To be perceptive to people's opinions and feelings concerning an M&A, and to acknowledge these without losing the main objective with the merger or acquisition. Disputes that may arise and interfere with the M&A vision should be dealt with through continuous dialog. In line with Kotter's model (1996), where distinct communication of a vision was described as a key element, communication is crucial for maintaining traction in the M&A process. Communication was further mentioned by Nemanich and Dusya (2009), who stressed the importance of dealing with problems of acceptance towards the merger or acquisition among employees.

The ability of being adaptable and open towards change, as well as being willing to understand people, are required for top management in M&As. Nemanich and Dusya (2009) tied this characteristic to several crucial aspects necessary to consider during M&As. To exemplify, one aspect is job satisfaction which otherwise could be an issue during M&As. Another aspect is ambidexterity, which is a favorable pursuit in M&As due to the rapid changes and how it fosters a learning culture. The third aspect is facilitating the cultural acceptance process which is a recurring dilemma within M&As.

Another quality mentioned for top management is the ability to be creative during the M&A process. A larger emphasis was put on this ability for smaller firms. It does not necessarily contradict the literature discussed by Nemanich and Dusya (2009), which makes no distinction between larger and smaller firms. The authors claimed that explorative or creative behavior often is favored over exploitation during M&A processes. Hence it is particularly important to promote creativity in the organization during this period. But when comparing this discussion to the findings, it might not be as applicable for top management in larger companies, where a persistent strategically focused leadership is preferred.

In the interviews, three characteristics were considered to have no or negative value in terms of top management leadership during M&As. Two of these characteristics were detail orientation and reliance. The notion of empowering and engaging workers, and thus letting go of the details, was mentioned by Kotter (1996). Kotter claimed that empowerment has been found to be important because it removes barriers for change efforts and increases

employee acceptance to the merger or acquisition (Taylor & Greeve, 2006). It was also highlighted as to be a favored management style among Swedish employees by Brikinshaw (2012). From this it can be concluded that detail orientation is not a favorable leadership characteristic in M&As for the context of this thesis. When it comes to reliance, it was instead discerned that it is more important to be trustworthy as a leader towards the organization and the acquiring company. The claim agrees with Brikinshaw's notion of the Swedish working environment, where freedom and trust in employee's abilities are highly valued.

Moreover, career focus was found to be an ambiguous feature in top management leadership. It was frequently compared to the traits performance and goal oriented, which were seen as beneficial. The ability to work towards a goal or a vision was both emphasized in Kotter's model (1996) as well as in transformational leadership by Nemanich and Dusya (2009). A person with too strong career focus fixates on prestige and status, which can interfere with business goals. It was also underscored that career goals and the goals of a merger or acquisition might not align. When recognizing that it is the difference in motives which makes this feature unfavorable, it is clear that the problem is a principal agent dilemma. The incentives of a strongly career focused person is solely that of his or her own career, and the goals of the business can be deemed as irrelevant by this person.

5.3 Top Management Setup

Even if the leaders have the preferred characteristics above, it is important that all individuals in a company's top management can work together as a team. Austin and Leonard (2008) derived that the entrepreneur plays a major role when performing an M&A with smaller firms where he or she is hard to replace. The person is often seated in multiple positions such as owner, CEO, product developer, and seller, and is hence the carrier of the company's spirit. On the other hand, investment firms tend to focus on adding key competences to the top management team and balancing the team around the entrepreneur. They reorganize the entrepreneur's function if needed, but it has to be done with a minimal risk of creating internal tensions within the target firm. If the investment firm believes that a new CEO is needed, they often have the entrepreneur involved in the recruiting process to ease integration. Making sure there is a positive personal match between the two can be of help when dealing with integration.

In what way the top management team is constructed differs, mainly because every entrepreneur has different characteristics. However, it can also depend on other factors such as differences regarding the existing team surrounding the entrepreneur and the organizational cultures. Furthermore, the motives behind an M&A as well as the owner of the target company were observed to be important to consider when putting together the top management team. In institutional ownership, the owner's competences are considered more central. PE firms on the other hand often control the owner's and top management's personalities through an HR DD, because they want to find somebody that they are willing to work closely with.

