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Integration of acquired consultancy firms

A multiple-case study at ÅF focusing on the effect on employees during an integration

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Abstract

A large amount of M&As are each year carried out by firms, but a significant number of these fail by not performing as expected. In recent times, more and more research papers have been published discussing M&A integration and their effect on the employees. However, only a very limited amount of literature exist related to engineering consulting firms and the post-acquisition factors in this industry that allow for M&A success. This thesis sets out to search for these factors in existing literature and tries to identify factors that are not sufficiently represented in literature. This is done through a literature study and a multiple case study at ÅF.

ÅF is currently focusing on the financial performance of their acquisitions and can gain a better understanding of how the integration can be improved for the employees through this report and how this can be related to the financial performance. Three research questions are hence answered in this thesis and revolve around identifying factors from existing theory, identify factors lacking in theory, and see if financial success can be linked to the success of the post-acquisition.

Seven factors were found in theory and are presented within. Four regard in what ways employees are effected by M&As, anxiety and uncertainty, social identity, trust and knowledge transfer. Three remaining concern factors that affect the integration process and are found to be cultural integration, speed of integration and communication. 12 interviews were had with employees that were employed at firms acquired by ÅF between 2016 and 2017. The thesis carried out is a multiple case-study and a cross-case synthesis is hence also conducted.

The findings from this study show a correlation between financial success and employee satisfaction is high in the studied cases. The importance of factors previously mentioned varies and what is found in this study corresponds to the theory in some ways, but quite often lack empirical evidence of being important as it is described by other authors. The factors which most correspond with the material in the theory are anxiety and uncertainty, trust, cultural integration and communication. Finally, some factors which are not represented in current M&A theory are identified, namely the difference in company size, vicious cycles, employee expectations versus reality and management involvement from both companies.

Keywords: M&A, Acquisition, Integration, PSF, Engineering consulting firm, ÅF

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1

INTRODUCTION

In this initial chapter, the background and problem formulation of the thesis are presented to help orient the reader within the topic of M&As. This is followed up by a presentation of the thesis' aim and research questions and ends in a discussion around the delimitations for the project.

1.1 Background

Mergers and Acquisitions (M&As) are increasingly used by companies today as a means of gaining competitive advantage. The specific motivation behind the decision may vary, but the most common reasons are to increase market share or gain access to new technologies, new customers, or new market segments (Snow, 2011) (Uzelac, Bauer, Matzler, & Waschak, 2016). The amount of dollars spent on M&As has continually grown in the recent decades. Across all industries, companies spent around \$3.4 trillion on M&A related deals worldwide by the year 2000 (Homburg & Bucerius, 2006). The figure has since fluctuated somewhat with a low-point of \$1,4 trillion in 2003 and a peak at \$4.9 trillion in 2007 and \$4.8 trillion in 2015, averaging around \$3 trillion (Statista, 2018).

Despite the popularity of M&As, their usefulness is an intense topic of discussion among researchers as success rates are often found to be disappointing. The failure rate figures vary greatly between authors and span all the way from 40 to 90 % (Bauer, King, & Matzler, 2016), but are more typically estimated to between 60 and 80 % (Homburg & Bucerius, 2006). Weber, Tarba, and Bachar (2011) call it a paradox that the global M&A activity has been highly active for a long time, yet still results in high failure rates. Despite a large base of research, factors that constitute M&A success are thus still poorly understood (Stahl et al., 2013). This has in part contributed to the wave of research through which researchers are trying to figure out what factors are related to success and increased performance of M&As (Uzelac et al., 2016).

While no consensus exist on how to define M&A success, one common measure is the comparison of return on sales before and after a deal is complete (Homburg & Bucerius, 2006). Likewise, no clear definition exists for M&A performance, but rather varies considerably between different authors (Stahl et al., 2013). Stahl et al. (2013) list both short- and long-term financial performance as the most commonly used indicators, such as return on investment. However, they note that an increas-

ingly large body of research has emerged that focuses on the impact of non-financial aspects of M&As, most notably those involving sociocultural and human resources aspects with examples including cultural fit and speed of integration. The need to complement financial research with non-financial is recognized by many researchers who call for more research on the impact of post-acquisition and integration related factors (Pablo, 1994) (D. N. Angwin & Meadows, 2015) (Weber et al., 2011). These are important to consider since most value creation in an M&A take place after a deal has been made and is thus dependent on the integrative efforts of the involved companies Weber et al. (2011).

Although M&A activity happens across all industries, some have received more attention than others. According to (Empson, 2000) and (Fairclough & Fairclough, 2014), M&As of professional service firms (PSF), and factors behind their success, are underrepresented in literature and have not received much attention compared to more traditional industries, such as manufacturing. The authors argue that this gap is unfortunate considering the uniqueness of the problems that need to be resolved during M&As within this industry. Most notably, PSFs are somewhat distinct in relation to other fields because the value of the company largely depends on the employees who possess the technical knowledge and manage the relationships with the customers. For this reason, M&As within this industry are more often motivated by a need to find and attract highly competent professionals (Kreitl & Oberndorfer, 2004).

As more research papers discussing M&A aspects related to integration and human resources are published, the possibility for new and important research opens up within the field of PSFs. By combining literature studies and case studies, there is an opportunity to try to determine which set of post-acquisition factors are the most important for a PSF and thus enable greater M&A success. The search for factors in the existing theory yields a wide range of results from a variety of industries and most factors are considered important, at least to some degree. However, some factors seem to be backed up as important by more researchers than others, and a focus on those that predominantly influence the employees narrows it down further. One factor that meet the criteria is cultural integration, which is seen by many as a key factor to success (Uzelac et al., 2016). The same observations have been made on the importance of communication throughout the M&A (Schuler & Jackson, 2001) as well as speed of integration (Homburg & Bucerius, 2006). Poor consideration to these factors during the integration process may affect employees negatively and according to literature, this often includes increasing uncertainty and anxiety, decreasing trust towards the acquirers, as well as negatively altering people's social identity. This can be detrimental for the acquiring company as this may reduce motivation, productivity and ultimately lead to an unsuccessful M&A (Seo & Hill, 2005).

1.2 Problem Formulation

The PSF industry can be divided into multiple branches and one such branch deals with engineering consultancy firms. Much like for PSFs in general, this is an area in need of further M&A research. ÅF is a large international engineering consultancy firm that offers services within industry, infrastructure, energy and digital solutions. They have 10,000 employees spread out across the globe, a large majority of whom are based in Sweden (ÅF, 2018a). ÅF has performed a great deal of M&As in the last decades and acquired 26 firms during 2016 to 2017, all within Europe and only 9 outside of Sweden (ÅF, 2018b). The average number of employees in the acquired companies were 67, but with a range of 3 to 320 (E Forslin 2018, personal communication, 10 Sep).

ÅF says that they currently measures success of their M&As in financial terms and the preconditions for what is considered a success is set during the pre-acquisition phase. ÅF would therefore benefit from knowing what impact their current integration process have on their employees and ultimately see if it can be improved and if this leads to increased M&A success, which is why this study will also connect the financial success with the integration of the employees. This could benefit their future chances to succeed with this high-risk activity . This case study should also help academia and the engineering consultancy industry in general by helping to fill the gaps in literature and help encourage further research.

1.3 Aim and research questions

The aim is partly focused on investigating how the affect on the employees by an acquisition has on the financial results. Hence creating a link between the measurements ÅF has today to how employee satisfaction may affect them. Further, the aim of this thesis is to identify important post-acquisition factors for the engineering consulting firm industry, both by looking at existing literature and by performing a multiple case study at ÅF. More specifically, the set of factors consist of cultural integration, speed of integration and communication and how they affect employees in terms anxiety and uncertainty, social identity, trust and knowledge transfer. The aim is additionally to identify any factors that are seemingly missing from existing literature, some of which might be unique to consultancy engineering firms, thus contributing to an emerging field of research. These points can be broken down into the following research questions:

1. *How important is employee satisfaction in an acquisition at ÅF when it comes to reaching financial success?*
2. *How well does the current theoretical basis on how employees are affected by M&A integration fit on ÅF?*
3. *What important factors of integration for engineering consultancy firms can be identified which are not represented in the current M&A theory?*

1.4 Delimitations

To arrive at the final version of this thesis, several delimitations had to be made. First off, the thesis uses interviews and data from a limited number of companies within ÅF all the companies acquired were located in Sweden. Further, only individuals who worked as consultants were interviewed. These choices were made to reduce the number of variables in the analysis such as hierarchical differences. It is possible that studying other companies or geographical areas would have spawned different results. Although the problems described in this thesis may apply to many types of companies within the professional service industry, only a specific company (ÅF) in the consultancy industry was studied. This was necessary to restrict the scope to an appropriate level. To remain objective and listen to how the employees has been affected by the acquisition, little information was sought after from ÅF regarding each acquisition. It was considered more important how the employees perceived the situation than what ÅF's or the management's plan was for each acquisition. In other words, the authors of the thesis are without knowledge of why the acquisitions were carried out and what the integration plans were. Further, the factors that are listed as those influencing post-acquisition integration success were mainly chosen based on their prevalence in M&A literature and because they affect all employees. Factors that only affect certain individuals such as retention of key people, another factor lifted by theory, were excluded along with any other factors.

2

THEORETICAL FRAMEWORK

This chapter presents the literature studies that both present and help motivate the set of set of factors presented in 1.1 to describe how M&As affect the acquired employees and what factors affect the integration process.

2.1 M&A Effects on Employees

Donald and Lotz (2006) describe the event of an M&A as emotive and destabilizing and how M&As are different from other changes in organizations due to "the rate of change, scale of change and the critical mass of the unknown". This chapter will dig deeper in literature and give a description of how M&As affect employees during an acquisition when it comes to anxiety and uncertainty, social identity, trust and knowledge transfer.

2.1.1 Anxiety and Uncertainty

Several authors describe how anxiety and uncertainty might arise within employees during a merger or acquisition (Donald & Lotz, 2006), (Seo & Hill, 2005) (Stahl et al., 2013). Many different reasons of why this is the case can found throughout literature. For example, Seo and Hill (2005) describe how employees may experience these feelings when trying to predict how their future career will be affected. It is also possible that employees may experience so called separation anxiety when colleagues have to leave the firm. Stahl et al. (2013) describe a similar source of uncertainty which may arise from the ambiguity of whether or not announcements from managers are managerial rhetoric or actual plans.

According to both Seo and Hill (2005) and Donald and Lotz (2006), anxiety or uncertainty can lead to low production and lack of motivation and hence a decreased M&A performance. Furthermore, trying to predict one's future career, often resulting in fear of job loss, may lead to what the authors describes as "self-survival instincts". This can cause individuals to use political maneuvers "to protect their status, power, and prestige" which in turn may negatively impact the organization's performance, according to Seo and Hill (2005). These negative effects of anxiety and uncertainty make it vital to decrease these for a successful M&A integration, the authors continues.

To handle the uncertainty, employees will engage in what Stahl et al. (2013) describe

as sensemaking. This is illustrated as a social construction to create a shared social reality based on the meaning of the information from management in combination with social cues from the work environment. Donald and Lotz (2006) further explains that the "sense-making process is not simply about discovering the meaning of the new reality that follows from an organizational change; sensemaking also creates the reality that will exist". As understood by the authors of this thesis, the process entails creating answers to questions that have not been answered to create a reality of which makes sense to every individual. As this reality is created without facts it can both be very different from the actual outcome later presented and also be a created reality which produces a higher anxiety. For example, management might fail to give clear information of whether or not an acquisition requires an office to be relocated. If the employees later on see moving boxes, rumors might spread about an upcoming move which creates the reality that they will change offices. But in reality, the boxes might have been for something else and there has been an increase in anxiety and uncertainty for no reason. This exemplifies how important the process of sensemaking is in an M&A integration process since its task should partly be to create the reality among the employees that is intended by the decision makers.

2.1.2 Social Identity

During an M&A there is a risk for each individual's social identity to be changed and another one to be created to fit the new organization (Seo & Hill, 2005) (Amiot, Terry, & McKimmie, 2012). Social identities are according to Spoor and Chu (2018) defined as "subjectively meaningful social categories to which people belong". Seo and Hill (2005) present three identities affected by an M&A: organizational, professional and work group identity. The focus within studied literature is primarily on organizational identity which is also primarily affected during an M&A (Seo & Hill, 2005) (Spoor & Chu, 2018). Seo and Hill (2005) explain organizational identity by writing it "represents the distinctive attributes that individuals associate with their membership in an organization". These attributes, as understood by the authors of this thesis, are for example the company's position on the market, internal communication and the possibility to affect the direction of the firm and norms. Further, identifying with one's organization is according to Spoor and Chu (2018) linked to decreasing employee turnover and increasing job satisfaction which is part of the reason it is valuable to focus on.

Spoor and Chu (2018) argue that one of the challenges for managers is to shift the organizational identification from the pre-M&A identification to the post-M&A identification. Several authors describe that this process is affected by the relative status that the pre-M&A organizations are perceived to have (Seo & Hill, 2005) (Amiot et al., 2012) (Spoor & Chu, 2018). Amiot et al. (2012) write that one of the organizations in an M&A will most likely perform better within certain areas, such as economic competitiveness or competence. This uneven situation may lead employees from the lower-status organization to have a hard time to identify with the new organization. Furthermore, the employees from the lower-status organization may experience higher levels of threat and lower job adjustment. This is especially true

if these employees perceive that the higher status of the acquirer is not legitimate (Seo & Hill, 2005). If, on the other hand, they do believe that the higher-status organization has a legitimate higher status it may have the opposite effect and will actively re-identify themselves with the post-M&A organization.

It is important to note that the effect on employees related to social identity is far graver for the employees at the acquired company than those at the acquiring company. Seo and Hill (2005) present M&A research where these employees' reactions can be likened by death or loss including initial feelings of denial followed by anger directed towards management for selling out and profiting on the situation. Companies are recommended to assess how strong identification the employees have towards the pre-M&A organization in order to create an attractive post-M&A organizational identification for the employees and ease the transition. Creating an opportunity for identification as one large group as the post-M&A organizational identity will according to Seo and Hill (2005) result in fewer internal groupings where people are distancing themselves from the other pre-M&A groups.

Amiot et al. (2012) focus their research on identifying facilitators and inhibitors of social identity change and found these to be the perception of similarities and identity threats, respectively. Perceived similarities are based on the notion that if social identities share some similarities, they will be more easily interchangeable if the individual is aware of them. Hence a higher degree of perceived similarities will facilitate a social identity change. Identity threats may instead hinder identifying with the new post-M&A organization because the feeling of identity threat will likely increase stress and make integration processes harder.

2.1.3 Trust

According to Tarba (2013), trust may affect employee attitude and behaviour. Several studies are presented in which interviews with managers and employees have resulted in findings that trust is an important issue for M&As. There is a consensus among researchers about this, but there is a lack of research focusing explicitly on the factors of trust in relation to M&As, especially the effect on the individual's level of trust. However, professor G.K. Stahl has written several articles and books where the area of trust is included which is why a major part of this section will be based upon his research. Stahl and Mendenhall (2005) describe the importance of trust, more specifically organizational trust, and the results that trust can bring to an organization undergoing an integration after acquisition. Trust may lead to better performance and commitment from employees and which leads to a higher degree of autonomous work with easier implementation of self-managed work groups.

Low trust in management often affects the rate of employee turnover as individuals may search for jobs elsewhere in fear of losing their job at their current firm. As trust goes both ways and only a two-way trust will achieve all benefits stated earlier, Stahl and Mendenhall (2005) have created a framework for factors that influence management's trust in the employees of the acquired firm and the other way around.

The model below takes into account the reactions of the employees in the acquired firm, the relationship between the two firms and management's integration decisions and actions. The last of these three items will not be presented further as most of these decisions and actions are brought up in section 2.2.

2.1.3.1 Reactions from employees of the acquired firms

Stahl and Mendenhall (2005) present research on organizational trust and suggest five characteristics which seem to be of high importance for the development of trust. Yan and Zhu (2013) also report three of these. Kramer (1999) summarizes several different studies of factors that influence trust with different results. The focus in this report will be on those cited most frequently, which are the same as the three occurring both in Stahl and Mendenhall (2005) and Yan and Zhu (2013). They are competence, integrity and benevolence. The reactions of the employees at the acquired firm are likely to impact all three characteristics. One example that explains competence is given by Stahl and Mendenhall (2005). In a project by the acquired firm, there is failure to reach expected performance. In this situation the management may believe that it was the competence level of the whole acquired firm which was low and hence lose trust in these employees.

Stahl and Mendenhall (2005) explain integrity in trust with an example where inconsistent information from the acquirer regarding job losses affect the employees' belief in the integrity of the management in the acquired firm. Yan and Zhu (2013) stress that an acquisition in itself causes uncertainty (see 2.1.1) and loss of organizational identity (see 2.1.2) which means that perceived loss of integrity by management more easily lead to distrust. Inconsistent information, and hence loss of integrity, will further lead to sensemaking (see 2.1.1).

Finally, Yan and Zhu (2013) defines benevolent trust as "the employee's belief that the organization has good and honest intentions when making decisions". Yan and Zhu further discuss the situation of breaking benevolent trust which can cause feelings of loss of autonomy or injustice. The feelings of injustice often arise due to that the employees at the acquired firm perceive their own firm as it has lower status.

2.1.3.2 The relationship between the two firms

Stahl and Mendenhall (2005) presents five different aspects of the relationship between the previously separate firms which will affect the trust between them, described below.

1. Takeover friendliness

Whether or not a takeover is friendly has great impact on trust. In a hostile takeover the two combining firms' management openly share their suspicions toward each other. Further, the management of the acquired firm is usually replaced by individuals from the acquiring firm instead. Hence, a more hostile

takeover will lead to a higher degree of mistrust.

2. **Power equality**

The larger the power difference, or size which is the most prominent source of power, the more distrustful the acquired firm's employees become. The needs of the acquired firm's employees are often overlooked by the new management. The impact of the power difference, explained by Pablo (1994), "is not simply the overwhelming and domination of the smaller entity through sheer magnitude, but also the intensification of beliefs about superiority and inferiority".

3. **Relative firm performance**

Being acquired by another firm does not necessarily lead to a negative impact on morale and productivity. For example, if employees within an acquired firm have experienced a less satisfying management there is a possibility of rather excited employees instead who see an opportunity of greater job satisfaction and compensation. However, as discussed in 2.1.3.1, the acquiring firm may see the poor performance of the firm as a lack of competence and thus distrust both the management and employees of the acquired firm. Therefore, management of the acquired firm might feel threatened which can cause negative implications on trust and the success of the integration.

4. **Cultural similarity**

The culture of the two firms, the similarities and differences between them and their effect on integration success is a recurring discussion in literature, but this will be discussed in more detail in 2.2.1.

5. **Positive interaction history**

Finally, the interaction history is based on research regarding trust in constellations such as strategic alliances and partnerships, hence the evidence is indirect as it does not concern M&A situations in specific. The findings show that repeated interactions lead to development of trust over time. Further, frequency and duration of interactions are factors that influence the maturity of the relationship and degree of trust. In the other way around, if there has been conflict between the firms before an acquisition takes place, building trust may be inhibited.

2.1.4 **Knowledge transfer**

An effect from an acquisition is low knowledge transfer between the firm which according to Empson (2000) and Pickering (2017) has a negative impact on M&A performance. According to Shin, Holden, and Schmidt (2001) there are two different kinds of knowledge, tacit and explicit. Tacit knowledge is based on an individual's experience and action and is hence harder to transfer between individuals. As this is understood by the authors of this thesis, an example could be experience in how to deal with a certain client. In what way to handle a client may be dependent on personality, previous history and several other factors which can be hard to

explain to another person. According to Shin et al. (2001) it is also considered to be more valuable as it is much harder to articulate. For PSFs the tacit knowledge of the employees are a "major value creating resource" according to Pickering (2017) which Empson (2000) agrees with as she describes tacit knowledge to be "a more important source of competitive advantage". Explicit knowledge is defined as being "codified and communicated in symbolic form or language" (Shin et al., 2001), such as information in writing on an intranet. According to Empson (2000) codified knowledge is relatively easy to share but the ability to interpret it and apply it reside within the tacit knowledge of individuals, further underlining the importance of transferring knowledge based on experience and insights.

The decrease in knowledge transfer is reported to be due to a fear of loss in status or due to changes to the way the acquired firm works. These feelings affecting knowledge transfer stem from uncertainty and distrust as previously discussed. Further, in section 2.1.2 the discussion surrounding the two firms' relative status is of high importance in this case as Empson (2000) describes that the knowledge transfer is hindered by the fear of losing the position of status relative to the other. Further reasons which inhibits knowledge transfer is the "economics-based perspective on knowledge as an asset" which means that the individuals are only being open to transfer knowledge when there is something for themselves to gain from it (Empson, 2000). The inter-personal process of knowledge transfer leads to difficulties since individuals only share knowledge if they do so willingly, hence managers are more or less unable to use methods to bring on knowledge sharing. Instead, to be able to facilitate knowledge transfer the issue of feeling as though other valuable information has to be offered in return needs to be overcome. In relation to this, Stahl et al. (2013) connects knowledge transfer to trust and that higher trust facilitate knowledge transfer.

2.2 Factors affecting the integration process

There are many factors that can affect the integration process and this chapter aims to present those identified in literature as the most relevant and important, namely cultural integration, communication and speed of integration. The fact that these are post-acquisition factors represents a relatively recent development in that many authors report on seeing a relatively recent shift from a traditional focus on financial and pre-acquisition factors to one more centered around HR issues (Yasmeen, 2016), (Uzelac et al., 2016), (Stahl et al., 2013), (Waldman & Javidan, 2009).

2.2.1 Cultural Integration

Many authors agree on the notion that cultural integration is one of the main factors to consider during a post-acquisition integration (Galpin & Herndon, 2007) (Stahl et al., 2013) (Yasmeen, 2016) (Galpin & Herndon, 2007) (Schuler & Jackson, 2001), or at least an area that is in need of further research (Stahl et al., 2013). For instance, Bauer and Matzler's (2014) conclusion for why it is a success factor is that it helps to build trust and reduce organizational struggle. Exactly what constitutes the culture

of an organization is up for debate as there are various definitions. Galpin and Herndon (2007) proposes a range of definitions, such as "what a firm's management and employees consider appropriate business practices", and "organizational norms, values, beliefs, and attitudes".

There are many advantages to having cultural fit among companies. Bauer and Matzler (2014) mean that it allows for better interaction among employees and facilitates knowledge transfer. They also point to evidence that trust-building is supported by common values, agreed upon by Stahl et al. (2013) who specifically point to trust as a key to knowledge transfer. Tarba (2013) proposes, based on literature, that cultural similarity and trust also has a beneficial relationship the other way around, namely "that trust can act to moderate the effects of culture distance in M&As on acquired management attitudes and behaviour, including the reduction of turnover among key talent and top management, contributing to post-merger integration success". In the case of a cultural misfit, the result can be organizational resistance, lower acceptance of the acquiring company's culture and a subsequent wish to stay autonomous (Bauer & Matzler, 2014). It can also lead to lower performance due to increased levels of stress and decreased job commitment, all of which in turn can lead to greater strains on management in their attempts to reach integration over time (Bauer & Matzler, 2014). Lastly, cultural tolerance and sensitivity is discussed by Stahl and Mendenhall (2005) and focus on the acquiring firm's ability to deal with other cultures and look upon cultural differences with sympathy. Stahl and Mendenhall argue that firms who define multiculturalism as an asset are likely to be open to letting the acquired firm hold onto their culture and values. Being culturally sensitive and sympathetic regarding cultural differences enhances trust and increase the chances of successful integration.

Several surveys show that cultural integration receives too little consideration during M&A integration processes. Galpin and Herndon (2007) present one study that shows how 92 % of the responding M&A professional claim that better cultural understanding during the integration process would have "substantially benefitted" them. The same authors also point to another study where around 75 % of the respondents, all of whom were affected by an M&A, reported that their firm made average, poor or very poor efforts in regards to their integration efforts. Galpin and Herndon (2007) argue that part of the reason for this is that grasping and managing different cultures is a large undertaking that requires a lot of effort. In an attempt to make the task more manageable, they propose a framework of fourteen "cultural levers". Each lever represents a cultural aspect, such as values, rules and policies, and goals and measures. These are compared and contrasted between the two companies involved in the acquisition and appropriate actions, time frames and responsibilities are drawn up as a result. One of the main ideas behind the framework is to form an operational representation of the cultures of the companies which facilitates the actual integration. This way of working is also supported by Seo and Hill (2005) who suggest to assess cultural differences that exist and work proactively to take care of potential problems since differences can affect the employees' well-being negatively.

Yasmeen (2016) presents the idea that management should use tools to reinforce any changes that are to be made to the culture of the acquired company. She also suggests close surveying of all levels of management for the first three months in order to make sure that the integration plan is proceeding as planned. Follow-ups and continuous management of the culture is also advocated by Galpin and Herndon (2007), who on the other hand leave out specific time pointers.

Stahl et al. (2013) claim that a certain degree of cultural difference can be beneficial in an acquisition. In these cases, the differences are likely to be moderate since it allows for both mutual understanding and an opportunity to learn from one another. The result is then based on how the companies can complement each other rather than how they are similar. Stahl et al. (2013) also cite cases where a high perceived cultural difference can prepare involved participants to prepare psychologically for the changes that come, making the actual transition less troublesome.

2.2.2 Speed of Integration

The importance of the speed of an integration has received increasing attention in the last decade. D. Angwin (2004) argues that acting with speed has become one of the key considerations of the M&A integration process. Despite this, it has received little attention in the past compared to other factors that relate to a successful M&A process, something which has been noted by several authors (Homburg & Bucerius, 2006), (Risberg, 2015), (Uzelac et al., 2016). Speed of integration can be defined as "the shortness of the time period needed to complete the intended integration of systems, structures, activities, and processes of the two companies" (Uzelac et al., 2016).

Risberg (2015) list several benefits resulting from a quick acquisition, such as less employee uncertainty and instability within the organization, quicker return on investment and increased stakeholder enthusiasm. The same authors contrast this with arguments that favour a slower integration, such as controlled acculturation and the necessity to let trust-building take its time. However, studies show that only about 30 percent of participants involved in acquisitions agree with these negative consequences (Risberg, 2015). Galpin and Herndon (2007) also argue that speed of integration is an imperative part of the post-acquisition process but emphasize the need to move forward with prudence. Galpin and Herndon reason that prudent speed is the best way to protect against the loss of customers and key talent within the company that might follow an unconsidered acquisition. The same author also say that that a quick acquisition leads to a higher satisfaction among the employees (Galpin & Herndon, 2007). This is partly because of increased confidence felt when the company is moving in a clear direction, headed by a seemingly decisive management. It is further argued that employees tend to accept the vision of the new company to a higher degree when the process is swift, also leading to higher employee commitment and satisfaction. Risberg (2015) stresses how a fast integration puts demand on management to understand the cultural differences of an acquisition. This above also relates to the findings of Fairfield-Sonn, Ogilvie, and DelVecchio

(2002) who say that in the case of high trust towards management, employees of an acquired firm will expect there to be changes. If management communicates that few changes are to be expected it might cause suspicion from employees.

In a literature review done by Risberg (2015) regarding the speed-performance relationship, it is shown that despite much theoretical evidence supporting a quick integration, the empirical evidence suggests that it is an ambiguous matter as some case studies end in conclusions that favor a slow integration. Support for this can for instance be found in Bauer and Matzler (2014) with the hypothesis that there is a positive correlation between speed of integration and M&A success.

One possible explanation for why speed of integration plays different roles in different acquisitions can be found in the distinction between task integration and human integration, as mentioned by Risberg (2015) and Bauer and Matzler (2014). The idea was first thoroughly presented by Birkinshaw, Bresman, and Håkanson (2000) as something to take into account throughout the entire post-acquisition process. It was later expanded on by (Bauer & Matzler, 2014) who focused specifically on the implications of the separation of task and human integration in relation to speed of integration. Human integration refers to the integration of culture and creating a positive atmosphere towards the integration among people in both companies and primarily focuses on generating satisfaction. Task integration on the other hand refers to realizing operational synergies and focuses on resource sharing, capability transfer and is primarily concerned with value creation (Birkinshaw et al., 2000). The success of an integration is a function of both these variables according to (Bauer & Matzler, 2014), but can be implemented at different speeds and to various degrees. Birkinshaw et al. (2000) give an example from a situation where task integration succeeded by making the companies more consistent and efficient but failed with the human integration since employee satisfaction dropped immensely. The opposite case is also possible and an example is given from acquisitions where the companies make sure they eliminate all concerns by telling employees everything that will happen before implementing any changes, but thus at the expense of operational synergies.

One conclusion from Bauer and Matzler's (2014) research is that clear benefits come from having a relatively high human integration speed while maintaining a low task integration speed. Bauer and Matzler argue that one reason for this could be that employee uncertainty is reduced in the case of a fast human task integration, especially in stable industries. This point of view has received support also in more recent research, notably Uzelac et al., who came to a similar conclusion regarding how the two different integration speeds should be treated.

There is no general agreement on the optimal time-frame for the acquisition process. Galpin and Herndon (2007) suggests that most of the major integration steps should be taken six to twelve month after the acquisition deal is final. One study, including over 150 managers from 30 different industry sectors, showed that about half of the managers claimed it took 1 to 12 months to complete acquisitions they were involved

with, whereas the other half cited 12 - 36 months as the required time (Galpin & Herndon, 2007). While industry and context might explain some of the discrepancy in the answers, it should also be noted that only three percent of the respondents in the first study claimed that the acquisition had proceeded too fast. More often than not therefore, acquisitions have the potential to move quicker rather than the opposite. A similar study came to comparable results when it comes to the time-frame of one to twelve months and reported that 40 percent of the participating companies did not feel the integration was fast enough. Galpin and Herndon (2007) even adds that it is unlikely that acquisitions will go slower than what has been cited in this section, as it is often part of the deal that the process is required to move quickly.

2.2.3 Communication

Effective communication throughout the M&A integration process has been identified as a critical factor of M&A success by several authors (Collings, Wood, & Caliguiri, 2014) (D. Angwin, Mellahi, Gomes, & Peter, 2016) (Schuler & Jackson, 2001) (Papadakis, 2005). Galpin and Herndon (2007) go as far as to say that nearly all studies done on M&A integration effectiveness put communications in the top of factors that predict success. D. Angwin et al.'s (2016) conclusion following a literature review is that it is "a backbone of M&A success and one of the prime reasons for M&A failure". Seo and Hill (2005) state that top-down, ongoing communication is central for reducing anxiety during an acquisition in order to remove uncertainty in the employees that form during the integration process. Fuhrer, Liem, and Zwald (2017) also refer to communication as a mean of reducing uncertainty about upcoming organizational changes, especially when it comes to informing about them in advance (Donald & Lotz, 2006). Finally, Stahl and Mendenhall (2005) stress the fact that the communication also has to be timed with the current events as well as the amount as too much information can at times instead alarm the employees rather than calm them.

Galpin and Herndon (2007) present a study that show the importance of communications in the M&A integration. Over 200 acquirers took part in the study and were asked to rank the importance of a set of actions when it comes to M&A integration. The results showed that communication was seen as the most important of them all having been mentioned by 90 % of the participants, placing before cultural integration. The very same participants were also asked to state if they were happy with their own communication efforts in acquisitions they were themselves involved with. Only 43 % claimed to be successful in this area. Several reasons were given as to why their efforts had failed, including a lack of resources, poor planning and inadequate involvement from management. Galpin and Herndon (2007) go on to mention two similar studies from which conclusions are also drawn that communications is both important and an area that is in need of improvement. Finally, a study by Schuler and Jackson (2001) also interviewing M&A professionals showed that communication was seen as a critical part of the M&A process by 71 % of the people, surpassed only by the perceived importance of retaining key people at 76 %.

Seo and Hill (2005) also claim that communication is one of the ground pillars of organizational identity which in turns plays a large part in the building of social identity for the employees. This is also related to the final point made by Seo and Hill (2005) that the style of communication is part of the culture of an organization and thus a potential source of culture clashes that might occur during an acquisition. Galpin and Herndon (2007) refer to communication as means of increasing employee commitment and increasing productivity. D. Angwin et al. (2016) reports of a consensus from literature that high levels of communication help to reduce uncertainty as well as being a factor that overall increases M&A success. They further argue that, conversely, poor communication results in elevated levels of ambiguity among employees along with high job insecurity and low commitment and trust. These views are in line with for example Schuler and Jackson (2001).

Galpin and his colleague (2007) claim that one common mistake is lack of transparency when management is communicating with employees. If the employees have been involved in other M&As they are more likely to see through any lies and half-truths. It is argued that employees recover quicker from unpleasant certainties than any uncertainties, which favours direct communication. D. Angwin et al. (2016) seem to support these statements by saying that rich communication serves to reduce employee anxiety and uncertainty. This also relates to a discussion Stahl and Mendenhall (2005) has on communication quality and its effect on trust. He argues that anxiety and uncertainty can be positively affected by communicating in a credible and open manner. A lack of this communication can not only decrease trust but also commitment and productivity. Conversely, stress and similar negative feelings may be the result if communication richness is on the lower end. This is contrasted with a situation where management may purposely overload employees with information in order to reduce the impact of bits of information that is particularly worrying. D. Angwin et al. (2016) make one last remark which is that communication must flow through the entire organization and not come to a halt at management level for instance. In addition, face-to-face communication is described as the most appreciated way of communication by employees still today and is something that should be taken into account.

D. Angwin et al. (2016) investigated the role of communication strategies of M&As throughout the process, thus including both pre- and post-merger communication. They identify two factors, communication timing and communication richness. The purpose of the former factor is to question whether communication has been intermittent or continuous. The latter is a measure of the amount of information communicated to the employees, rated as high or low, and relates to the discussion previously about communication richness. The timing of the communication may impact the employees in several ways, D. Angwin et al. (2016) argue. Continuous communication generally helps to attain higher levels of trust during the M&A. This depends somewhat on the nature of the M&A however, as frequent communication carrying bad news may decrease well-being among employees by provoking a threatening feeling. However, the results of the study suggest that continuous and rich

2. Theoretical framework

communication were highly correlated with M&A success.

3

METHOD

This section aims to explain the process and methodology used in this thesis as well as to clarify certain choices made by the authors. It also discusses how the choices have impacted the quality and reliability of the study.

3.1 Research Process

The process of this master's thesis can roughly be divided into five parts: definition, theoretical studies, data collection, analysis, and conclusion. Figure 3.1 helps to visualize this process where the arrows represent the relative length of each part and show the time frames in relation to each other.

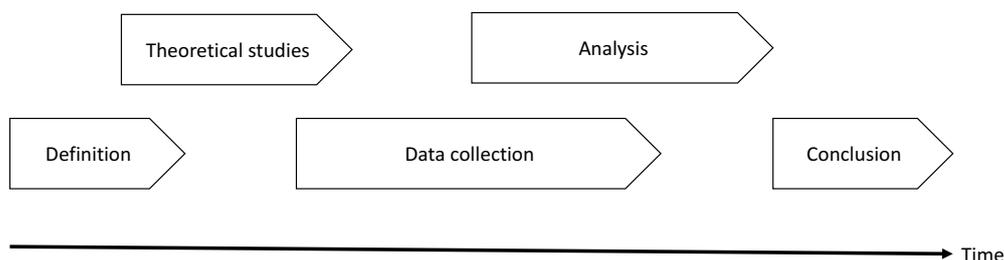


Figure 3.1: Overview of the research process in five steps.

The first part, definition, revolved around primary literature research of the subject, formulation of research question and communication with both ÅF and the supervisor at Chalmers. The communication primarily regarded a suitable focus that would lie both within the wishes of ÅF and within the frames of a suitable master's thesis. During the same period a plan was made for the rest of the semester, including internal deadlines and decisions regarding the number of interviews to be held. The theoretical studies (see 3.3, were the starting point of the writing on the master's thesis and provide a theoretical basis for the interviews and the analysis. The data collection was conducted through interviews (see 3.4) and was a collection of twelve interviews from six acquisitions carried out by ÅF. Three additional interviews were held at a seventh company, but were omitted for reasons detailed in 3.4.1 The data collected through interviews was compared and contrasted to the literature in both a deductive and inductive approach which is described in more detail in 3.5. Fi-

nally, the conclusion included summarizing the analysis into recommendations and primary findings from the study.