Although, the evaluation of the top management team is connected to some issues. It is common that the contact between the acquiring and acquired firm only exists through the owners and not the entire top management. An explanation to this is that the entire top management should not be aware of the selling since it is an early phase where an offer is only considered. As a consequence, the acquiring firm has limited possibilities of getting an understanding of and assessing the people in top management, and consequently take great risk if they choose to invest.

Moreover, in interviews where the person was connected to smaller investment companies, it was more frequently claimed that they would never invest in a firm in which they did not trust the current top management team or the entrepreneur. However, it is unlikely for a company to go from a startup position to the state of a global leader with the same top management. The reason is that leaders are added to bring needed competences to the management. Also, the growth rate of the firm affects the leadership composition. When a company has grown to a certain size, there tends to be higher demands regarding firm structure, and hence more pressure is put on top management. A need for people with different qualities emerges with this dilemma, and so does new recruitments.

The acquisitions that were conducted among the interviewees were usually of a smaller scope. This implied that in general, the top management team of the acquired firm did not have previous experiences with M&As. However, to hire somebody with the purpose of having them to carry through an M&A process or because of his or her previous experiences within M&As, are unlikely scenarios. In fact, investment companies often contribute with the necessary competences related to experiences of M&A processes. Mercurio (2013) mentioned that M&As often include external parts such as legal advisors and investment bankers that offer assistance in the process. Therefore, the new top management's experiences from developing a business within a given industry were considered more preferable from the acquiring company's perspective.

5.4 Organizational Culture

In order to connect the top management team with the whole organization, it is vital to consider the culture of both the acquired and the acquiring company in M&As. The cultural change can be of huge concern for the workforce since they do not know how to behave in the new environment. For example, the fear of job loss among employees after an M&A can be problematic for the target company (Nemanich & Keller, 2008), since this may result in a loss of competence (Bianko, 2000). Employees can also be uncertain of their new responsibilities and worried that their privileges will disappear (Terry et al., 2001), which may cause productivity decline or even sabotage (Marks & Mirvis, 1992).

As was discerned earlier, it is important for the leaders to be transparent and thereby reduce the uncertainties for the workforce. Able (2007) stressed the importance of showing the employees in the acquired firm that their new leaders care about them, which was also emphasized by Nadler and Thies (2001) who claimed that it is essential that top management

effectively participate in the cultural merge. Austin and Leonard (2008) underlined the gravity of understanding and preserving the target company's culture, and not force the own culture onto the employees and their practices.

Nemanish and Dusya (2009) further identified three factors to create a learning environment. These factors are supporting psychological safety, openness to diversity and including people in decision-making. The connection between this type of organizational culture and successful M&As are also emphasized. It reduces both the employees' fear of losing their jobs and the reluctance to the process. The factors increase the participation in changes and promote creativity, which implies that employees are more supportive to changes like M&As and the new objectives that come with it. Additionally, job satisfaction is important in a learning culture and during an M&A process. Nemanich and Dusya described that by conducting a transformational leadership, i.e. communicating a meaningful vision and use individualized coaching, a learning culture can be secured.

At first glance, it is natural to believe that M&As are all about math, profits and growth. However, this can result in deals where not enough resources are put on preparatory work that analyzes the people and the organizational culture, which ultimately may jeopardize the success of the M&A. Hence, it has been recognized to be of great value for the integration process to perform a cultural DD. It enables the acquiring firm to get a general understanding of the culture before initiating an M&A process. The lingo that flows through an organization can be hard to grasp even for someone that has spent several years working in the top management team. Though, this evaluation can be difficult to perform since the subject is complex. The acquiring companies need to address problematics with culture integration differently, since every deal is unique. It is about people and not robots, and since people are not always rational in their actions, there is no one-size-fits-all solution.

5.5 Change Management

The connection between an M&A process and change management was pointed out by Bijlsma-Frankema (2001). The acquiring company often has new perspectives and different business strategies, which can imply significant changes to the target organization. The top management team must therefore be willing to work towards the new set objectives. The finding can be linked to creating a sense of urgency in Kotter's model (1996). If the top management team does not see the need for changing current practices with the entrance of new stakeholders, the outcome of the merger or acquisition risks to end in failure. To take this even further, management might have to be replaced if this sense of urgency is not met.