3.2 Research Design

This report uses Yin's (2018) definition of research design which can be described as the logical plan for getting from a set of questions to a set of conclusions that addresses those questions. A qualitative study was chosen due for several reasons as there was a need to identify variables which are not easily measurable, and to get a detailed understanding of any potential problems from listening to those affected by the acquisition. According to Creswell (2013) these are indeed reasons for why a qualitative study is preferable. Creswell gives examples of five approaches to a qualitative study: narrative research, phenomenology, grounded theory, ethnography and case study. The unit of analysis described for case study is "studying an event, a program, an activity, or more than one individual" (Creswell, 2013). The acquisition of each firm can be viewed as an event or program which is why a case study was deemed fitting for the purposes of this thesis. Furthermore, Creswell (2013) writes that the focus of a case study is to "develop an in-depth description and analysis of a case or multiple cases". Yin (2018) also stresses that it is a case study especially when the boundaries between the case investigated and the overall context are not clear. The ambiguity of when an acquired firm is fully integrated into ÅF therefore makes the integration process a suitable area of case study. Yin's (2018) second part of the definition includes the characteristics of a case study which are:

- Copes with the situation where there are more variables of interest than available points of data.
- Benefits from previous research to guide the whole process including data collection and analysis.
- Rely on multiple sources of data

As this thesis studies the integration of an acquisition which has many variables and variations between the cases the first item in the list above is of clear relevance. As the thesis is based on theoretical studies to a large extent item two is also applicable. The last item on this list is a recurring characteristic of case study also mentioned by Creswell (2013) and also touched upon by Bryman and Bell (2011). However, due to both limitation in access to ÅF employees and documentation as well as time, the master's thesis only includes one source of data. Some information has also been gained through communication with the supervisor at ÅF, however, since it is a very limited amount the empirical findings and data collection will be limited to the interviews conducted.

3.3 Theoretical studies

The theoretical studies were conducted with a focus on integration after acquisition and factors concerning the affects on personnel. When collecting theoretical information, databases such as Google scholar and the Chalmers library were used to search for articles with relevant topics. Keywords used for finding the articles include acquisition, consultancy, integration, post-integration, integration factors and employees. Once factors were found that seemed to have a significant influence on employees, the keywords were complemented in order to find more articles relating to the newly found information. Words added for this report thus included PSF, anxiety, identity, trust, knowledge transfer, speed of integration, communication and cultural integration. The articles were mainly selected based on their titles, after which the abstracts were read to discover if the articles contributed to the scope of the thesis. As the last step, the selected articles were read more thoroughly and used to construct the theoretical basis of the thesis.

3.4 Interviews

Twelve interviews with employees from six different firms acquired by ÅF were included in order to analyze how successful the integration has been from the employees' point of view. This section will cover the sampling, preparation and execution of interviews.

3.4.1 Sampling

Two choices had to be made with regards to who to interview. The first choice regarded what kind of firms were to be included. Ultimately, ÅF were asked to provide between five and seven acquired firms based on the following criteria:

- The acquisition occurred between 2016 or 2017
- The acquired firms are Swedish and based in Sweden
- The acquired firms are of similar size in number of employees
- The acquired firms should be represented by a relatively equal distribution between "successful" and "less successful" acquisitions

The choice of using acquisitions from 2016 and 2017 is partly due to a study conducted by Sudman, Bradburn, and Schwarz (1996) who found evidence that after three years the participants have lost memory of about 50% of the details. Hence, the interval was chosen for when the integration was likely to be more or less finalized and where the employees in the acquired firm should remember most of the events, from the the announcement up until the day of the interview. The requirement that the acquired firms should all be Swedish and based in Sweden was due to the delimitation of excluding cultural differences between countries during an acquisition as it is not the focus of this study. Similarly, the choice of having the acquired firms to be of similar size was made in order to reduce the number of variables and hence

aiming for a higher quality in the analysis. Finally, a combination of studying two sets of acquisitions where one set is "successful", referring to reaching the economical goals set by the acquirer, and "less successful", not reaching the economic goals, was desirable as it would allow looking at the connection between factors and used practices, and reaching integration success at ÅF. ÅF were the once picking the acquisitions since they held all information regarding the financial figures.

The second choice regarded the sampling of the participants for the interviews for each acquired firm. Two participants from each acquisition were chosen who had a consultancy role, hence did not have any decision making position with regards to the acquisition and/or integration. The same role within the firm was important to reduce the aspect of hierarchical differences in how the integration affects the employees. Two employees from each acquisition were chosen to diminish the risk of an all too individualistic view of the acquisition as it can be dependent on an individual's emotions. Hence, two interviews could therefore create a better overview of each case. Three additional interviews were held with another acquired firm. The first interviewee had an administrative role which different too much compared to the other employees which were interviewed and ended up being a test interview. The two additional interviews were held with business development employees which also entailed a different role compared to the rest of the interviewees. In addition, financial results had only been reported for one year in this firm, compared to at least two in the other cases. All these circumstances led to the exclusion of the firm and its interviewees as it was seen as too late to take the time to carry out two additional interviews as it involves several steps. Although the three interviewees were not involved in the decision making of the acquisition one of the omitted interviewees mentioned that the consultants likely experienced the acquisition differently than a person in his or her position. This provided even stronger incentives to exclude these interviewees from the study.

The number of total interviews needed to reach saturation is discussed in several articles and books. The definition of saturation and the different types of saturation are widely debated according to both Saunders et al. (2018) and Lowe, Norris, Farris, and Babbage (2018). However, most authors seem to agree on the more general description that saturation can be described as the point which signifies "that the data contain all information necessary to answer the research questions" and hence no more data collection is necessary (Lowe et al., 2018). Finding a recommended amount of interviews for a study can be difficult. The number of interviews recommended by theory spans over ranges from 5 to 60 (Lowe et al., 2018) (Creswell, 2013). This range is due to different types of research questions, research designs and several other factors. From this perspective, a theoretical basis for the number of interviews was not found. However, for a multiple-case study Yin (2018) instead focuses on the number of case replication to be analyzed. The number of replications is dependent on the complexity of the research question and the degree of uncertainty tolerated. Yin (2018) exemplifies that for a relatively straight forward issue it may be enough with two or three replications while it otherwise would be sufficient with five, six or even more replications. In this thesis,

six replications are carried out in total with two interviews within each. The current amount of companies was selected with consideration to the trade-off between depth of analysis and data reliability. The rationale for studying fewer companies is that more time is available to analyze each interview, but it reduces the data reliability as the sample size becomes smaller. Further, Yin discusses the importance of looking at rival explanations. Rival explanations are theories or cases which are studied as complementary material to strengthen the findings from the chosen cases. An example provided by the authors of this thesis could involve findings that school results are due to a child’s parents’ level of education. The rival explanation could be that it is more dependent on the number of hours that the child spend studying. In this thesis the ”less successful” acquisitions can be seen as the rival explanation whose role is to provide greater support for the findings of what has made the acquisitions successful. Yin (2018) argues that the stronger the rival the more additional cases are wanted. The stronger the rival, as understood by the authors of the thesis, is an explanation which is very different from the first explanation.

Table 3.1 shows an overview of the interviews, where A indicates ”successful” acquisitions and B indicates ”less successful” acquisitions with regards to financial results. X1 marks the firm that was removed from the study. Further, the length of time of interviews has been provided for the reader for reasons of transparency and better possibility of replication of the study.

| Acquisition | Interviewee | Length of interview (min) |
|-------------|-------------|---------------------------|
| A1 | 1 | 27 |
| | 2 | 28 |
| A2 | 1 | 48 |
| | 2 | 35 |
| A3 | 1 | 37 |
| | 2 | 40 |
| A4 | 1 | 43 |
| | 2 | 54 |
| B1 | 1 | 43 |
| | 2 | 60 |
| B2 | 1 | 58 |
| | 2 | 40 |
| X1 | 1 | 34 |
| | 2 | 60 |
| | 3 | 56 |

Table 3.1: Overview of the executed interviews with time spent on each interview.

3.4.2 Preparation

Yin (2018) describes that case study interviews are usually a ”guided conversation rather than structured queries” and more often answer questions such as how or

why through the interviews. Bryman and Bell (2011) agrees but uses the terminology of *qualitative interviewing* to include both unstructured and semi-structured interviews. The difference between the two latter types of interviews is how many topics need to be covered in the interview and hence how many questions that are prepared. In the case of this thesis there are several topics to be covered to reach enough qualitative data for the analysis and hence a semi-structured interview was chosen. Further, Bryman and Bell (2011) also suggests that in the specific case of multiple-case study a semi-structured interview is suitable as some structure is needed to be able to ensure cross-case comparability.

An interview guide was constructed and tested before it was used in interviews and can be found in appendix A. Bryman and Bell (2011) discuss finding the balance between covering the areas needed for the research questions and at the same time as asking questions appropriately from the perspectives of those interviewed. This balance has been a part of the process both during construction of the interview guide and when holding the interviews. To create a balance between questions that are understood by the interviewees and those that answer the research questions, some terminology was identified as being of risk of misunderstanding. Hence, questions within these areas were more specified. For example, cultural integration was thought to be quite hard for an interviewee to understand, however, when asked about the difference between the firms norms and leadership it is easier to relate and answer. Further, while interviewing, the practices suggested by Bryman and Bell (2011) were followed: creating an order of research areas to create a flow in the interview; formulating interview questions to more easily answer the research questions; and use terminology understood by the interviewees and avoiding leading questions.

As previously stated, the interview guide was tested according to Bryman and Bell's (2011) proposed process where the guide is revised in two steps. After the interview topic has been decided on and questions formulated the first time, Bryman and Bell suggest to first revise the interview questions by oneself and return to the stage of deciding on the interview topics and hence the overall structure of the interview. This procedure was followed creating the pilot guide. Secondly, after a pilot guide has been formed, a test interview was conducted where misunderstandings and unexpected topics were identified as well as the general flow of the interview, this was carried out through the first interview with company X1. All these points generated enough feedback for a few changes to the final interview guide, such as new or differently formulated questions, questions that were removed, and a different order of question.

3.4.3 Execution

The interviews were held over phone or Skype rather than face-to-face. This was proposed by ÅF as a way of more easily access the interviewees. There are several benefits to interviewing by phone listen by Bryman and Bell (2011):

- A greater time efficiency as different geographical locations lead to time spent on travelling.
- An interview by phone is easier to supervise due to an increased ability to check on and make sure that topics are covered.
- Interviewees may answer less biased as the presence of the interviewers may affect the interviewee's answer based both on characteristics of the interviewers but also on what the interviewee believe the interviewer wants them to answer.

During the interviews there were several things to consider except following the interview guide. Firstly, although the research was introduced over email while booking the interview, the research was explained in brief to the interviewee to set the context of the interview. This is proposed by Bryman and Bell (2011) who also stresses the importance of ethical sensitivity of the interviewer relating to ensuring the interview answers will remain confidential. Hence, communicating how the research will be used and who has access to which information was clearly stated to the interviewee. Also, the interviewee was asked directly whether or not the interview could be recorded and later transcribed. Further, in accordance with a suggestion by Bryman and Bell (2011), so called 'facesheet' information was either recorded or asked for including for example age, gender, position, years employed etc. as it helps to contextualize the answers.

In their book, Bryman and Bell (2011) list different types of questions which can be used during the interview. Initially the interview guide was followed which comprises of rather direct and indirect questions. Depending on the answers other types of questions were asked, for example:

- **Follow-up questions:** Used to elaborate answers
- **Probing question:** Follow up with direct questioning
- **Interpreting questions:** Clarifying and making sure the answer was understood

3.5 Analysis

The data gained from the interviews had to be processed and analyzed in order to fulfill the purpose of the interviews. The different steps taken with regards to analysis are presented in this section.

3.5.1 Data processing

Each interview was transcribed which comes with several benefits as stated by Bryman and Bell (2011). Transcribing corrects certain intuitive conclusions regarding what was actually said during an interview. It also allows repetitive examination of what interviewees answer and a more thorough examination of these answers. Hence, transcribing can be said to increase the reliability of the study as it is not built upon memory or biased opinions. Bryman and Bell (2011) further

include advantages to transcribing which are present if the researchers choose to include the transcribed interviews in the published papers as others can then verify the analysis. The transcriptions are in this case not included in the research as the confidentiality towards both the interviewee and ÅF could be compromised.

3.5.2 Interviewee response

The answers given by the interviewees can be analyzed more specifically. The personality traits of the interviewees and the way they have perceived the scope of the study and have experienced the acquisition and may affect the answers. As the goal of the study described to the employees is centered around how the integration after the acquisition has affected the employees there was a risk of the responses being focused on examples of how the employees had been affected negatively. The knowledge of this risk led to an analysis of what the interviewees did not specifically mention as this may imply that they had nothing to complain about regarding this and that they were overall affected to a minor degree. Further, a negative experience of the acquisition may lead to certain answers being of a more negative character than would be the case if the answers would have been objective. This makes it difficult for both the interviewee and interviewer to know the source of why a certain situation was perceived as negative. Several of the interviewees and even those who were not able to be interviewed expressed that it was an interesting and important area to study. Hence, there is a possibility that the interviewees were inclined to try to influence this study by emphasize their stories and examples. Although this was not perceived to be the case, it was important to keep in mind when for example having two very different attitudes within the same acquired firm.

3.5.3 Inductive and deductive analysis

According to Hallin and Helin (2018) a deductive study constructs its questionnaire for interviews to validate or falsify prior research and thus the questions are often direct and specified leading to a structured interview. On the other hand, in inductive studies the material from the interview is the basis of the analysis with the result of an unstructured interview being more plausible. This study was carried out as a combination of the two where the analysis of the material gained was conducted both deductively and inductively. The deductive analysis focused on answering the first research question focusing on comparing the theory and the empirical findings and which parts of the theory that is applicable in ÅF's case. The inductive analysis focuses on noticeable trends which have not been brought up in the current literature which may be specific for engineering consultancy firms or even more specifically ÅF.

3.5.4 Cross-case synthesis

Yin (2018) describes the procedure of cross-case synthesis as first analyzing the results for each individual case study and then analyze the patterns of results across all case studies. To be able to analyze each case and later cross-case analyze the

empirical findings a matrix was created which can be seen in figure 4.1. The matrix visualizes the interviewees attitude in the researched areas and are indicated with green for positive, yellow for neutral and red for negative. The colored matrices allowed for analysis in both a vertical (within each interview and acquisition) and horizontally (cross-case) to find trends and causes. More information was present in the matrix before publication in the report but removed due to ethical reasons. Further, before the empirical findings were reduced to colors in the matrix it was instead an expanded matrix constructed in Microsoft Excel which included information and quotes from the interviewees. This information was hence also analyzed both with regards to each case but also cross-case specific to be able to analyze the information in both a deductive and inductive manner as described in section 3.5.3.

3.6 Discussion of method

In this section the method is discussed and the consequences of choices including for example limitations of the study and ethical considerations are brought to attention.

3.6.1 Theoretical studies

There are several limitations in the theoretical findings that may affect the results of the study. As mentioned in 1.1, little research has been carried out on the effect of M&As on PSFs. Hence, the theory used is primarily based on other types of firms. However, knowledge of this issue led to the focus of the thesis to compare the theory with empirical findings with regards to engineering consulting firms which is a PSF.

Further, the literature used for this research rarely included articles concerning Swedish firms. Since the research area is focused on work culture and feelings of employees the results of other studies may not be as applicable on ÅF since ÅF is a Swedish firm. However, the limitation of using only Swedish acquired firms and that the theory used came from a number of different nationalities with similar results led to the conclusion that the risk of Swedish culture to significantly reduce the reliability of the results is minor.

The area of integration success and how employees are affected as well as actions to remedy those effects are very broad, hence some factors had to be left out in order to conduct a research of quality with enough focus on some variables. Hence, the factors which were not chosen could have influenced the results of the M&A success. However, as explained in the introduction the chosen factors are those most reoccurring in the literature and within the scope of our thesis, namely focusing on the effect M&As impose on all employees and how to remedy that effect.

3.6.2 Interviews

The interviews were held over phone which has several benefits but also limitations and drawbacks which are explained by Bryman and Bell (2011). The most important aspect in this case is the lack of possibility to observe body language as response to

a question. As the thesis regarding employee emotions the lack of this observation may influence quality of the data. There are further characteristics of a phone interview which affect the quality of data according to Bryman and Bell (2011). The respondents over phone are usually less engaged in the interview process and more often answer as "I don't know", at least when conducting a phone survey. Although the results of that study can be questioned of how well it describes the situation regarding this research, it is important to bear in mind the consequences it may hold. Further, it is unknown if the interviewees in this case would answer the questions differently in a face-to-face situation but seeing as there was a quite low number of unspecific answers and feeling of disengagement the overall perhaps negative affect of phone interviews should be taken with ease. This is especially true for the interviewees that expressed a genuine interest in the topic.

The interviewed individuals were made up of people who had decided to stay at the firm. To increase the credibility of the results interviews could have been held with employees who had left the firm as well. The downside of only interviewing individuals who have decided to stay is because they might have a more positive outlook on the acquisition. Further, the reasons why those who left the firm decided to leave may not be as well represented by the interviews held in this study. The area of study was very wide with several factors and a high complexity as it regards reactions of individuals. As several factors were investigated to be able to locate those which concern ÅF it was not possible to conduct deep interviews and hence study each factor and its significance in depth. Further, this means that there may be details missed regarding each factors affect.

When conducting the interviews and analyzing answers the aspect of ethics are crucial. As this master's thesis will be analyzing how ÅF has integrated the acquired company, how people have felt during this process and what could have been done differently, it is vital to offer anonymity and have a method for also making individuals feel anonymous. Since codified versions of the acquired firms names are used, and there are few employees that have been interviewed, the chosen degree of related information in the report is critical for the employees' anonymity. To make sure that the interviewees' feel anonymous, a couple of interviewees were sent the interviewee before publication to let them be able to provide feedback.

3.6.3 Analysis

As described in 3.4.1, the acquired firms studied were all from a similar period of time, similar size, Swedish and both financially "successful" and "less successful" acquisitions. Although a closer description such as the line of business of the different acquisitions would be beneficial for the reliability and understanding of the study the choice was made to exclude such information. This is due to ethical parameters relating to the confidentiality of the interviewees. If any other information was to be given in combination with the level of success of the acquisition and that only two individuals have been interviewed, the confidentiality may be compromised. In other words, it would have been too easy to understand which acquisition is regarded

and who has been interviewed.

After the 12 interviews were held, transcribed and analyzed, several limitations with the analysis and study as a whole were noted. Saturation was not reached due to the abundance of different variables which affected the interviewee answers. For example, the personality of the employees seem to affect how the situation of the integration process has been perceived and the life situation affected certain individuals decision to stay within the firm. Further examples includes length of client projects, degree of integration of each acquisition, geographical location of the new and prior office. On top of this comes differences in experience, age, gender and other previously mentioned variable. All these differences led to difficulties in drawing conclusions from the data gathered.

Finally, when analyzing the empirical findings after transcription, the question of what the interviewees' answers actually mean come up. It was often caused by a situation where the interviewee did not actually answer a particular question when asked but drifted off slightly, which was not always noted during the held interviews. This would cause some holes of missing answers in the interview guide for some of the interviewees, as well as answers to question not actually asked. Also, at times the answers were a bit ambiguous but in relation to the context and other things the interviewee said it made sense when reviewing interview as a whole. Hence, this uncertainty of what some answers mean may create a decrease in dependability of the study. However, as these types of answers were so few in the study it is not believed affect the study much.

4

EMPIRICAL FINDINGS

The summarized result from the 12 conducted interviews can be found below. The empirical findings presented is the material picked out from the interviews which is relevant for the scope of the study.

4.1 Interviewees

The employees interviewed all worked in a firm acquired by ÅF during 2016 or 2017 where the acquired firms were on average around 40-45 employees. The length of time the employees worked at the firm before the acquisition ranges from a couple of months to 20 years. The age of the candidates is estimated to around 30 to 60 years. Out of the 12 interviewees, 10 were male and 2 female. Two of the employees had gone through an acquisition before in their previous career. None of the employees have had their work tasks changed. The interviews were conducted with employees who have chosen to stay with the acquired firm and who were employed there at the time of the interviews. Many expressed that they decided to be positive, wanted to explore the new opportunities or that they would always have the opportunity to leave the firm at a later time if they did not like it. There was a large difference between the interviewees in personality, situation in life and years until retirement. All the above factors may influence how the integration process was perceived. One interviewee, from B1, expressed the quote below showcasing the difference between individuals:

*"Personally I have never been worried or thought that this was bad. Instead, I have had a very positive attitude towards this. But I do know that some other colleagues have been worried. And some of them has had the attitude 'I don't want to be part of this'."*¹ (freely translated)

4.2 Organizational integration

All of the interviewees primarily work with their former colleagues at the acquired firm. The acquired firms were integrated into the ÅF organization in a number of different ways:

¹"För egen del har jag aldrig varit orolig eller tyckt att det här var dåligt. Utan jag har mer haft en väldigt positivt inställning till det här. Men jag vet att en del andra kollegor har ju blivit oroliga kan man säga. Och en del har blivit såhär 'det här vill jag inte vara med om'"

- A1 was kept as their own section at ÅF who operates from their prior office, however they will move in with ÅF the coming year.
- A3 was kept as a subsidiary operating from the same offices as before.
- B2 was kept as its own section at ÅF and partly operates from ÅF's offices and partly from their earlier office with ÅF employees having moved to theirs.
- A2, A4 and B1 were kept as its own section operating from ÅF's offices together with other ÅF employees.
 - Two of these firms have been given a time period of a couple of years of special conditions such as their projects and staff will be 'untouched' by ÅF or financial incentives such as bonuses if performed well enough in their unit after those years.

4.3 Loss of employees due to the acquisition

The interviewees were asked about how many colleagues they think left their jobs due to the acquisition. There was a high degree of uncertainty within the answers as many were unaware if their colleagues had left due to the acquisition or not. For some firms it was quite common for employees to leave that company and start working for their clients instead as it made it natural for them to take the next step in their career. Several people emphasize though that this occurs normally but that it might be a few more who has left during the acquisition processes. These firms were primarily A1, A2 and A3.

One interviewee at firm A4 estimated that about 90-95% of the employees came with them to ÅF. The reason why so many chose to stay according one of the two interviewees was due to the strong unity that they have in their firm and described it as a family who has been built up over time and thus wanted to stay together. The other interviewee within the firm believed that there will be a larger number who decides to leave ÅF after three years, since a economic bonus has been promised after this time if they have performed financially well.

Two of the acquired firms, B1 and B2, both shared how other firms, competitors to ÅF, contacted the employees of the acquired firms to try to recruit to their firms. One interviewee explained it as the competitors know it is a time of uncertainty and offers a possibility to change employer since some employees are changing jobs anyway during the transition. One interviewee at B2 shared that this was especially common in Stockholm as their two other offices are located in smaller suburbs. The other firm, B1, is primarily located in Stockholm with some employees in Gothenburg as well.

The interviewees at B1 gave some different information regarding the number of people who decided to leave the firm. One interviewee was pretty sure that there were about 60 % who had left the firm since the acquisition and had heard rumors of even more. The other interviewee from B1 thought that about 30 % had left the firm and believed that it was not the acquisition in itself but that some just did not want to work in a large company which is why this person also thought some

decided to quit after a couple of months. The same person believed that ÅF could have identified these individuals and coached them to increase the understanding of what it means to work at ÅF and at a large company. The interviewee personally does not feel any difference between working at ÅF compared to before as it is the same people he works with but at a larger firm where there happens to be more sections. As some have not even worked at a large firm before, he believed that an increased understanding of working at a larger firm can be beneficial and may lead to more individuals deciding to stay.

Finally, at acquisition B2 there was about 70% who left the firm which both interviewees agreed on. There were more employees who left at certain offices and one office even lost all of its employees who instead decided to start their own firm. The employees who decided to stay were employed at the same office as their former owner.

4.4 Anxiety and Uncertainty

The anxiety and uncertainty was focused on two different levels during the interview, individually and the perceived atmosphere among colleagues.

4.4.1 Individually based

The employees were asked if they themselves felt anxious or worried about the acquisition in the beginning. Most of them felt little or no anxiety towards the acquisition, especially after it was communicated that all employees would be able to keep their job. One employee from A1 even expressed that it feels safer in the larger company than the smaller due to job security. Some also expressed that they felt secure in the acquisition due to their understanding that ÅF had acquired their firm due to their competence and their employees.

Four individuals, three of which came from B1 and B2 and one from A4, expressed that they felt anxious about the acquisition. The anxiety stemmed from changes that could occur due to the acquisition such as moving from their former offices, being in a new large organization, and the unknown consequences of whether the acquisition was a good or bad thing for themselves. One interviewee from B1 expressed the situation that the acquired employees are in like this:

*"I have not chosen to change my job but I was force to change job my job you could say."*² (freely translated)

The same interviewee thought that the decision to stay is very dependent on who else stays or decides to leave. If those perceived as high-performers decide to leave one may question whether it is wise to stay. In the interviewee's case the manager and many other colleagues stayed, which was seen as strongly positive.

²"Jag har inte valt att byta jobb utan jag blev tvingad att byta jobb kan man säga."

4.4.2 Atmosphere among colleagues

When finding out about the acquisition in the acquired firms and in the time thereafter there was an ongoing communication between colleagues that resulted in a positive or negative atmosphere regarding the acquisition. When the interviewees were asked it, many claimed the atmosphere to having been neutral, but with some colleagues either being positive or negative. One firm, A2, did not really talk about the acquisition among colleagues as they do not meet very often. The little that they did know was that some people were positive and some negative which is what most other acquired employees have expressed too.

At least one interviewee in almost all interviewees reported that there were some positive and some negative impressions. One interviewee from company B2 said that the younger employees were more positive towards the acquisition than the older ones, since the latter were more interested in knowing if it was a bad or good thing for them personally. The most positive impression was given by A4 who mostly experienced that the colleagues thought the acquisition would be positive but that several were shocked and that going through change can be difficult. One interviewee in A3 reported having met people from outside the firm who had had bad experiences with acquisitions which may have had a negative effect on the personal perception. Another one of the interviewees from A1 described the situation within the firm and explained why some may have perceived the acquisition as negative:

*"It was pretty neutral. But some thought it was good and some didn't think so. It was the uncertainty that did it. That ÅF is pretty well known or very well known, you have heard a lot about them and some thought that it was too big of a firm and that it would be tough and difficult."*³ (freely translated)

The most negative atmospheres within the firms related to the acquisitions were found within company B1 and B2. One interviewee from B1 said there had been colleagues who had left ÅF to take employment in their former firm but who now had to reenter ÅF, something which may have affected their attitude towards the acquisition. It was also shared that there were rumors concerning the reasons behind the acquisition, which created uncertainty. There was some extra worry in company B1 due to the action of others since so many people left the firm. The interviewee said they started to wonder if they should really stay themselves. Furthermore, there was also some speculation regarding what would happen two years after the acquisition, such as if the employees would be split up, relocated or something else. Another employee from the same firm expressed that an impression flourished that ÅF acquires companies all the time and are therefore good at it.

None of the interviewees felt worry about losing their co-workers as it was stated early on in the process in all acquisitions that it would be possible for everyone

³"Det var ganska neutralt. Men en del tyckte det var bra och andra tyckte inte det var bra liksom. Det var väl mer osäkerheten och ovissheten som gjorde det. Just att ÅF är ju rätt så känt eller väldigt känt, man har ju hört talas om dem och vissa trodde väl att det var en stor drake liksom och att det skulle bli jobbigt och besvärligt."

to keep their job. In B2, there was anxiety when they first found out about the acquisition before more information was received at which point the worrying decreased. However, after some time the worry came back, especially after several of their colleagues had left the firm quite quickly after the announcement.

4.5 Social Identity

The empirical findings on social identity can be divided into primarily the individual's identification with either the acquired firm or ÅF and their views of ÅF before the acquisition occurred.

4.5.1 Identification with acquired firm or ÅF

The interviewees were asked about which firm they identified with the most between ÅF and their former firm. About half of the interviewees still identified with their former firm rather than ÅF. Many of the firms however still used their former firm name as either their section name at ÅF or since they are a subsidiary to ÅF. One interviewee at A4 mentioned that they have kept activities as they had before the acquisition, such as breakfast at work, bowling sessions, and so forth. Two interviewees from A3 described that they identify with ÅF with part of the explanation being that their firm was acquired by ÅF in its current state and also kept as a subsidiary.

Some of the employees felt that they identified themselves as a mixture of the two companies. One employee at B1 explains that, even though being a proud employee at the prior firm, there is also pride in working at ÅF. Both employees at A2 believed they identified themselves as somewhere in between and that they do identify with ÅF but that their former firm is still there in their identification. An employee described the personal identification in the following way:

"Our section is called ÅF X (acquired firm name), so I guess that is how you think of it." ⁴ (freely translated)

Finally, two employees fully identified with ÅF. In A1, one of them explained that it feels as as if they have several employers: the client, the acquired firm, and ÅF. But there is a feeling that the identification with ÅF has grown over time. The second employee from B1 identifies with ÅF by saying that it is a good employer. Further, one employee said during another part of the interview that the whole process just amounts to "changing caps" ⁵ (freely translated) after the acquisition, mostly because they are just working with the client in any case.

⁴"Vår sektion heter ÅF (uppköpts bolags namn), så det är väl så man tänker."

⁵"byter keps"

4.5.2 View of ÅF before the acquisition

The perception of ÅF before the acquisition was similar among many of the interviewees. Several of the employees said that they did not have any perception about ÅF, with some saying they had not heard about ÅF prior to the acquisition. A few described ÅF as a very large firm and perceived it as stiff and slow. In B1, there had been colleagues who had quit ÅF to join B1 instead prior to the acquisition. The interviewee said that the employees tried to not see this aspect as negative but still believed it affected the employees perception of ÅF negatively. Others have described ÅF in a more positive tone with regards to its highly qualitative services, that ÅF is well renowned, good at engineering and generally a large firm in the more positive sense.

*”Yes, well you see ÅF is the large consultancy firm who was the one who had everything and was in the forefront.”*⁶ (freely translated)

Three employees had negative perceptions of ÅF before the acquisition. One interviewee from A2 got this impression from prior collaborative projects together with ÅF where ÅF would often send incompetent people to projects. This was experienced as evidence that it is less about competence and more about pushing out people to projects at ÅF. However, the interviewee also stressed that it is not just ÅF who does this and mentioned that ÅF’s competitors go about it the same way. But it is said that these things improved after the acquisition since the former company is now in the position to act as a filter. Finally, an employee in firm B2 expressed having heard that ÅF had conducted acquisitions before within their field which had not gone well and resulted in almost all employees leaving that firm.

4.6 Trust

The trust in the organization is primarily focused on the trust towards the management at ÅF from the interviewees’ point of view. Also, the trust that the acquired firms experience from ÅF is part of these empirical findings.

4.6.1 Trust towards management at ÅF

The interviewees were asked whether or not they trusted the management at ÅF. Several felt as though top management was very far away so it was a bit difficult to answer. However, most of the interviewees said that they trust the management at ÅF and most of them explained that they trust the people in management whom they have met, such as the division manager, or that they trust ÅF due to the qualities of being a large, stable and professional firm. One interviewee expressed himself like this:

⁶”Ja men man såg ju ÅF som den här stora konsulten som var den som hade allting och som var främst.”

*"Yes, I have always thought that it seems to be a good company, stable and has been in the business for a long time. "*⁷ freely translated)

Interviewees in A1, A3 and A4 all said they trusted management. One interviewee in B1 said to have high trust but that it might be positively biased since he or she went to university with one of the ÅF managers. The same person also explained that he or she was unsure what the colleagues thought but that it seemed like it was easy for them to have a negative approach on the acquisition.

A number of employees had mixed feelings regarding trusting management at ÅF. One interviewee at B2 said to having trusted management more and more with time but that it in the beginning did not feel as though he or she knew anything about them or how ÅF was managed. The other interviewee at B2 believed there is mistrust in the acquired firm towards ÅF due to the large number of employees that were lost in the acquisition. However, the interviewee still believes it is a large and well-managed firm.

Finally, one interviewee from B1 expressed not having trust towards the management at ÅF, but instead expressed as many others that the management felt very far away and that it felt like a "beautiful facade"⁸ (freely translated) where they during large meetings only expressed the positive things.

4.6.2 Experienced trust from ÅF to their acquired firm

All interviewed employees have felt that ÅF has trusted them, especially with regards to their competence and conducting projects. Some explanations from the interviewees of the experienced trust stem from that the acquired firms has been allowed to operate by themselves, that changes came successively and that no one has questioned their way of working.

4.7 Knowledge Transfer

This section includes a description of how the different acquired firms collaborate with ÅF within projects in order to describe the situation of each acquired firm. This is because project collaborations are one the platforms mentioned for knowledge transfer. Several employees have exemplified challenges in collaboration across sections and especially across divisions at ÅF. Part of the problem is due to the difficulties of not being able to log hours worked for a project that someone was not a part of earlier. This is either because a project does not include the individual or that the employee is not a member of the particular division or section. Furthermore, there are several claims that the hindrance for collaboration across different divisions is due to mistrust or because each division is responsible for their own financial result. One employee said that the responsibility of financial results leads

⁷"Ja, jag har alltid tyckt att det verkar vara ett bra företag, stabilt och har varit med länge."

⁸"vacker fasad"

to the division not wanting to share billable hours to other divisions. An employee from B1 further expressed a similar culture but with regard to each individual:

*”Everyone is scared to let others in because you want to make sure that you are 100% staffed and I know that there are a lot of employees here but maybe not as many assignments.”*⁹ (freely translated)

The challenges of collaboration within projects hinders the usage of competences from other teams. This is a problem since many expressed that there is a lot of knowledge within ÅF both in terms of different competences and the number of people with each competence which many would like to take advantage of. Several employees described differences between knowledge transfer between ÅF and their acquired firm in terms of project collaboration. However, one employee responded that before the acquisition competence was more personal and everyone could turn to a specific person for a specific competence. But at ÅF there are several hundreds who possess the same competency. The size of the firm also leads to a greater amount of information to navigate in the IT-systems. These systems are generally considered too complex and many people rather ask their colleagues when they need something. One employee from B1 expressed the situation in the following way:

*”I just think that there can be so much that you do not really know where to turn. I can tell you that if I need anything it feel as though I stumble upon it. That you happen to speak to the right person who knows someone.”*¹⁰ (freely translated)

The impression of having a limited ability to share knowledge is not shared by all of the interviewees. One employee in A4 said that everyone has been very helpful and also stated that it is possible to reach out to ÅF in cases where competency is needed that can not be found within the formed firm. In one such instance, an ÅF employee with some specific knowledge agreed to come from out of town and have a short teaching session at A4 on the topic in question. Further, all interviewees generally had a positive impression of the individuals at ÅF but rather experienced some of the structures as problematic. One firm, A3, has had representatives from ÅF come to their office during lunch and hold presentations regarding their sections, their competences and what they do to be able to increase the knowledge transfer and share competence.

4.7.1 Collaboration within projects

The amount of collaboration with ÅF is different for each acquired firm. The firm bought and kept as a subsidiary and operating from its own offices, A3, is working on creating collaboration opportunities together with ÅF. The collaborations stem from

⁹”Att alla är väldigt rädda att släppa in andra för man vill själv hela tiden se till att man är 100% belagd och jag vet att det är väldigt många här som jobbar men kanske inte lika många uppdrag.”

¹⁰”Jag tycker bara det att det kan finnas så himla mycket så att du kanske inte riktigt vet vart du ska vända dig. Jag kan säga att skulle jag behöva någonting eller så så känns det snarare att du snubblar över det. Att du pratade med rätt person som kände någon.”

a need from both the acquired firm and ÅF since the firm has competence that ÅF does not have. New kinds of projects are thus possible for the firms together to carry out which one person expressed as very positive. Another person has experienced there to be change in what type of projects that are conducted at the firm since the management of the subsidiary now has less influence when it comes to the chosen projects. He or she described the situation in this way:

"Maybe we were a bit spoiled being able to pick and choose. And now it could be expressed as, it is not as chosen by joy, instead we only choose based on a result."

¹¹ (freely translated)

In A1 and A2 where they conduct long assignments of several years for their clients there is limited project related collaboration with ÅF as they are primarily continuing their assignments for the clients they had before the acquisition. However, there are sometimes ÅF employees at the same client site as the acquired firm, meaning that they in those cases conduct projects in teams with other ÅF employees. ÅF regularly bought services from company A2 prior to the the acquisition and the same collaboration as earlier has thus continued. Some of the interviewees talked about the ability to use help from outside of their project to be problematic, such as this employee from A2:

"Now, you are very limited to the projects you are a part of. So now, you can never help someone over the boundaries of the projects. That is a big difference."