Next, transparency is vital for creating a sense of urgency and in preparing the acquired company for the change process. It is about enabling and building trust both within the organization and towards the acquiring party. An organization that is unaware of the approaching change may act resentful to new methods in operations and a change in the company culture. It is essential for top management to be transparent with reorganizations and communicate that changes are established with the purpose of creating a more agile

company with a higher growth rate. It agrees with Kotter's step about developing a vision and strategy (1996). Transparency may further preclude misunderstandings revolving e.g. responsibilities and positions. That is, reducing uncertainties coupled with the merger or acquisition, which is in line with Nemanich and Keller (2008), who described how leaders should act to conduct a credible leadership that can reflect corporate social responsibility.

A key element for a successful integration is to understand the differences in the organizational cultures between the two firms. Only when that has been achieved can the integration between the management teams and the employees be made so as to generate meaningful synergy effects with the M&A. This is in line with Kotter's fifth step about empowering employees for broad-based change (1996). A management team that both inspires and creates a sense of fellowship throughout the organization and is open to change will be able to do this. Hence the acquiring top management is recommended to engage in the acquired organization by meeting and socializing with employees.

The above is highlighted especially when dealing with smaller startups. Since the acquired firm usually is very dependent of few key employees, it becomes important to set up an environment where they feel good and can make use of their full potential. Likewise, having a well-functioning relationship between management in the acquired and the acquiring firm is useful in deals involving larger firms. Although, the sheer amount of people makes it more of a challenge for everyone to cooperate, the relation between two employees do not affect the whole company to the same extent. The findings are in line with Kotter's second step in change management (1996), to create a guiding coalition. That is, having leaders that inspire and lead the organizational change.

Lastly, another challenge that was discussed by Hambrick and Cannella (1993), is dealing with two things simultaneously. The leaders of the target company have to focus on carrying through the M&A process by orchestrating an organizational integration and at the same time perform their regular duties. The acquiring company may reduce this challenge by being clear about their expectations on the target top management, as well mediating as to how responsibilities will be allocated among the two companies.

6 Conclusions

The first research question aims to map the motives for M&As and in what way they relate to companies' business strategies. An M&A is a natural as well as a necessary way for companies to further expand their businesses. It is suggested from the conducted interviews and the established literature that M&As usually are part of an acquiring company's long term business strategy of maintaining a sustainable growth rate. They are generally conducted to compensate a business's organic growth rate and contribute to economic sustainability.

In an expanding service-oriented market more focus is centered around the people in the targeted company. In smaller innovative firms this often means the entrepreneur. The opportunity of obtaining key persons from a targeted company is therefore an important motive behind M&As, especially when comparing different acquisition options. For an M&A to be successful it is thereby essential for the buyer to understand the selling company's motives, since the owners in the case of privately owned firms, may play a crucial role in the company's daily operations. It is also important that both parties have clear and direct motives in order for the M&A to be successful.

The second research question concerns which leadership characteristics that are preferred in the top management team of the target firm during M&As. Adaptability, openness and the ability to communicate are all leadership characteristics that help unite the employees to make the organization strive towards an aligned goal. Therefore, it is important for a leader to have an open communication and to create an organizational culture where the employees can participate and influence the work. Since M&As often are prolonged processes, persistency as a leadership characteristic is preferable to keep traction and motivate the employees through adversities.

Further, career focus is a neglected characteristic since it may give rise to a principal agent dilemma where the leader focuses more on his or her personal career than on the company's overall objectives. Instead, a leader being goal oriented is preferred to keep traction of the objectives of the company. As was mentioned, it is of great importance to motivate the employees, although when doing this, leaders should not intrude on the employees' areas of responsibility. Therefore, leaders should delegate responsibilities among the employees and empower them for action, hence avoiding a detail oriented management approach. Yet, leaders should have insight in the employees' work to have an overall perspective of their contribution to the value creation of the business.

Creative leadership has mainly been identified to be important in smaller firms, where it is necessary to be able to change the firm's direction often. However, creativity as a leadership characteristic is also meaningful in larger firms. During the negotiations of the M&A, successful leaders should find new aspects to the deal and solutions to unexpected problems. Also creative leadership is required to stimulate explorative behaviors among employees in

order to attain an adequate balance of ambidexterity which is beneficial during M&A processes.

The third research question includes the whole top management team and how it is set up in the target company with respect to current market trends. To set up a top management team the focus is in many cases on balancing the entrepreneur's competences and characteristics. As the acquired company develops it can face new challenges that requires other competences and therefore the team will need to be further complemented. Conducting an HR DD in M&A processes has increased due to the upcoming trend of focusing more on the human capital inside the businesses.