¹² (freely translated)

The acquired firms who conduct shorter types of projects and who often sit at their own office brought with them their current assignments and clients. They staff the projects primarily with employees from their former firm. One of the acquired firms, B1, cannot conduct projects together with ÅF due to their agreement over the first couple of years to be 'untouched', as perceived by one interviewee. The same interviewee expressed understanding of this decision due to the calming effect it gives by communicating that the acquired firm will be untouched during a couple of years but that the opportunity to collaborate or work on other projects outside the acquired firm is missed out. These employees express the same difficulties as those previously, that helping or receiving help from someone outside the project or collaboration in projects across divisions is problematic.

4.8 Cultural Integration

The cultural integration of the acquisition is divided into two sections based on the replies from the interviews. The first deal with the actual cultural differences

¹¹"Vi var kanske lite för bortskämda med att vi kunnat välja och vraka lite grann. Och nu kan man väl se det som att, nu är det inte lika glädjestyrt längre, utan nu styrs vi bara utav ett resultat."

¹²"Nu är man ju väldigt styrd till de projekt som man är inplockad. Så nu kan man aldrig hjälpa någon över projektgränsen liksom. Det är en stor skillnad."

between ÅF and the interviewees' former companies whilst the second focuses on activities and actions performed by ÅF to handle these differences.

4.8.1 Cultural differences between ÅF and former company

The interviewees were asked about the differences and similarities in company culture between ÅF and their former company. One person in B2 said that ÅF feels more corporate and that there is a feeling that it is not possible to impact the company direction as much. This is seen as unfortunate and a source of lower motivation. Some other interviewees described ÅF as an unwieldy, big, or hierarchical company when compared to their previous company situation. An interviewee in B2 felt like the reason those who quit did so was because they felt ÅF was too big. The person does not know if much can be done about this and rather attributed this to the nature of a company as big as ÅF. The people in company A3 talk of a loss of pride when moving to a larger organization as well as a lowered feeling of familiar strength found in a smaller company. The loss of a familiar feeling is a negative aspect of the acquisition also reported by several others. People in B1, B2 and A4 also said that there is an increased focus on numbers and results and that it has become more important than before to perform well financially. On the other hand, they also feel that they are performing as expected. In A4 they said that it is unclear to what extent the focus on numbers can be blamed on ÅF since their former bosses supposedly have shifted focus to be able to show great results to ÅF. An employee in B2 explains his or her feelings like this:

"We had a deep commitment and pride [in company B2] and I have tried to bring this with me. But I can say that it does not feel as fun anymore. Now it feels like you are a bring in a larger context." ¹³ (freely translated)

Some people found ÅF to be cumbersome and inflexible due to its more rigidly defined processes. On the other hand, an interviewee in A1 had the opinion that these things are mainly positive since a more defined structure of the company makes things clearer, and listed the code of conduct as an example. Some interviewees felt like the IT systems are poorly designed and difficult to navigate, but also suspected that there is great potential if only they took more time to learn it. B2 and A4 for example said that their previous system was more specifically designed for the purposes of their company. Since the present system is implemented to cater a wide range of sections and divisions, it is more difficult to use. One person in B1 revealed that it is easier to break some rules or take some shortcuts in ÅF's systems sometimes and that no one will notice anyways. People in A2 and A3 claimed they would like to be more integrated in ÅF's systems but that there is internal resistance from their former company.

Most interviewees tended to focus on the cultural differences they perceived as neg-

¹³"Vi hade ett otroligt engagemang och en stolthet och den har jag försökt ta med mig. Men jag kan ju säga det att det känns ju inte lika roligt nu som tidigare. Nu känns det som om man är en bricka i ett större sammanhang."

ative. In B1 it is revealed that managers have become increasingly invisible and less approachable since the acquisition, something that has been perceived as negative. On the other hand, in A4 one interviewee said that the closest managers became more present in their corresponding leadership role at ÅF. The other person in A4 found it positive that most managers at ÅF are engineers themselves since it increases their understanding of what the consultants are doing. One interviewee in B1 also mentioned that the acquisition created additional layers of managers that created a feeling of not knowing who the boss really is. This was contrasted to how it was previously when the managers were said to care about and acknowledge everyone and have a sound set of values. Ultimately however, the interviewee still thought that the managers at ÅF do a really good job. Finally, a person in A2 found that their group is lacking feedback from ÅF, but rather blames this on the fact that management at the acquired firm has remained intact and that this is the source of lacking feedback. In most other studied companies, the managers closest to the interviewees have remained intact or have not changed much. A person in A2 said that it felt like the acquisition led to the appearance of a few additional bosses. This is a sentiment shared with people in other acquisitions as well, for example A3. In some cases, as in A3, the company was already working with ÅF prior to the acquisition. By contrast, one interviewee does not feel like ÅF is a big company since they sit in an office where they are only exposed to a limited part of ÅF, which is seen as positive. This is how an interviewee in B1 describes the difference at the managerial level:

*"I think that the managers are perhaps a bit more invisible in large companies, they have other tasks than they perhaps have in a smaller company. So you do not see the managers as often here [at ÅF]"*¹⁴ (freely translated)

When it comes to other differences in company culture, many people brought up minor inconveniences, especially in company A1 and A2 where a majority of consultants are working at a customer and in company A3 where most of the company structure was left intact and where the interviewees reported that there were few noticeable differences overall. For instance, one of them pointed to a slightly more tedious processing of receipts. The same person also mentioned that employee negotiations have become centralized and that labor unions now play a larger role, but the person does not mention whether this is seen as negative or positive. In A2, one of the employees mentioned some initial problems with the time reporting systems but that this was solved by a phone call. In B2 both interviewees said that the bonus system is now more restrictive. Bonuses and benefits were listed by several other people as something that got worse after the acquisition. One interviewee in A4 said that it was even one of the main polemics during the acquisition and that they were not entirely content with the compromises made, but that it eventually was just a matter of accepting it. In contrast to this, the interviewed employees at company A1 and one in A2 reported better benefits such as additional days with paid vacation or equal benefits through negotiations. In A2 one interviewee noted that new ÅF

¹⁴"Jag tycker att cheferna kanske blir lite mer osynliga på stora företag, de har andra uppgifter än de kanske har på ett mindre företag. Så man ser inte cheferna lika mycket här [på ÅF]."

employees do not receive the same benefits, for example the number of paid days off during business trips, as former employees. It was seen as very strange that ÅF offers contracts with worse conditions and benefits to these people and describes it like this:

"Let us say we are 20 [at company A2], we have it one way, and then comes 10 others who will have the same manager and they received other conditions. And I think that is a bit strange" ¹⁵ (freely translated)

4.8.2 Integration actions and activities by ÅF

When asked to list some initiatives or activities performed by ÅF to integrate them into the organization, a range of social events were mentioned. Multiple references were made to an "ÅF day" where newly acquired employees took a trip to meet top management and other new employees, on at least some occasion together with a visit from the Swedish Minister of Integration. The opinions of this event differed depending on who was asked. An interviewee in A2 sarcastically compared it to a religious revival meeting, saying there is too much focus on how everything is so good, rather on what can be achieved. The same person continued to say that it was an overall a nice spectacle but that it personally was not really needed. A person in B2 had similar sentiments, saying the ÅF day should be toned down. There was too much boasting about what makes ÅF great, but the interviewee also remarked that younger people are perhaps more appreciative of the concept. Instead, this person spoke more fondly of another activity where they as new employees were invited to a cooking event where it was possible to talk to the people in the closest layer of management. As it was, this event was placed a few months after the ÅF day. In the mind of the interviewee, it would have been preferable to have the cooking event before the ÅF day. This would provide them with an opportunity to connect on a more personal level before attending the less personal ÅF day. This would also be a good opportunity for ÅF to more intimately convey their strategy, values, motivation behind the acquisition and what lies installed in the near future. The people in A4 were positive by contrast, saying it felt like ÅF put effort into the ÅF day. They felt that it was valuable to feel that ÅF were interested and that they took time to make sure that they felt welcome. Other interviewees either did not mention the ÅF day or did not specify how they felt about it. This is a quote from the A2 interview describing the ÅF day:

"... it was very professionally done and so on but they should have toned it down. They have to understand that the people who come there may not be ready for this all at once. Jag think it would be better to meet in small groups." ¹⁶ (freely translated)

¹⁵"Om vi säger vi är 20 [i företag A2], vi har det på ett sätt. Och så kommer det in 10 till som kommer ha samma chefer och de får andra villkor. Och det kan jag tycka är lite tokigt."

¹⁶"... det var väldigt proffsigt och så men man hade kunnat tona ned det här. Man måste förstå att dem människorna som kommer dit är kanske inte mottagliga för det här på en gång liksom. Jag tror att man kanske hade tjänat på att träffats i mindre grupper. "

Most interviewees, except those that were working at a customer, experienced different kinds of educational or informational days or sessions of some sort. Both interviewees in A1 were working at customers at the time and recalled some introduction events that they did not participate in, except an instruction to the time report system. They also mentioned conferences that occur a couple of times a year where they get to meet other people from ÅF, something they found pleasant and pleasing in their frequency. One employee in B1 said they were invited to events and offered breakfasts to make sure they got to know the other employees at ÅF. However, once having moved, most activities ceased and it was up to each individual to do something about this. The other interviewee in B1 wished that they would have been better integrated into ÅF and experienced little exchange with at the time of the interviews today. The same person acknowledges the fact that it may be difficult to force people to get to know each other, but that it this should have been possible to organize such as after-works. This employee also made another point by stating that it feels important to take care of those people who actually wish to meet new people or seek out new projects. It is believed that this will lead to a situation where more people want to remain in the company. He or she also said that ÅF were a bit too careful during the integration and wished they would have split them up to a higher extent in order to faster integrate into ÅF. In B2 there was talk of an ÅF club that arranged activities which offered an opportunity to meet new people. In A3 they recalled a team building day, but the interviewee was unsure whether or not this was independent of the integration process. They did not otherwise recall any activities designed to strengthen collaboration or share competencies between the entities. In A3 they are invited to activities organized by their division, but they can not participate on the same conditions as other sections due to financial complications. One of the interviewees also said to not think former company or brand would exist had they been integrated more tightly with ÅF and was overall pleased with the low level of integration. and described it like this:

*”ÅF has expressed that we have been bought because they think we are interesting and contribute with specialist competences to their concern. [...] Therefore they want us to continue to be what we have been previously in order to not dilute our brand.”*¹⁷ (freely translated)

Lastly, a form of buddy system is mentioned by numerous employees when asked about activities to promote the human integration of new employees. The buddy system means that each newly acquired employee is paired up with a volunteer employee from ÅF. The system has been appreciated by most employees as it makes the integration more personal and one person said that it felt like an entry point to future collaboration. However, most also felt that it was dependent on the personal chemistry and the buddy’s willingness to participate. For example, one interviewee in B1 pointed out that some people never had their lunch with their buddy at all and

¹⁷”Så som ÅF har uttryckt sig har vi blivit uppköpta för att de tycker att vi är intressanta och tillför spetskompetens till deras koncern. [...] Därför vill de att vi fortsätter vara det vi har varit tidigare för att inte urvattna vårt varumärke”

that it felt like the assigned buddies were not there entirely voluntarily. Someone expressed a wish to see a more organized form of the buddy system or a system with two buddies instead of one in order to increase the likelihood of everyone enjoying the system. Here is what an interviewee in B1 said about it:

"I had a buddy, but [...] he was not the world's most social person. I think it is a really good idea, but it is probably very person-dependent" ¹⁸ (freely translated)

4.9 Speed of Integration

Lastly, one person in A2 feels isolated from ÅF but argues that the group of people belonging to his/her former company is largely responsible for how poorly they have been integrated rather than ÅF.

Asking the interviewees about how well it went to switch offices and enter ÅF's systems and infrastructure opened up for a wide range of answers. In A1, the two interviewees did not see these things as a problem. On the other hand, one of the interviewees answered that a weak point in the integration process had to be pointed out, it would be the fact that it was not as easy to receive IT support as it was in the former company. The other person in A1 thought the process of entering ÅF's systems was quick, but not too quick. Sometimes it was necessary to ask questions to an administrator of some sort, but since this was often the case when getting to know a customer's systems, it was not seen as a problem. The other said that they are located in the same offices as before and that not much change has been felt except for the new time reporting system. The same person added that working mostly at the customer meant that too much information or integration at the same time could be a bit annoying, but that this was not the case in this acquisition.

In B1, one person thought that the move to a new office went a bit too fast, but that the motivations behind this could be understood since it helped them integrate into ÅF. The reason it felt too fast was that it was poorly timed with period of much work in company B1. Also, there were a lot of changes at the same time, for example managers that were quitting. They were also disappointed that the office was not properly set-up on arrival and that they themselves had to assemble their workplaces even though it was promised that this would have been done on arrival. The other interviewee in B1 thought that the move went very well and that they received good offices, but also remembered the initial hurdles. This person said that the move was completed within a couple of months which was what one could expect and also said that what each employee thought of the move was dependent on where they were currently living. Also that there was bound to be some resistance and problems when people did not receive their computer in time and things like this, but the interviewee still thought that everything worked out well eventually. On the other hand, the integration into ÅF's systems and infrastructure went poorer according to the same person. The reason was, again, that things were not up and

¹⁸"Jag hade en buddy, men [...] han var inte världens socialaste person. Jag tycker det är jättebra, men det är nog väldigt personberoende."

running in their new offices and that the IT service did not work smoothly. It felt like it would have been better if a person would have helped out with this so that the consultants could have focused on other tasks. On the other hand, there was a person that helped with practical things, such as ID cards and log-ins, this was very appreciated according to the interviewee. A final thought from this interviewee related to how information could be more easily managed with the help of a physical folder:

"And in this map you could complementing information continually, in the same pace as it is distributed, salary benefits, logins to systems... there is so much. [...] In this way it feels like you have everything in one place." ¹⁹ (freely translated)

In B2, one person felt that the move was without problems and later said that one of ÅF's strong points in this acquisition is that it was always possible to get help when needed. However, people generally did not want to move and some are said to have quit due to the increased distance to work. When it comes to the migration to the new IT system in B2 it went well and was introduced in a good pace. There were fewer problems than expected and the interviewee recalled that a person from ÅF came and helped them with these bits. The other person mentioned that they had to endure a rebuilding process in their office for six months which was not seen as ideal. There were some problems in the beginning but it worked very well overall and no complaints were had regarding the integration speed. Similarly to his or her colleague, this employee especially thinks it was a good thing that a person came and helped with the computers if there were some things that did not work properly. In A2, the situation was very different for the two interviewees. One of them who mostly worked at the customer did not have anything to complain about and said that it is possible that they were swearing the first week but had no problems after that. The interviewee does not remember much about the integration speed and therefore did not consider it a problem. The other interviewee had moved within a month after receiving the news, but this was positive since the person wanted additional colleagues. However, the practicalities regarding the move had to be taken care of by the interviewee alone and it felt difficult to come to a new office where nothing was prepared for him/her. As for the new IT environment, everything worked well due to training and the fact that there is always someone in the office that help out if any problems or questions arise. There was a wish for the training to have happened earlier, but he or she understood that it was done a bit later in order to get gather all the newly employed personnel. This is what one of the interviewee said when asked what he or she had to take care of personally:

"I had to move my computers, I had to switch place. I was going to get a place here [at ÅF] but when I arrived there was not available spot. [...] And no one said what would happen when or when I was going to move, but instead "when are you

¹⁹"Och i den mappen lägger man kompletterande information hela tiden, i den takt det delas ut, löneförmåner, inloggning till såna system... ja, det finns ju hur mycket som helst. Så känns det som man har allt på ett ställe."

*moving?"*²⁰ (freely translated)

In A3, not much was said to have changed and the biggest difference was the new time reporting system. They are mostly performing their work as usual, although more changes are on their way. One of the interviewees felt this was implemented not too quickly and not too fast. For the other interviewee it would not have made a difference since the changes were so small in any case. In A4, it was communicated that the office relocation would take about 12 months but in reality it was done in about 9 months. One of the interviewees wanted to stay for as long as possible in the old office and was disappointed that it was moved to an earlier date. The other employee also acknowledged this fact but saw it as a sign that the managers felt they were ready. It was also seen as positive since it meant increased integration with other ÅF employees. The former employee also said that it was possible to let go of the disappointment soon after the move, but would still have preferred to stay for as long as it was promised and sees this failed promise as a weakness in the acquisition. The person thought that most colleagues were positive to the move however. As far as the IT systems go, the changes were not very noticeable. Finally, the practicalities of the move were seen as well-handled and described in this way:

"We packed out things in boxes and when we came back after the weekend everything was there and our workplaces were ready. Everyone had their assigned place. We had a receptionist who took care of the allocation of desk spaces together with two colleagues. So when we came to [city X] to ÅF everyone had their workplaces and their boxes and it was just a matter of putting everything in order."

²¹ (freely translated)

When it comes to the speed of the human integration, such as introduction events, training and team-building activities, the opinions did not differ as much. In A1, one of the interviewees simply said that these sort of activities were done in a timely manner, specifically referring to an introduction day. He or she also added that it would probably not have mattered if it had been placed earlier or later. The same can be said for A3 where it is said that basic information were given in a timely manner and that additional information was given when needed by management. One of them also recalled a team building day and thought this was also held in a well-timed manner. In B1, one interviewee said that most activities of this kind were placed before they moved offices. As previously stated, once having moved most activities ceased which was not seen as a good thing, and it became up to each individual to do something about this. In B2, one person felt like the ÅF day was timely, but wished that the activity where they had lunch with their new managers would have been placed before the ÅF day. The interviewee estimated that there

²⁰"Jag skulle flytta mina datorer, jag skulle flytta min plats. Jag skulle få en plats här liksom och när jag kom hit så fanns det ingen plats här och så. [...] Och ingen sa liksom att det här sker då och då och då flyttar du utan "när flyttar du?""

²¹"Vi packade ner våra grejer i kartonger och sen när vi kom tillbaka helgen efter så var allting där och våra platser var färdiga. Alla hade sina platser. Vi hade en receptionist som skötte platsfördelning ihop med två andra kollegor. Så när vi kom till stad X till ÅF så hade alla sina platser med sina lådor, så det var väl bara att lyfta upp sina saker, hänga upp sina skärmar."

was a gap of a couple of months between these two events. The other employee at B2 said that their introduction day was timed well but was of the opinion that one day did not suffice and that it would have been better to have one additional day. Finally, in A4, one interviewee answered that everything went well in terms of the human integration. It felt like they were quickly welcomed by the ÅF personnel and that all questions were answered in a good way. It is mentioned that the activities were placed quite early, such as their meeting with the new section within the first week, but this was seen as positive. The interviewee finally noted how it felt like the initiative behind the activities were taken from people both from ÅF and the former boss at A4.