A cultural DD could be a new tool to use by top management when faced with the challenges of integrating company cultures in M&A processes. If possible, a cultural DD would be of great value for both parties, seeing that risk minimization is preferred and the integration of company cultures is linked to the success rate of M&As. It would also contribute to a more sustainable social environment for employees, since a successful M&A can give people a safe opportunity to grow with the company.

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Appendix

Appendix 1 - Interview framework for field experts

Intervjuunderlag – Områdesexpert

Syfte

Att få en djupare förståelse och bredare syn på olika nyckelpersoners syn på vilka ledaregenskaper som anses meriterande under förvärvsprocessen. Gruppen som intervjuas innefattar nyckelpersoner i förvärvsprocessens olika steg, exempelvis investment manager, tidigare VD för det förvärvade bolaget, tillsatt VD för det förvärvade bolaget samt andra personer ur top management som har en stor roll i förvärvsprocessen. Intervjuunderlagen kommer att användas för att besvara kandidatarbetets frågeställning i den slutgiltiga kandidatrapporten som skall vara färdigställd 2017-05-12. Sammanlagt beräknas intervjun pågå i 60 minuter.

Anonymitet

Tillåter du att vi nämner dig vid namn i rapporten eller föredrar du anonymitet?

Inspelning

Tillåter du att vi spelar in detta samtal för att underlätta rapportskrivningen?

Få förståelse för den intervjuades bakgrund, yrke, erfarenhet och roll i förvärvsprocessen:

1. Berätta kort om dig själv och ditt yrkesliv.
2. Vilka erfarenheter har ni på bolaget av förvärv?
3. Vad har du för bakgrund och tidigare erfarenheter av förvärv?
 - 3.1. Vilka roller hade du då?
 - 3.2. Vad har du för syn på förvärv?

Få en bild av förvärvsprocessen i ett specifikt case:

1. Berätta om ett tidigare förvärv ni var inblandade i?
 - 1.1. Vilken roll hade ni i förvärvet och vad bidrog ni med?
 - 1.2. Vad var syftet och målet med förvärvet?
 - 1.3. Vad blev utkomsten av förvärvet i förhållande till målen?
2. Berätta om den konsultation ni fick från tidigare top management/ägare?
 - 2.1. Hur togs hänsyn till deras åsikt?

Få förståelse för bolagets allmänna syn på en ledares roll och kvaliteter vid förvärv:

1. Vad värderas högst hos en ledare vid förvärv? Frågan besvaras genom att den intervjuade får 14 ledaregenskaper att sortera i fallande ordning och därefter diskuteras svaren.
 - 1.1. Vilka utmaningar finns det för en ledare under en förvärvsprocess och vilka egenskaper krävs då hos en ledare?

2. Hur skiljer sig tillvägagångssättet för rekrytering av top management för ett förvärgentemot i vanliga fall?
3. Vilka trender finns för ledaregenskaper inom top management vid förvärv?

Appendix 2 – Interview framework for previous top management and owners

Intervjumall - Tidigare top management

Syfte

Att få en djupare förståelse och bredare syn på olika nyckelpersoners syn på vilka ledaregenskaper som anses meriterande under förvärvsprocessen. Gruppen som intervjuas innefattar nyckelpersoner i förvärvsprocessens olika steg, exempelvis investment manager, tidigare VD för det förvärvade bolaget, tillsatt VD för det förvärvade bolaget samt andra personer ur top management som har en stor roll i förvärvsprocessen. Intervjuunderlagen kommer att användas för att besvara kandidatarbetets frågeställning i den slutgiltiga kandidatrapporten som skall vara färdigställd 2017-05-12. Sammanlagt beräknas intervjun pågå i 30-45 min.

Anonymitet

Tillåter du att vi nämner dig vid namn i rapporten eller föredrar du anonymitet?

Inspelning

Tillåter du att vi spelar in detta samtal för att underlätta rapportskrivningen?

Få förståelse för den intervjuades bakgrund, yrke, erfarenhet och roll i förvärvsprocessen:

1. Berätta kort om dig själv och ditt yrkesliv.
2. Vad har du för bakgrund och tidigare erfarenheter av förvärv?
 - 2.1. Vilka roller hade du då?
 - 2.2. Vad har du för syn på förvärv?
3. Hur uppfattar dina kollegor dig som ledare?

Få en bild av förvärvsprocessen i ett specifikt case:

1. Berätta om ett tidigare förvärv ni var inblandade i?
 - 1.1. Vad var målet med förvärvet?
 - 1.2. Vad blev utkomsten i förhållande till målen?
 - 1.3. Vilka utmaningar fanns med förvärvet?
 - 1.4. Vad bidrog du med under förvärvsprocessen ?
 - 1.5. Vad fick du för roll efter förvärvet och varför?
2. Vilka ledaregenskaper anser du krävdes för att lyckas med förvärvet? Frågan besvaras genom att den intervjuade får 14 ledaregenskaper att sortera i fallande ordning och därefter diskuteras svaren.
3. Hur deltog du i rekryteringsprocessen av top management?
 - 3.1. Vilka egenskaper efterfrågades då?

Få förståelse för personens åsikter kring ledaregenskaper och kvalifikationer under förvärv:

1. På vilket sätt skiljer sig rekryteringen av top management vid förvärv jämfört med en vanlig rekrytering?

2. Vilka utmaningar finns det för en ledare under en förvärvsprocess och vilka krav ställs då på en ledare?

Appendix 3 – Interview framework for top management

Intervjumall - Tillsatt top management

Syfte

Att få en djupare förståelse och bredare syn på olika nyckelpersoners syn på vilka ledaregenskaper som anses meriterande under förvärvsprocessen. Gruppen som intervjuas innefattar nyckelpersoner i förvärvsprocessens olika steg, exempelvis investment manager, tidigare VD för att besvara kandidatarbetets frågeställning i den slutgiltiga kandidatrapporten som skall vara färdigställd 2017-05-12. Sammanlagt beräknas intervjun pågå i 30-45 minuter.

Anonymitet

Tillåter du att vi nämner dig vid namn i rapporten eller föredrar du anonymitet?

Inspelning

Tillåter du att vi spelar in detta samtal för förvärvade bolaget, tillsatt VD för det förvärvade bolaget samt andra personer ur top management som har en stor roll i förvärvsprocessen. Intervjuunderlagen kommer att användas för att börja underlätta rapportskrivningen?

Få förståelse för den intervjuades bakgrund, yrke, erfarenhet och roll i förvärvsprocessen:

1. Berätta kort om dig själv och ditt yrkesliv.
2. Vad har du för bakgrund och tidigare erfarenheter av förvärv?
 - 2.1. Vilka roller hade du då?
 - 2.2. Vad har du för syn på förvärv?
3. Hur uppfattar dina kollegor dig som ledare tror du?

Få en bild av förvärvsprocessen i ett specifikt case:

1. Berätta om ett tidigare förvärv du var inblandad i?
 - 1.1. Vad lockade dig till detta bolag och förvärvet?
 - 1.2. Varför anser du att du var passande som top management för detta bolag vid förvärvet, och vad kunde du tillföra?
 - 1.3. Av vilken anledning blev du inkopplad i förvärvsprocessen och vad var din roll?
 - 1.4. Vad var målet med förvärvet?
 - 1.5. Vad blev utkomsten i förhållande till målen?
 - 1.6. Vilka utmaningar fanns i förvärvet?
2. Vilka ledaregenskaper anser du krävdes för att lyckas med förvärvet? Frågan besvaras genom att den intervjuade får 14 ledaregenskaper att sortera i fallande ordning och därefter diskuteras svaren.
 - 2.1. Vilka av dessa är dina främsta egenskaper?

Få förståelse för personens åsikter kring ledaregenskaper och kvalifikationer under förvärv:

1. Vilka utmaningar finns det för en ledare under en förvärvsprocess? Skiljer sig dessa krav från en vanlig tjänst?

2. På vilket sätt skiljer sig ledaregenskaperna i en förvärvsprocess kontra vid en vanlig rekrytering?
3. Vilka utmaningar finns det för en ledare under en förvärvsprocess och vilka krav ställs då på en ledare?