4.10 Communication

When asking the employees about the communication process throughout the integration it becomes quite clear that all of them received the initial notice from the top management of their former companies, usually the owners or the CEO. What differed is the way it is communicated. In B1 they were informed through a phone or conference call. In B2 and A2 the initial information came through an email message and in the other cases it was announced during a meeting. In A1, one interviewee described how the news were received in this way:

"They called for a meeting where the owner [...] described the situation, that he was going to sell the company and that ÅF were the buyers. [...] We got some information about what would happen in the future and so on. It was not that dramatic but worked well I think." ²² (freely translated)

While some people expressed the news as surprising, most people are positive in regards to how the communicative process was carried out. People from A1 and one in A2 said they did not remember anything negative and reason that it thereby must have been good. The other person in A2 did express some negativity by revealing that it did not feel like there was enough information, for example about when the new IT systems are to be up and running. The interviewee puts the blame for this on the people in the former organization rather than those responsible for the integration from ÅF however. A person in B1 theorizes that his or her positive attitudes towards the communication process during the integration might be influenced by the good relationship to the boss and that internal communication was channeled out this way to the person. Objectively speaking, the interviewee believed that the processes at ÅF might be better implemented. One person in A4 described the communication in the following way:

"I feel like they have been cared about the communication. As soon as there is something to communicate they have done so. [...] We have been treated like

²²"De kallade till ett möte där ägaren [...] beskrev hur läget var, att han hade tänkt att sälja och att det var ÅF som skulle köpa. [...] Vi fick lite information om vad som skulle hända framöver och så. Det kändes inte så dramatiskt utan det funkade bra tycker jag."

adults."²³ (freely translated)

When the interviewees were asked whether they found the communication to be transparent only one person in B1 found this not to be true. In this case, the person made the point that the integration team had told them that their offices would be ready upon arrival to the new office, but in reality they had to assemble their work stations by themselves which was perceived as very negative. In all other cases, transparency was not seen as a problem. The other interviewee in B1 even said that ÅF were honest and straight to the point during the acquisition and that they felt ÅF made sure they did not have to live in a vacuum. A person in A4 revealed that one of the strengths in the acquisition was that things turned out as had been promised and that ÅF were successful in communicating the future plan. One person in A3 agrees that this was a strength in the acquisition and also gave an example of how he/she felt that the transparency was enhanced:

*"They [ÅF] also brought people from other companies that had been acquired in a similar way who talked about their experiences and so on. So absolutely, so you can trust them on everything."*²⁴ (freely translated)

As can be seen, the managers in the acquired company play a key role in the initial phase of the communication process. However, the initial contact with ÅF was also something that was asked for throughout the interviews. In some cases, ÅF came to the offices of the acquired companies and introduced the company and informed the employees about the process to come, such in A3, where both introducing meetings and lunch presentations were mentioned as something positive. On the other hand, one person in A3 also identified the information and communication part of the acquisition as the weak spot. The interviewee argued that they were not pedagogical enough during their presentations and that some employees simply did not understand. On the other hand, he or she really appreciated that they tried and that they acted as if they really cared about the acquired company. Also in A3, one interviewee was concerned by how management said that there was nothing to worry about since this invoked questions of whether or not it was reasonable to actually be worried. Two people in B2 and A2 say they received several mails from ÅF initially about how data were to be migrated and treated. In A4 they were invited to the ÅF headquarters and were given the opportunity to ask questions about anything related to the acquisition, something they experienced as positive. In B1 it was said that ÅF came and presented themselves soon after they were first informed of the acquisition by their boss. An interviewee in A1 did not recall that ÅF was present in the initial stages of the acquisition. The experience in this case was that they received information from ÅF at a later stage in conjunction with the invitation to the ÅF day.

²³"Jag upplever att man har varit mån om att kommunicera. Så fort det finns något att kommunicera så har de gjort det. [...] Vi har väl behandlats som vuxna människor."

²⁴"De hade även med sig folk från andra företag som blivit uppköpta på liknande sätt som berättat deras erfarenhet och så där. Så absolut, hittills har man också kunnat lita på allt."

Everyone except for one of the interviewees felt like they knew who they could turn to to gather information or ask questions about the process, the exception being A2. The interviewee in A2 was of the opinion that not being assigned a specific person was a weakness in the process. In some cases it had not been stated explicitly who they could turn to, but for most people their bosses at the time were the prime source for any questions. In some acquisitions the employees were given contacts at ÅF and encouraged to ask any questions. Only two people felt that the amount of information had not been enough. One person in B1 thought that ÅF had not provided sufficient information about what would happen in the interaction between ÅF and the former company beyond a certain point in time. One person in A2 felt the move from one office to the next was poorly executed with lacking information about the practical details. Lastly, no interviewee objected to the frequency of information or had not reflected upon it and thus considered it to be adequate. A3 briefly mentioned that ÅF lacked continuity in their communication but the interviewee does not specify how. People in A1 and B2 mentioned that they experienced a surge of information in the beginning, but mostly felt like it was not a problem or that it was handled well. For example, one person in B2 summarized the communication experience like this:

*”It was pretty messy initially for us to know where we belonged in this large organization. It was a bit tough but they were still good at providing communication.”*²⁵ (freely translated)

4.11 Summary of empirical findings

To summarize the empirical findings a matrix, figure 4.1 was created where the colors indicate the interviewees’ attitudes towards the aspects of integration. Green marks a positive attitude, yellow neutral and red negative. Some of the areas summarized in this manner include a quite big part of the empirical findings such as ”Cultural differences” while others such as ”Experienced trust from ÅF” are more specific. Hence, the matrix should be analyzed with care. Knowledge transfer is not a part of the matrix due to the lack of empirical findings within the theoretical area and it was hence not possible to describe it as either positive, neutral or negative. The financial results for each acquired firm was provided by ÅF and shows results for each of the two years following the acquisition.

²⁵”Det var ju ganska rörigt i början för oss att veta var hörde vi hemma i den här stora organisationen. Det kändes ju lite jobbigt men de var ändå duktiga på att komma ut med kommunikation.”



Figure 4.1: Summary of empirical findings.

5

ANALYSIS

In this chapter an analysis is carried out of the material presented up until this point with focus on the research questions stated in 1.3. Despite trends and observations found in this chapter in regards to the factors, the true cause and effect is of course still difficult to accurately evaluate.

5.1 Link between satisfied employees and financial success

If defining employee satisfaction in terms of employee retention there is a quite clear trend related to financial success among the acquired firms. The firms B1 and B2 were the firms that have been reported to perform worse financially than expected, B2 more so than B1. Even though a clear answer was not provided from all "successful" acquired firms regarding how many of their colleagues had decided to leave it was clear that it was not to the same degree as the numbers in B1 and B2. B1 has reportedly lost 30 - 60 % of the employees from before acquisition with the spread being explained by the two interviewees' different answers. Compared to B2, who lost about 70 % of its employees, B1 had a lower employee turnover which may indicate why their financial results are a bit better than those of B2. As described in 1.1, successful financial results are often used when describing M&A success and B1 and B2 can thus be considered to have relatively low M&A success. Further, the effect of the acquisition on the employees is the center of attention in this thesis, hence from the material gained the conclusion is that employee satisfaction is important for strong financial success. There may be other reasons that could affect the financial success of B1 and B2, however these have not been identified in case they exist.

5.2 Comparison of theoretical studies and empirical findings

In relation to the second research question the theoretical basis and empirical findings are here compared. The goal is to identify to what extent the existing M&A theory is applicable on an engineering consulting firm such as ÅF.

5.2.1 Anxiety and Uncertainty

Feelings of uncertainty and anxiety can be noted in the empirical findings from either the individuals themselves or from the perceived atmosphere among their colleagues. The anxiety and uncertainty was explained to stem from change over all but more specifically from new offices, new organization and unknown consequences. According to theory, feelings of anxiety and uncertainty can lead to a decrease in M&A performance. Although several of the interviewees reported some degree of anxiety or uncertainty there was a trend which indicated that there is a higher degree in B1 and B2 both in terms of individual worry but especially with regards to the atmosphere among colleagues. As B1 and B2 has not performed as well financially as the other acquired firms there is a tendency to believe that anxiety and/or uncertainty does indeed affect M&A performance.

As described in the empirical findings almost none of the employees *had* to leave the firm, hence almost all were able to keep the same role while working for ÅF if they chose to stay. Hence, no one experienced separation anxiety, described in 2.1.1 due to forced resignation. However, the impact of others staying or leaving was brought up by an employee from B1. The separation anxiety is in that case apparent due to the individual questioning his or her decision to stay at the firm due to so many others quitting. The interviewee further described that it was dependent on who stayed and who left the firm which shows a stronger "separation anxiety" towards certain individuals. Hence, the anxiety may lead to decreased M&A performance which might be due to separation anxiety, among other reasons. Some of the acquired firms where the employees work full time at the client site did not see their colleagues very often, and instead had colleagues at the client site. Therefore, less separation anxiety may be experienced in cases with weaker ties to colleagues, examples include A1 and A2.

Theoretical studies further indicate that anxiety and uncertainty can lead to low production and lack of motivation. When asked, none of the interviewees experienced that the anxiety or uncertainty had affected their job performance in any way. It could be that the individuals have not noticed their own performance decreasing or that their type of work was not affected as much as other firms that have been studied by others. Another explanation may be that the interviewees all worked on projects for their clients. Hence, having a third party with expectations may be beneficial and hence decrease these negative effects. The lack of motivation has been described by one employee from B2 who expressed that he or she did not have the same joy in working now as he or she had not been able to affect the company and only felt as a small piece of a larger puzzle.

The theory also stipulates that uncertainty may stem from ambiguity in managers' announcements. Few people reported ambiguous announcements from managers and hence there is a lack of material regarding this topic. However, one interviewee did share a situation regarding the managers expressing that there was "no need to be worried" so many times that they started considering if they should be worried. Hence, in this regard there is support for this theoretical basis. Further, ambiguous

announcements or lack of information may lead to the process of sensemaking. As an employee from B1 shared, there were rumors about why the acquisition had occurred which he or she said caused uncertainty. In addition there was further speculation regarding their position in ÅF as their two years of being 'untouched' is about to end.

Finally, a reaction to anxiety and uncertainty, to make sure of gaining a good position in the the firm, is using political maneuvers to protect oneself. These were not noted during the interviews most likely because no one experienced anxiety or uncertainty due to job loss and therefore had less to protect.

5.2.2 Social Identity

The importance of social identity according to theory is that it is found to decrease employee turnover and increase job satisfaction. One of the few employees who expressed that he or she fully identify with ÅF today worked for B1 which had instead a high turnover. Notably, he or she identifies with ÅF *today* but several of his or her former colleagues left the company at an earlier time. This predicament lead to non-sufficient evidence of in what way the social identity and turnover are connected. Further, both interviewees from A3 identified only with the acquired firm and not ÅF at all while A3 has had a relatively low employee turnover. It is important to notice however that B1 and A3 are very different types of acquisitions. B1 was integrated into ÅF's offices and A3 was kept as a rather distant subsidiary who kept their own offices and brand name. The rest of the interviewees were all half-way between ÅF and their former firm in identity and no conclusions can be drawn. All of ÅF's current acquisitions are kept together as either a section or a separate subsidiary which facilitates keeping the social identity with the prior firm. Keeping a social identity within each acquired group may be beneficial as it could strengthen the groups' ties to each other, thus decreasing the turnover as one interviewee from A4 had experienced. However, theory stipulates that it may be problematic as it leads employees to distancing themselves from other parts of the organization. This may further be the reason why employee reactions did not seem to be as grave as those described in theory that likens the loss of social identity by death, including denial and anger. Regarding strength of social identity towards the former acquired firm there is also the client aspect within consultancy firms. As one interviewee expressed, it felt as though the client is one of several employers, and another even said that it suffices to "change your cap". In combination the firm was one of the firms who often worked several years at a client site in the same project.

The difference in size between the two firms can be likened by the difference in status which may influence social identity according to theory. As all acquired firms are significantly smaller than ÅF and many of the interviewees mentioned at some time that ÅF is a very large firm, it is possible that this difference affects how easy it can be to re-identify with a larger firm, especially since several employees have expressed that it was not their or their co-worker's choice to work at a large firm from the beginning. Further, that ÅF is a large firm can be experienced as

an identity threat since many expressed a sort of opposition against larger firms. Theory talk about identity threat as an inhibitor of creating a new social identity. The facilitator of social identity according to theory, perceptions of similarities, cannot be linked to ease the creation of a new identity in this study. The view of ÅF before the acquisition is correlated with the perceived similarities between the firms but primarily linked to if the employees perceive ÅF to be of higher status or if they do not perceive the higher status to be legitimate. The three interviewees who had a negative perception of ÅF before the acquisition were either halfway between the firms in terms of social identity or fully identified with ÅF. Given that some time has passed since the acquisitions occurred it may account for some of the discrepancy with regards to theory, but in other terms there are no indications that these are connected in this study. The lack of identification with ÅF is most likely due to other aspects.

In this thesis the acquired firms are seen as the lower-status firms due to the size difference even though they often seem to excel in competence, as described earlier. The employees of the lower-status organization, the acquired firms, may experience threat or job adjustments. However, the employees did not express this and most were quite comfortable with ÅF having acquired their firm due to ÅF's competence and how well they already work. Especially after the former CEO at several firms had confirmed that everyone would be able to keep their jobs, little threat was perceived. Instead, employees may believe there are more exciting job opportunities at a higher-status firm which B2 had experienced and where one interviewee expressed that the younger individuals were more excited by the acquisition due to this reason. According to the literature this may lead to active re-identification but due to limitations of interviewees in this age range from B2 or other firms in similar situation it has not been confirmed.

5.2.3 Trust

The two who answered that they lacked trust towards the management at ÅF were both from firms where there have been a higher degree of employees who have left. The theory argues that high trust would lead to higher commitment and lower turnover which indicates that the theory and ÅF's case are similar. However, one of the interviewees gave an example in particular of why the management was mistrusted in that their acquired firm lost many colleagues in the acquisition. Theory connects the turnover to fear of job loss which may be decreased by trust. In the case of ÅF's acquisition however, fear of job loss was not a concern according to the interviewees. The reason for high turnover was thus due to other challenges. Further, anxiety and uncertainty may influence trust in a negative manner according to theory and there is a trend in the answers of the interviewees which confirms this theory.

The reactions of the employees were one of three parts which Stahl and Mendenhall (2005) proposed to influence trust. Competence, integrity and benevolent trust all seem to be fulfilled and positive with regards to the employees which will ease

the ability of trust. However, an experienced lack of integrity was at times experienced due to inconsistent information. Especially with regards to information about moving offices where both B1 and A4 received a certain degree of inconsistent information. The trust from the individual in B1 who shared this experience was low, however the individual in A4 said he or she trusts the management at ÅF.

The second part of proposed influence of trust is the relationship between the acquired firm and the acquiring firm. First, all of ÅF's acquisitions were friendly which should lead to higher trust. Most employees shared that their managers and former owners were positive regarding the acquisition which strengthens this argument. Further, the amount of positive collaboration or interactions before the acquisition is said to positively influence trust. Both firms A2 and A3 had collaborations with ÅF before the acquisition but no employee believed it had facilitated the integration process. An interviewee at A2 expressed the interaction history a bit negativity though as he or she perceived that ÅF did not send the most competent personnel to assignments. Three out of four of the interviewees from these firms did trust ÅF which is no different compared to the other firms who have performed financially well. The relative firm performance and power difference between the firms may affect the employees in either a positive or negative manner. The employees of the acquired firms may feel as though there are better opportunities and compensation at the acquiring firm according to theory. One interviewee said that the younger employees were more excited about starting to work at ÅF due to the opportunities. However, none of a younger age employees at that firm took part in the interviews and it is therefore difficult to confirm such a statement. Finally, the power difference, or difference in size, may affect trust. Theory say that the larger the size difference the more distrustful the employees may be towards the new management. Most of the interviewees brought attention to the size difference between their firm and ÅF and the changes it implied for the co-workers. Several also shared that the management of ÅF was so far away that it was hard to trust them and that most wanted to work at a smaller firm. Theory suggests that the acquired firms' needs are overlooked by the new management which, due to some examples given by employees, may have some truth too it. The cultural differences will be mostly discussed in section 5.2.5 but have been found to negatively influence anxiety and uncertainty which in turn can be found to influence turnover and trust.

5.2.4 Knowledge transfer

There is little empirical findings which can confirm the theoretical basis when it comes to knowledge transfer. The knowledge transfer, according to theory, has a tendency to be low in an acquisition due to fear of losing status relative the other firm. Further, knowledge in theory is seen as a resource and is only shared when something can be gained in return. There is nothing which supports this in the empirical findings, instead the majority of the focus with regards to knowledge transfer was due to the structural challenges with regards to collaborations between sections and divisions affecting the acquired firms as the acquired firms either become a section at ÅF or a separate subsidiary. This leads to projects most often being

kept within the section to keep the billable hours in projects to themselves. Further, theory stipulates that trust may facilitate knowledge transfer. No support per se has been found, however one employee said that there was mistrust between the divisions at ÅF and another exemplified territorial behaviour of the divisions which inhibits the collaboration. To facilitate explicit knowledge transfer, ÅF has different IT-systems where a lot of information is accessible. The problem which several interviewees have expressed is the complexity of the systems which lead to several employees not using the systems instead which limits the benefits of the system.

5.2.5 Cultural Integration

Company culture seems to be an important aspect of the integration process. It is also clear from the studied cases that each situation is unique in one or several ways. This fact may partly explain the lack of practical frameworks in literature for how to deal with differences in culture. The literature speaks about common values as a means of trust-building which can be regarded as similarity in company culture. There is some merit to this claim also in the case of ÅF as high perceived cultural differences in B1 and B2 also marked low trust for some of the employees. Naturally, this is not the only factor that affects trust but there are at least a slight trend in favour of this claim. When it comes to some other favourable outcomes, such as lessened organizational resistance and struggle, nothing in particular was found to support this. It may be that this does not show up easily in interviews, but it might also simply not be a problem in this case.

Not much can be said either about facilitated knowledge transfer. While many interviewees had something to say about the way knowledge is shared within ÅF, not much can be derived from differences in culture. Most knowledge sharing obstacles had to do with the process itself or the way it is performed. Since knowledge transfer looks different across different sections in ÅF, the answers from the respondents differed considerably accordingly. Many interviewees argued that knowledge transfer was easier in the former company due to its smaller size and flatter organizational structure compared to ÅF's more hierarchical system. If the sheer size differences is said to be a source of cultural difference, then the theory would be supported by the fact that knowledge transfer has become more difficult. But again, in some cases knowledge transfer worked very well despite the size differences, such as in A4. This suggests that the processes in place is what facilitates knowledge transfer rather than the cultural differences themselves.

As seen in 2.2.1, there are said to be many downsides to a situation of cultural misfit between two companies. Some support for this was found through the interviews. For example, it is associated with lowered job commitment which was mentioned by interviewees in A3 and B2. Again, this had to do with the fact that ÅF is larger and more hierarchical than their former companies and that the kind of assignments they undertake are less interesting nowadays. This can thus be tied to the downside of a lower acceptance of the acquiring company's culture. No significant levels of increased stress were found as a direct result of cultural differences or, alternately,

this was indistinguishable from the stress caused by the integration process and changes overall.

When it comes to practical tools for managing the gap in company culture as proposed by the literature, some should be useful for ÅF as well. The framework of cultural levers from which appropriate actions and responsibilities are to be drawn up is probably not used today, but could be useful. As seen in the interview results, several of the interviewees expressed dissatisfaction with the way benefits and bonuses were handled. It might be helpful to map these differences and come up with plans accordingly to make for a smooth transition. As proposed by the framework, another important cultural lever may be "organizational structure", since this was a source of concern as mentioned previously. Although it might not be possible to change the actual structures, it should certainly be possible to perform other actions that tries to bridge the gap. Of course, the levers proposed in the framework might be sub-optimal for a company like ÅF, and measures must be taken to understand what factors are the most important in this case. Since ÅF performs many acquisitions each year, the accumulated experiences from these is of course an importance source of knowledge.

Another suggestion found in theory is surveying management in the initial integration phase. This can be seen as an important measure to take into account. As seen, many interviewees who had complaints of certain aspects of the integration, mainly communication, put at least part of the blame on the management in the former company. This will be discussed further in 5.2.7, but it might be important for other areas other than communication. For example, a situation such as the one explained in A2 where new employees received worse benefits than former employees could potentially have been avoided if the old management was still in charge of this.

No support can be found of the claims that a certain degree of cultural difference can be beneficial for the cultural integration. Some interviewees were positively disposed towards the opportunities that came as a result of entering a versatile and competent organization such as ÅF, but it would be a stretch to call this a result of cultural differences rather than simply an increased pool of knowledge. On the other hand, some employees claimed that colleagues, especially younger ones, were happy to enter the corporate culture of ÅF since the overall professional opportunities increase. If ÅF is mutually interested in the newly acquired company, which is highly likely the case for obvious reasons, then it can be said that the companies complement each other in the beneficial way described in literature.

5.2.6 Speed of Integration

Perhaps one of the most evident results from the interviews is that speed of integration does not seem to be very important for ÅF, despite the fact that it has received more attention recently as an important factor in theory. There is support for some of the claims in the interviews, but these were also countered by answers from other interviewees. This may suggest that other aspects are more important than the

speed of integration measured in time. As noted earlier, each acquisition is rather unique and this is also true for the speed of integration. Some interviewees claimed to have moved within the first weeks while others waited almost a year, but there are no noticeable trends to observe when it comes to what length is preferable. It is therefore not surprising that there is no consensus in literature as to whether a slow or speedy integration is preferable over the other in the purely quantitative sense. For instance, some interviewees argued that a relatively fast office and IT integration is better since it quicker lets them integrate into ÅF. The view that it may be necessary to let acculturation take its time may instead be satisfied with integration activities later on. But even here, some interviewees, most notably those who were working at the customer in A1 and A2, said that they did not really have an opinion about the speed in which the integration took place. Of course, this may be the case because all related activities were carried out in a timely manner. But this still highlights how each case is unique and that people have different preferences as well.

On a similar note, support cannot be found for the claim in literature that there is a positive correlation between speed of integration and M&A success. No such trends have been found following a look at the financial results together with the interview answers. It is more likely the case that importance lies in how it is carried out and whether or not it turns out as initially promised, something which will be further discussed in 5.3.3. This is partly evident after one of the interviews in A4 where the person said that the office integration would take 12 months instead of the 9 months that it actually took. If 9 months would have been the plan all along, then the disappointment would likely not have occurred in the first place. The claim of less employee uncertainty following a quicker acquisition is also worthy of some doubt since uncertainty in this case rather seemed to come from lack of communication or poor information. The authors who claim that prudent speed is necessary so as to not lose key talent may have a point in ÅF's case. This is primarily based on the fact that some acquisitions resulted with people quitting. On the other hand, it is not known whether this involved key talents nor if it was the speed of integration that was the main issue, but not much points to this fact.

Given the above analysis, literature that discusses optimal time-frames and whether or not a quick acquisition outperforms a slower one is reduced to potential points of discussion rather than concrete facts. For example, the fact that a quick acquisition may lead to higher satisfaction among employees due to a feeling of having a decisive management might be true to some degree. But it is still a sliding scale and the empirical data suggests that it has much to do with expectations and the specific situation and less to do with the actual speed. Furthermore, unless specifically asked about this theory, it is unlikely for this to show up as a trend in the empirical data, or it would at least be troublesome to separate this from similar observations since it is a quite specific thing. However, one trend can still be found that people generally did not seem to find the acquisition process to be too quick. This supports data from literature that suggests that this is rarely the case. This means that it should be possible to speed up the integration, especially the human integration.

The findings from literature which focus on the benefits from having a high human integration speed and a low task integration speed are somewhat consistent with the findings in this case study. The two types of integration seem to take place somewhat simultaneously in many cases since office relocation and IT migrations are happening in parallel to welcoming events and introduction days. However, task integration in the form of collaborative projects are sometimes held off for a period of time, as seen in 4.7.1. In these instances, it is fair to say that human integration was happening faster than task integration. It is probably also fair to assume that the amount of integration required to achieve organizational synergies is smaller for companies like ÅF compared to other industries. As seen, some employees were already working at the customer site and others keep their current assignments and gradually ease into new ones.

5.2.7 Communication

Much of the literature puts communication as a top priority during an M&A integration. Looking at the interview questions and the responses to these, this does not clearly show. Apart from some discontentment in A2 and B1, most people were happy or at least neutral with the communication they received during the integration. Of course, one possible reason for this is that the communication process simply works well. As seen in the empirical data, almost all interviewees reported being happy with the amount of information, its transparency and its frequency. This is true even for those who experienced uncertainty and anxiety during the initial announcement as well, meaning most of it disappeared. Had communication been poor, it is likely that the interviewee's opinions would have been negative since some initial anxiety did exist for some people. In this sense, it looks like communication is indeed important and that top-down and ongoing communication is central to reducing anxiety. The few existing complaints regarding communication seemed to regard about specific pieces of information that have been missing, as was the case in A2. And even in this case, the blame was put on the former management rather than ÅF. The problem in B1 related to a problem mentioned in the previous section, about unfulfilled promises or expectations.

Most interviewees claimed to have received most communication through their former boss or members of the former top management. In the case of communication from ÅF, the same people acted as middlemen and were the people to turn to in case of questions. This might be part of the reason for why communication has worked well. This is especially evident for the person in B1 who claimed to have a close relationship with the former boss which made communication easier. On the flip side, if communication is poor to begin with, then there is a risk that this continues unless ÅF is more involved. This problem can be seen in A2 as mentioned above. Some of the interviewees who had a positive experience in regards to the communication mentioned that they had support from both companies, usually former management and an additional HR person from ÅF. This seems to be an effective way of bridging

potential communication gaps and is also a topic for analysis in 5.3.4. This is also related to the claims that the style of communication may be a potential source of clashes. If both parties are involved, then it should be easier to cover all grounds.

It is said that face-to-face communication is preferred among employees and this seems to be the case for employees in this case too. As noted in A2, B1 and B2 for example, Skype meetings and emails did not seem to be the way to go, probably to some degree due to fewer opportunities to ask questions. It might also be seen as disrespectful to avoid face-to-face meetings for such delicate issues, which can be seen in B2 where the email was followed by an apology for the way it was announced. This also supports how poor communication can increase uncertainty and how these feelings can be eased once again with better communication. The same thing can be seen in B1 where one of the interviewees claimed that poor information about the acquisition led to speculations and rumours among employees.

5.3 Important aspects of integration lacking in literature

This section contains an analysis of some trends and observations derived from the interviews. Little or no support for the following material was found during the literature study. The ambition is therefore to make a contribution to the existing literature and help fill the gap introduced in 1.1 although the findings are not necessarily limited to the PSF industry.

5.3.1 Difference in size

ÅF with its 10,000 employees is significantly larger than the six acquired firms which on average have about 40-45 employees. Although the theory do bring up the differences in size and how this influences social identity and trust, the empirical findings include information on this issue to a significantly larger extent. Further, attempts to find articles specifically concerned with this aspect of integration have not been successful. The findings from the interviews are that a large difference in size seem to affect more than the theory covers at this point, with current theory focusing to a larger extent on the positive aspects. Even though it was only the acquired firm B1 who expressed that some of their former colleagues decided to leave the firm due to that ÅF was a large firm there were indications of similar attitudes from several of the other firms. Therefore, there is a risk that the fact that ÅF is a large firm may directly impact the employee turnover after the acquisition. Below are some examples which may indicate why this could occur:

- One employee mentioned a difference in that consultants were no longer alone with their unique competences, but rather that several hundreds had a similar skill set. This difference can for some employees lead to a more invisible role at the firm. Hence, the need for feedback or being noticed may not be met in a larger firm. Naturally, this is also connected to the competency in leadership within the teams which is tied to the next item in the list.

- Most employees felt as though the management in ÅF is very far away which is a big difference from their former firms. This has affected their ability for trust towards management and created feelings of less ability to affect the firm's direction than earlier which was described as a source of lower motivation. The latter part may explain why some employees felt as though there was a loss of pride when changing employer.
- The ability to make a difference is also applicable to reaching goals. One employee said that it is not possible to affect how well the financial goals are met today compared to earlier. And even though the goals are broken down at section level it is just not the same feeling as before. Furthermore, several employees have experienced a stronger focus on numbers and results than before which in combination may affect individuals negatively.
- Several employees had the preconceptions of ÅF to be slow and hierarchical. This may become confirmed by the perceptions of unwieldy structures for collaboration and IT systems which are perceived as difficult to use.

As expressed by an interviewee from B1 it is important to identify individuals who would be having a hard time with the difference in size between the firms and guide them through working at a larger firm and lift the benefits related to it.

5.3.2 Vicious cycles

The theory discuss different causes for a high turnover. Anxiety, uncertainty, low social identity and mistrust are some of the reasons for why people quit their jobs and are thus examples of how the employees can be effected by the M&A. Further, cultural integration, speed of an integration and communications are said to further affect it to a certain degree. However, as noted in the empirical findings, it is expressed by B2 that their worry and mistrust increased as a result of so many people leaving the firm. One interviewee in B1 referred to a similar situation where employees questioned if it was a sound decision for them to stay since so many of their colleagues apparently left. This leads to the predicament of a vicious cycle where a larger number of resignations lead to higher levels of anxiety, uncertainty and mistrust which may lead to even more resignations. This leads to the question of how such a vicious cycle can be stopped and further what actually started it. From this study it is not certain that it was anxiety, uncertainty, social identity or trust that caused the employees to leave their firms in the first place. Several interviewees implied that their colleagues left because they simply did not want to work at a large firm. Whether this is solely the reason or that larger firms invoke these types of effects on the employees from smaller firms needs to be studied further.

5.3.3 Employee expectations versus reality

One recurrent factor that much of the studied literature seems to have failed to consider is that of employee expectations. For instance, as seen in 5.2.6, one observation from the interviews is that the actual time-frame for the integration has less importance than how well it is communicated and carried out. As touched upon earlier, one interviewee in A4 saw the office relocation process as one of the weakest

points of the acquisition process. This was the case despite the fact that this process took longer than for any other studied acquisition. It seems unlikely that the person would be unhappy with an extra nine months in his or her previous office if this had been the plan to begin with. Of course, carrying out the integration process as planned necessitates a well-planned integration process to begin with which is a discussion out of scope for this case study.

One of the interviews from company X1 that did not make it into the empirical section had one person mention that she had an acquaintance who had gone through an acquisition recently. For the interviewee, this was reportedly very valuable because it helped manage expectations about when things would start to come back into order. The idea of having other people come talk about their experiences of the acquisition process therefore seems like a good idea. A similar situation was found in one of the interviews in A3 where the interviewee said that an ÅF employee that had been part of a company acquired by ÅF came and talked about this. However, this was not mentioned by anyone else which suggests that it is not a tool as commonly used as it should given how appreciated it have been in this case. After seeing how important the initial communication is in order to reduce anxiety and similar feelings, it would likely be best to have this presentation early on in connection to the other initial announcement meetings. Another possibility could be to incorporate this into the existing buddy system and try to assign employees that have gone through an acquisition or possibly assign two buddies per person, as suggested by an interviewee in B1.

Granted the difficulty in making sure that everything pans out as promised during the different steps in the integration, it might be reasonable to let employees know that some uncertainties exist. This would make them better prepared if something were to change, and would likely reduce potential feelings of disappointment. This may at the same time come off as more transparent towards the employees. This way of reasoning partly comes from A3 and one of the interviewee's account of the situation when management told the employees not to worry to such degree that they started to worry. This could probably have been avoided if management had been more open to the idea that people's expectations tend to be somewhat negative.

5.3.4 Management involvement from both companies

In some cases where employees expressed disappointment about the acquisition, they put the blame on their former company rather than ÅF. Examples from the interviews include A2 where the old management is blamed for lacking communication. A couple of other implicit examples of this can be identified for B1 and B2 where where the initial announcement was poorly handled, since this was often announced through the former management. In some cases where ÅF was the sole responsible for activities the disappointment is directed towards them instead. Of course, in both of these cases there are instances where people have expressed approval as well. However, it appears as if events and actions organized by both companies together are more consistently perceived as positive. People in both A4 and B1 talked

positively about there being a person present from ÅF when moving in to the new offices as an additional example.

Another observation is related to how the former management is sometimes blamed for having performed poorly in the acquisition process. It might be valuable for ÅF to have more control of how the former management handles the situation. It is probably unwise to do this openly since it might be seen as hostile to step in and take charge right in the beginning of the acquisition. But since ÅF acquires many companies yearly it should be possible for them to give advice on, for example, how the initial communication process should be handled. ÅF should also be involved in making sure that each acquired individual is treated fairly and receives enough information about the acquisition so that anxious feelings are reduced to a minimum. This is probably only possible if ÅF finds a way to identify this without an excessive time investment. The former company is the one who knows their employees so it would have to be done in collaboration with them, possibly through some kind of survey. This could have prevented the interviewee in A2 from the feeling of having been left alone during the initial steps of the integration. More involvement from ÅF in general could result in less uncertainty and a feeling of increased transparency.

6

DISCUSSION

The discussion includes both a discussion of the analysis and areas where further research is needed in the opinion of the authors of the thesis. The discussion of the analysis include areas where interpretations and possible explanations of the results are brought up by the authors of this thesis.

6.1 Discussion of analysis

The first point of discussion in regards to the analysis has to do with the link between satisfied employees and financial results that was found. This link is possibly stronger and more apparent within consultancy firms than in more capital intensive industries. This is because the revenue at these firms is based on the number of billable hours that the employees generate from different client projects. There is therefore a correlation between the number of employees and the amount of potential revenue. Further, to replace skillful personnel can both take time and cause the company to lose the client and the knowledge of the former employee, all of which reduce the revenue or potential for revenue. Hence, to gain the same potential of revenue from a recently hired employee takes a lot of time and is therefore loss of billable hours. The described situation is of course different for different types of firms but emphasizes why employee satisfaction and retention of employees is more important at consultancy firms such as ÅF, compared to other industries.

Separation anxiety may be less of an issue for the PSF industry since the employees, in other words the consultants, are often working directly at the customer site. There seem to be support for this especially in company A1 and A2 where some describe the client's employees as their co-workers. Hence, there may be stronger ties to the co-workers at the client site than with the consultancy firm. The stronger tie to the client within consultancy firms may also affect social identity as it may not be affected to the same degree, especially when it comes to companies such as A1 and A2 who worked in longer projects at client site. This is also strengthened by one interviewee at A1 who expressed that it is just to "change cap" and go to work as usual. It was perceived by the interviewers that those who had a role working on full time projects for a long period of time at the client site were less affected by the acquisition. This may explain why the benefits and drawbacks of social identity had less influence on ÅF than the theoretical studies had identified in other types of industries.

Hence social identity may not be of the highest importance for PSFs to consider during integration, especially if the firms acquired are similar to A1 and A2. Theory recommends to assess how strongly the employees identify with their prior firm to be able to ease the transition. For example, with the case of A4 who had a low employee turn over due to a strong identification with their firm prior to the acquisition. It might also be possible to plan the degree of integration with respect for how strong the identification is. Further it could be used to assess each individual's need. As an employee from B1 expressed, there may be value in identifying those individuals who finds the transition of the acquisition the most difficult and help them.

The factors brought up in 2.2 generally seem to have affected the employees in consultancy firms significantly less than what theory brings up in regards to M&As in general. Many of the reasons why this may be the case has already been discussed in 3.5. For Speed of Integration it seems like almost any time frame would work as long as this is successfully communicated. There is of course some limit to this, but as long as it is practically doable there seems to be a possibility for it to work. This is likely tied that to the fact that, for the most part, integrating an acquired consultancy firm mainly involves moving people to new offices and at some point have them at least partly integrated into new systems. If an acquisition involves more physical capital, both the human and the task integration are probably more complex and made more difficult. For instance, it would not be as easy to involve industry personnel in human integration activities during office hours since they of course cannot be relocated and integrated with the acquiring personnel as easily.