Appendix 4 – Interview framework for investors

Intervjumall - Investerares

Syfte

Att få en djupare förståelse och bredare syn på olika nyckelpersoners syn på vilka ledaregenskaper som anses meriterande under förvärvsprocessen. Gruppen som intervjuas innefattar nyckelpersoner i förvärvsprocessens olika steg, exempelvis investment manager, tidigare VD för det förvärvade bolaget, tillsatt VD för det förvärvade bolaget samt andra personer ur top management som har en stor roll i förvärvsprocessen. Intervjuunderlagen kommer att användas för att besvara kandidatarbetets frågeställning i den slutgiltiga kandidatrapporten som skall vara färdigställd 2017-05-12. Sammanlagt beräknas intervjun pågå i 60 minuter.

Anonymitet

Tillåter du att vi nämner dig vid namn i rapporten eller föredrar du anonymitet?

Inspelning

Tillåter du att vi spelar in detta samtal för att underlätta rapportskrivningen?

Få förståelse för den intervjuades bakgrund, yrke, erfarenhet och roll i förvärvsprocessen:

1. Berätta kort om dig själv och ditt yrkesliv.
2. Vad har du för bakgrund och tidigare erfarenheter av förvärv?
 - 2.1. Vilka roller hade du då?
 - 2.2. Vad har du för syn på förvärv?
3. Vilka erfarenheter har ni på bolaget av förvärv?
4. Med utgångspunkt från er verksamhet och er funktion på bolaget, varför gör ni förvärv?

Få en bild av förvärvsprocessen i ett specifikt case:

1. Berätta om ett tidigare förvärv ni har varit inblandade i?
 - 1.1. Vad var syftet och målet med förvärvet?
 - 1.2. Vad blev utkomsten av förvärvet i förhållande till målen?
2. Skedde det en nyrekrytering till ledningsgruppen i det förvärvade bolaget, eller behölls nuvarande top management? Varför gjordes det valet?
3. Vilka egenskaper sökte ni hos top management (oavsett om nuvarande ledning behölls eller nyanställningar gjordes)? Frågan besvaras genom att den intervjuade får 14 ledaregenskaper att sortera i fallande ordning och därefter diskuteras svaren.
 - 3.1. Skulle dessa ledaregenskaper vara rangordnade likadant även ur ett generellt perspektiv?
4. Hade företagsledarna som anställdes tidigare erfarenheter av att leda en organisation i en förvärvsprocess?

Få förståelse för bolagets allmänna syn på en ledares roll och kvaliteter vid förvärv:

1. På vilket sätt skiljer sig rekryteringen av top management vid förvärv jämfört med en vanlig rekrytering?
2. Vilka utmaningar finns det för en ledare under en förvärvsprocess och vilka egenskaper krävs då hos en ledare?

Appendix 5 – List of 14 leadership characteristics used in the interviews

Lista på ledaregenskaper:

1. **Övertygande:** Tycker om att sälja och trivs i förhandlingssituationer, vill gärna få andra att ändra åsikt.
2. **Frispråkig:** Uttrycker öppet sina åsikter, tydliggör meningsskillnader, är beredd att kritisera andra.
3. **Socialt kompetent:** Känner sig lugn och trygg vid första mötet med nya människor, är avslappnad i formella sammanhang. Uppträder livfullt i grupper, har lätt att prata, gillar uppmärksamhet.
4. **Demokratisk:** Rådgör med andra, uppmuntrar andra att medverka i beslutsprocesser, mindre benägen att fatta beslut själv.
5. **Människokännare:** Försöker förstå motiv och beteenden, är intresserad av att analysera människor.
6. **Kreativ:** Genererar nya idéer, älskar att vara kreativ, hittar originella lösningar.
7. **Anpassningsbar:** Anpassar sitt beteende efter situationen, bemöter inte alla på samma sätt.
8. **Strategisk:** Har ett långsiktigt perspektiv, sätter upp mål för framtiden, tänker strategiskt.
9. **Detaljmedveten:** Koncentrerar sig på detaljer, är metodisk, organiserad och systematisk, kan bli helt absorberad av småsaker.
10. **Ihärdig:** Inriktad på att genomföra sina åtaganden, framhärdar till dess arbetsuppgifterna är avslutade.
11. **Tillitsfull:** Litar på människor, utgår från att de flesta är pålitliga och ärliga, tror på det som sägs.
12. **Optimistisk:** Förväntar sig att allt ska gå bra, ser det positiva i en situation, har framtidstro.
13. **Prestationsinriktad:** Ambitiös och karriärinriktad, antar gärna krävande utmaningar.
14. **Beslutsamhet:** Fattar snabba beslut, har lätt att dra slutsatser, är inte så försiktig.