Similarly when it comes to Communication and Cultural Integration, the aspects that literature bring up as important in other industries may not show up in these interviews because the differences are simply not very noticeable. Some points made in literature turned out to fit this context as well, but sometimes on quite a detailed level. This can be seen as especially apparent in the case where the first difference that people come up with has to do with the new way of handling receipts and other simple administrative tasks. This was particularly the case when the interviewee worked mostly at the customer site. But even in the cases where the acquired personnel kept their office and their colleagues, few seemingly big differences were identified since much of the day-to-day tasks and hierarchy remained intact at this level.

As briefly touched upon in 1.1, there is also the question of how accurately the influencing factors were chosen in literature when it comes to which factors influence the integration process the most. One can only speculate whether or not the same factors would have been identified if this study was performed by another set of researchers and such a discussion is unlikely to result in any valuable conclusions until such a study is performed. Similarly, part of the reason why the analysis turned out the way it did may have to do with the way the interview was structured. In hindsight, it seems like some questions or speculations that arise as part of the analysis could have been answered if a more precise question or follow-up question had been asked to the employees at the time of the interview. Additionally, questions

regarding the aspects of integration brought up in 5.3 could have been more thoroughly analyzed if they had been added to the interview guide if they had been spotted earlier. However, both of these discussion points seem to rely on another type of method where one would engage in an analysis before all the interviews had been finished. This would possibly be a good idea if answer saturation has already been met before all interviews have been performed which could then allow for further insights by reworking the interview guide. Evidently however, this was not a possibility in this particular case.

6.2 Further research

As touched upon in 1.1, the literature within PSF and more specifically the consultancy industry is still scarce and more research is needed in the future when it comes acquisitions and the integration process. In this study, cultural integration, speed of integration and communication were identified as the central factors that affect the employees in the ways described throughout the report. Despite potentially valid motivations behind the choice of this set of factors, there are other factors that were not taken into account but that still affect the integration to some degree. For example, it would be possible to dig deeper into the role of leadership or the importance of key employees and the retention of these people. A third interesting area is how employees and the acquiring companies are affected by competitors who get involved by offering job opportunities in the midst of the turbulent acquisition and integration period. Lastly, it would be interesting to perform a similar study with the same goal to investigate the legitimacy of the factors in this thesis and see if the same conclusions are drawn.

No matter what factors are crucial in the integration process, more large-scale research is welcomed to provide a more solid theoretical ground on how people in this industry respond to acquisitions and what factors are important to take into account. This thesis could serve as the groundwork for such large-scale survey studies by having identified important aspects of integration. In studies with a larger sample of people it would also be possible to see different trends for different groups of people and draw conclusions for this. For instance, it is possible that the integration process should be designed differently based on the age and experience of the employees or what type of company is acquired. The door is certainly open for further research opportunities.

7

CONCLUSION

The thesis was written to investigate what areas that affect the employees of an acquired firm during the integration process at an engineering consulting firm and how it is connected to financial success. Further, it set out to fill the gaps in literature with regards to integration processes within PSFs as it is yet an area not thoroughly studied. This led to the research questions focusing on financial success, which areas within the current literature that fits ÅF and which areas that can be identified not brought up in theory.

7.1 First research question

How important is employee satisfaction in an acquisition at ÅF when it comes to reaching financial success?

On the basis of the empirical findings of this thesis there seems to be a clear correlation between employee satisfaction and financial success at ÅF. This conclusion is based upon the finding that both B1 and B2 had weak financial results a higher employee turnover than the firms who perform financially well. Further, a discussion was lifted regarding the reason why and is believed to be connected to the loss of billable hours on client projects available when employees leave the firm as it takes time to employ new colleagues that fully replace their predecessors.

7.2 Second research question

How well does the current theoretical basis on how employees are affected by M&A integration fit on ÅF?

With basis from the theoretical studies there are seven factors which has been specifically studied. In table 7.1 and 7.2 these seven factors can be seen with conclusions drawn within each factor. These conclusions focus on the most important findings and how well the theoretical studies and empirical findings correlate to each other.

Table 7.1: Conclusion from each factor regarding the effect on employees.

| Factor | Conclusion |
|-------------------------|---|
| Anxiety and Uncertainty | <ul style="list-style-type: none"> • There are indications that anxiety and uncertainty lead to higher employee turnover and lower M&A success. • Separation anxiety seem to affect the employees when their colleagues decides to leave due to the acquisition. • No impression is had that the acquisition may impact the individuals job performance however it may lead to a lack of motivation. • No clear indications of the effect on employees from ambiguous announcements from managers can be found. • There are no indications that the employees use political maneuvers to protect themselves or act similarly. |
| Social Identity | <ul style="list-style-type: none"> • There is no indication that social identity would positively impact employee turnover. • It highly depends upon each specific case how the social identity affect the integration process. • The view of ÅF before the acquisition does not seem to affect identification with ÅF in any clear way. • There is indication that some employees are excited about the numerous opportunities at ÅF, however if this has affected their social identity is unclear. |
| Trust | <ul style="list-style-type: none"> • Trust seem to affect commitment and employee turnover at ÅF, similar to the literature, based on lower trust among the interviewees in B1 and B2. • The lack of trust in ÅF's case is not due to fear of job loss as the literature often describe it. • There is a trend which shows that anxiety and uncertainty influence trust in a negative manner. • None of the reactions from the employees (competence, integrity and benevolent trust) have been negative and is not believed to cause any effect on the trust for ÅF. • Neither positive interaction history or takeover friendliness can be found to influence trust. • There is some indication that the power difference and firm performance affect trust in both a positive and negative manner. |
| Knowledge Transfer | <ul style="list-style-type: none"> • There are no empirical findings to support that knowledge transfer is inhibited due to the acquisition to maintain status or wanting something in return as theory suggests. • There are some findings which suggest that trust facilitates knowledge transfer. |

Table 7.2: Conclusion from each factor affecting the integration process.

| Factor | Conclusion |
|----------------------|--|
| Cultural Integration | <ul style="list-style-type: none"> • The cultural integration seems important but the challenges often seem company specific. • There are indications that common company values help trust-building between firms. • There is no support for the claims that organizational resistance and struggle is muted from a successful cultural integration. • Not much support can be found for facilitated knowledge transfer from the cultural integration but likely depends on other factors. • Some support is found for lower job commitment due to cultural misfit, but not for increased stress. • There are indications that the framework of cultural levers would be useful for ÅF. • Support is found for the suggestions of surveying management in the initial integration phase. • There is some support for claims that a certain degree of cultural difference can be beneficial. |
| Speed of Integration | <ul style="list-style-type: none"> • The interviews suggest that speed of integration in purely quantitative terms is not a particularly influencing factor. • No support is found for the positive correlation between speed of integration and M&A success. • There are no convincing indications that a quick acquisitions leads to lower employee uncertainty. • Some support is found for claims that employees generally do not find acquisitions to be too quick. • There is some merit to the benefits of having a fast human and a slow task integration. |
| Communication | <ul style="list-style-type: none"> • Not much support is found that suggest that communication is vital. This is likely because it is relatively well-functioning already. • There are indications that top-down and ongoing communication is important for reducing anxiety. • Most interviewees have mostly communicated with their current managers which have had both positive and negative consequences for different employees. • There strong indications that face-to-face communication is preferred among employees. • There is support that poor communication can increase uncertainty. |

7.3 Third research question

What important factors of integration for engineering consultancy firms can be identified which are not represented in the current M&A theory?

From the empirical findings four larger areas have been identified where the literature has been found to lack material. The first considers differences in size between acquirer and the acquired firm. Even though this area is covered to some degree by literature, it is found to lack the differences that employees experience when working for a larger firm or the attitude of simply not wanting to work at a larger firm. The second is about the vicious cycle which may arise that connects anxiety, uncertainty, low social identity and mistrust with a high employee turnover. The available theory has not identified such a concept and hence has no basis for how to break such a cycle. The third area focuses on the expectations from the employees versus reality with regards to speed of integration. It has been identified that it might be of higher importance if the employees experience management to follow the time plan than when the event actually occur. Finally, the fourth area concern management engagement from both the acquirer and the acquired firm. A solution and possible best practice has been identified through the empirical findings which has not been mentioned by the literature before. This solution argues that the two management teams need to work closer together and take a shared responsibility for the integration process.

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A

INTERVIEW GUIDE

A.1 Interview guide in English

The interview will be individualized to the interviewee. FIRM is replaced with the company name before the acquisition.

Introduction

- Hi, thank you for your time and welcome to the interview. Introduce ourselves.
- Remind the interviewees of the goal with the interview: To see how ÅFs current integration process affect employees in an acquisition and how it is perceived.
- Remind the individual of why the person has got the inquiry of being part of the interview: That they have been part of a firm which recently was bought by ÅF. Is it correct that you are a consultant?
- Remind them about that the interviewees will be completely anonymous - only ÅF and 2016-17 will be mentioned in the report.
- Ask if it is okay that we record the interviews to be able to transcribe and make sure that no information is missed out and that we may want to use quotes from them in the report.
- Start recording.

Introducing questions

1. How long were you employed at FIRM before it was acquired by ÅF?
2. Can you tell us a bit about your career until today?
3. Have you been employed at another firm who has been acquired or in any other way been involved in an acquisition?
4. Do you know if ÅF and FIRM has cooperated before the acquisition took place?
5. Can you tell me about what has happend since the acquisition?
 - Have you had to change offices or other facilities?
 - To what degree have you changed to other IT systems and infrastructure?
 - What has changed with regards to who you work with? The same people of mixed with ÅF?
 - Have your work tasks changed significantly since the acquisition?
6. (To start somewhere) - How have you experienced the acquisition, both in the beginning until today, what where your thoughts?

Anxiety/Uncertainty

7. How did the conversations go between the colleagues at FIRM regarding the acquisition, was it primarily positive or negative?
8. Did you or your colleagues experience anxiety regarding the risk of losing your job/change offices/change work tasks?
 - Did you experience that this changed your daily work performance?
 - Was there any worry to lose any of your colleagues?

Social Identity

9. What was your view on ÅF as a firm before you found out about the acquisition?
10. Would you say that you identify yourself more with FIRM or with ÅF? How much do you identify yourself with FIRM/ÅF?
11. What similarities/differences do you perceive between the firm and ÅF:
 - Status (e.g. small/large firm)
 - The range of services
 - The quality of delivered services
12. Does it feel good to work at ÅF, e.g. if you think about their status, reputation and what they stand for?

Trust

13. Did you have trust to the management of ÅF in the beginning of the acquisition integration? Has it changed in anyway until today?
14. How have you perceived ÅF's trust towards your firm?
 - Competence
 - Conduction of projects
 - Autonomy
15. Have you at any time experienced injustice or doubtful treatment in connection to the acquisition and integration?

Cultural Integration

16. We will tell you a few aspects of company culture and would like your input regarding these if you compare FIRM and ÅF. E.g. differences/similarities/who does it the best.
 - Communication (feedback, results, info generally regarding the organization)
 - Rules and policies
 - Setting goals/measuring performance
 - Bonus and salary systems
 - Leadership
 - Norms and unwritten rules
17. Do you have examples of how ÅF has worked to overcome one or several of these aspects to reduce the differences?

18. Do you have any examples on other initiatives or activities which ÅF has organized to integrate you into ÅF's company culture?
 - How long time after the acquisition did these activities occur? Did you experience it as too fast/too slow after the acquisition or just right?

Knowledge transfer

19. Do you think that it is easy to exchange knowledge and experiences within ÅF, and how is it done?
20. Is there any hinder to conduct knowledge transfer?
21. Is there any processes in place which simplifies it?
22. If you think back to your work at FIRM, was there any differences compared to today?

Communication

23. Had you heard rumors about the acquisition before it was formally announced?
24. How well did your think the communication during the integration process worked?
 - How did you believe the management handled the acquisition?
 - Did he communication from those responsible feel transparent? Was it contradictory in any way?
 - Have you percieved the access to information as sufficient?
 - Did you know where to turn to talk about the acquisition and it's eventual effects?
 - Do you think the inforamtion came regularly or was it e.g. a lot at one time?

Speed of Integration

25. How well did the consolidation of services and clients work?
 - Did you perceive it to go too fast, too slow or just right?
26. How well did the move to new offices, systems and infrastructure work?
 - Did you perceive it to go too fast, too slow or just right?
27. How well did you perceive that the human integration was carried out? In other words introductory sessions, training, get to know each others etc?
 - Did you perceive it to go too fast, too slow or just right?
28. What did you think generally about the speed of integration?
 - What went too fast or too slow?

Finalizing questions

29. What would you say have been ÅF's strong/weak actions in the process?
30. Would you describe the acquisition as successful/less successful or do you not have an opinion?
31. Do you have any questions, thoughts or comments?

A.2 Interview guide in Swedish

Intervjun anpassas till deltagaren. FIRMA ersätts med företagsnamnet innan uppköpet.

Introduktion

- Hej, tack för din tid och välkommen till intervjun. Introducerar oss själva.
- Påminna om målet med intervjun: Se hur ÅFs nuvarande integrationsprocess påverkar anställda i ett uppköp och hur den uppfattas av dem.
- Påminna om varför personen fått intervjufrågan: Du har ingått i ett företag som nyligen köptes upp av ÅF. Stämmer det att du är konsult?
- Påminna om att intervjun kommer att vara helt anonymt - endast ÅF och 2016-17 kommer att nämnas i rapporten.
- Frågar om det är okej att vi spelar in intervjun för att kunna transkribera och se till att vi inte missar någonting samt att vi vill eventuellt använda citat i rapporten.
- Startar inspelning

Introducerande frågor

1. Under hur lång tid var du anställd hos FIRMA innan den blev uppköpt av ÅF?
2. Kan du berätta lite kort om din yrkesväg fram till FIRMA?
3. Har du tidigare varit anställd i ett företag som blivit uppköpt eller på annat sätt varit involverad i ett?
4. Vet du om ifall ÅF och FIRMA har samarbetat innan uppköpet skedde?
5. Kan du berätta lite om vad som hänt sedan uppköpet?
 - Har ni fått byta kontor eller andra lokaler?
 - Till vilken grad har ni fått gå över till andra IT-system och infrastruktur?
 - Vad har förändrats kring vilka personer du jobbar med? Ungefär samma, eller blandat med ÅF?
 - Har dina arbetsuppgifter förändrats signifikant sedan förvärvet?
6. (För att börja någonstans) - hur har du upplevt uppköpet dels i början men sen fram tills idag, hur gick tankarna?

Oro/Osäkerhet

7. Hur gick snacket mellan kollegorna på FIRMA rörande uppköpet, var tongångarna positiva eller negativa?
8. Upplevde du eller dina kollegor oro över inför risken att förlora jobbet/förflyttad/byta arbetsuppgifter?
 - Upplevde du att detta påverkade ert dagliga arbete?
 - Fanns det någon oro att förlora sina arbetskamrater?

Social Identitet

9. Vad var din syn på ÅF som företag innan du fick reda på uppköpet?
10. Skulle du säga att du identifierar dig mer med FIRMA eller ÅF? Hur mycket identifierar du dig med FIRMA/ÅF?
11. Vad upplever du för likheter/skillnader mellan FIRMANS och ÅFs:
 - Status (t.ex. litet/stort företag)
 - Utbudet av tjänster
 - Kvalitet på levererade tjänster
12. Känns det bra att jobba på ÅF, t.ex. om du tänker på deras status, rykte och vad de står för?

Tillit

13. Hade du tillit till ÅFs ledning i början av uppköpet? Har detta förändrats på något sätt fram tills idag?
14. Hur upplevde du ÅFs tillit till er?
 - Kompetens
 - Projektgenomförande
 - Autonomi
15. Har du upplevt någon orättvisa eller tveksam behandling i samband med förvärvet och integrationen?

Kulturell integration

16. Vi kommer räkna upp några aspekter av företagskultur och vi vill gärna ha dina tankar kring dessa om man jämför FIRMA och ÅF. T.ex. skillnader/likheter/vilken som gör det bäst
 - Kommunikation (feedback, resultat, info generellt om verksamheten)
 - Regler och policys
 - Målsättning/prestationsmätning
 - Bonus- och lönesystem
 - Ledarskapet
 - Normer/oskrivna regler osv
17. Har du exempel på hur ÅF har bemött en eller flera av dessa aspekter för minska skillnader?
18. Har du exempel på andra initiativ eller aktiviteter som ÅF anordnat för att integrera er in i ÅFs företagskultur?
 - Hur lång tid efter uppköpet skedde sådana aktiviteter? Upplevde du detta som för snabbt/för långsamt efter uppköpet eller lagom?

Kunskapsutbyte

19. Tycker du att det är enkelt att utbyta kunskap och erfarenheter inom ÅF, och hur görs detta?
20. Finns det några hinder som ligger i vägen för kunskapsutbyte?

21. Finns det processer på plats som förenklar det?
22. Om du tänker tillbaka hur det var inom FIRMA, vad var det för skillnader där?

Kommunikation

23. Hade du hört rykten om uppköpet före det formellt annonserades?
24. Hur tyckte du att kommunikationen under integrationsprocessen fungerade?
 - Hur upplevde du att ledningen hanterade uppköpet?
 - Kändes kommunikationen från ansvariga transparent? Kändes den motsägande på något sätt?
 - Har du upplevt tillgången till information som tillräcklig?
 - Visste du om vart du kunde vända dig för att prata om uppköpet och dess eventuella effekter?
 - Tycker du att informationen kom lagom ofta eller kom det t.ex. mycket på en gång?

Integrationstakt

25. Hur väl fungerade sammanslagningen av tjänster och konsolideringen av kunder och den biten?
 - Ansåg du att det gick för snabbt, för långsamt eller lagom?
26. Hur väl fungerade flytten till nya kontor, system och infrakstruktur?
 - Ansåg du att det gick för snabbt, för långsamt eller lagom?
27. Handlar lite om kulutrell integration, men hur bra tycker du det gick med den mänskliga integrationen, d.v.s introduktionstillfällen, upplärning, lära-kännatillfällen?
 - Ansåg du att det gick för snabbt, för långsamt eller lagom?
28. Vad tycker du om integrationstakten allmänt?
 - Vad gick för snabbt eller för långsamt?

Avslutande frågor

29. Vad skulle du säga har varit ÅFs starka/svaga sidor i processen?
30. Skulle du beskriva uppköpet som lyckat/misslyckat/har ingen åsikt?
31. Har du några frågor, tankar eller kommentarer? Ordet är fritt