



UNIVERSITY OF GOTHENBURG

SCHOOL OF BUSINESS, ECONOMICS AND LAW

Master's Degree Project in International Business and Trade

Cultural differences in the cross-border M&A between Japanese and Swedish companies

A qualitative research on the influence of cultural differences and how the differences are addressed in cross-border M&A between Japanese and Swedish companies

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Abstract

Cross-border M&As are one of the most widespread entry modes for organizations to enter new markets, and the number of cross-border M&As is expected to increase in the future. Considering the process involves companies from different countries, the cultural aspect is crucial. This study focuses on the cultural differences arising in the cross-border M&As and how the challenges are addressed. Based on the qualitative data obtained from the semi-structured interviews, we inductively developed a theoretical proposition covering the influence of cultural differences in cross-border M&As and how companies address them. The interviews were conducted with representatives working at the Swedish companies acquired by the Japanese companies and with the Japanese expatriates relocated to Sweden after the cross-border M&A. Our findings show that cultural differences have an impact the level of integration, employees' attitudes and behaviors, cultural fit, and communication between acquiring and target companies. In the meantime, all of these factors could lead to increased stress, concern, resistance, curiosity, anxiety, lack of synergy creation, and lack of communication. Besides, several solutions have been addressed to overcome mentioned adverse outcomes by the companies: social activities, expatriates, internal communication, and previous experience in managing cross-border M&As or working in an international environment. This research suggests that companies could avoid mentioned challenges arising due to the cultural differences by establishing a sufficient level of integration and conducting a pre-assessment of culture in advance. Nevertheless, the influence of cultural differences may not be underestimated in cross-border M&A.

Keywords: cross-border M&A, cultural clashes, organizational culture, Sweden, Japan, national culture, integration, post-acquisition, pre-acquisition

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1. INTRODUCTION

1.1 Background

Merger and acquisition (M&A) has been defined as one of the most common approaches that are chosen by multinational corporations (MNCs) due to their willingness to gain access to new markets (Biorollo & Teerikangas, 2019; Faulkner, Teerikangas, & Joseph, 2012; Steigenberger, 2017). M&A provides opportunities for MNCs to gain competitive advantage, access to new suppliers and customers, and increased brand value (Caiazza, Shimizu, & Yoshikawa, 2016; Deng & Yang, 2015; Xie, Reddy, & Liang, 2017). Due to the increase in the internationalization in business, the engagement rate in cross-border M&As has been heightened (Shimizu, Hitt, Vaidyanath, & Pisano, 2004). Based on the World Investment Report 2021 published by United Nations Conference on Trade and Development (2021), cross-border M&As have seen an upward trend in the period from 2011 to 2021, with a slight decrease in 2020. Nevertheless, the M&As activity slightly lowered in 2020 and 2021 can be described by a sharp rise in the M&A deals worldwide, including Asia - Pacific, EMEA, and Americas regions, and this trend is expected to be continuous (PricewaterhouseCoopers, 2022).

Unlike domestic M&As, cross-border M&As involve companies from different parts of the world with different national and organizational cultures (Very, Lubatkin, & Calori, 1996). Hence, Xie et al. (2017) stated cultural determinant as one of the factors that affect the cross-border M&A. Besides, differences in culture in cross-border M&As could either contribute from the perspective of synergy creation between acquiring and target companies or undermine this process depending on the degree of such differences (Lee, Kim, & Park, 2015; Weber, 1996). Furthermore, several failures in cross-border M&A due to cultural differences were described in the previous literature (Piekkari, Vaara, Tienari, & Säntti, 2005; Gancel, Rodgers, & Raynaud, 2002). For instance, the research from Piekkari et al. (2005) investigated failed cross-border M&A between a Finnish company and a Swedish company, where the implementation of a new corporate language led to a cultural clash represented by 'us' versus 'them' identity had a negative impact on employees' attitude and behavior which led to the failure in cross-border M&A. Besides, the importance of cultural integration was also identified by Lee et al. (2015), examining cross-border M&A between Swedish and South Korean companies where challenges arose from the cultural differences led to the

failure of the overall process. Gancel et al. (2002) also stated cultural aspect of cross-border M&A is one of the most complicated factors that could potentially cause complex activities, challenges, and failure in M&A. According to Angwin (2001), differences in cultures should be taken into account during all stages of the cross-border M&A, including pre and post-acquisition stages. Besides, Gordon (1995) described culture as aspect that is inherently difficult to change and mix.

Denison, Adkins, and Guidroz (2011) mentioned that companies could try to avoid entering the markets with significant cultural differences to have a successful outcome from the cross-border M&A. Hence, Costa, Miguel, Dias, Pereira, and Santos (2021) underlined that assessment of possible strengths and weaknesses of the target firm is crucial. The cultural aspect should also be taken into consideration in the assessment. Bereskin, Byun, Officer, and Oh (2018) and Denison and Ko (2016) highlighted that having a poor cultural fit between two companies can negatively affect the cross-border M&A result and lead to additional costs for monitoring and control. Although culture could negatively influence the cross-border M&A, Lee et al. (2015) argued that cultural differences could also lead to a better synergy between the acquiring and target firms by increased knowledge exchange which leads to higher efficiency.

1.2 Problem discussion

Despite the several comments from previous literature, cultural difference is a variable that influences the outcome of the cross-border M&A and needs to be considered essential. However, Denison et al. (2011) addressed that companies often consider cultural aspect less critical than operational, financial, or strategic problems. Nonetheless, Costa et al. (2021) and Lodorfos and Boateng (2006) agreed that companies lack attention to cultural aspects in cross-border M&A, and companies often underestimate cultural aspects.

Cultural differences could lead to cultural clashes that cause an increased level of stress and resistance among the employees at the target firm (Lee et al., 2015; Steigenberger, 2017). Cultural differences can also cause external and internal communication problems, which is essential for acquiring and target companies' activities (Zhu & Huang, 2007). From this perspective culture integration process is crucial, and it aims to eliminate culture clashes and facilitate the overall process of the cross-border M&A leading to a better synergy creation

(Denison et al., 2011). Hence, the approaches companies follow to handle such challenges are dependent on the degree of cultural differences. Therefore, the higher the degree of differences in national and organizational cultures, the more time the integration process may take, and more time is needed for employees to adapt to a new working environment (Lee et al., 2015). However, there has been minor progress in the research exploring the role culture plays in the M&A process and performance (Costa et al., 2021; Lodorfos & Boateng, 2006). Besides, most previous literature focuses on the case of cross-border M &A from/to emerging and to/from developed countries (Deng & Yang, 2015; Lee et al., 2015; Sachsenmaier & Guo, 2019). Hence, we identified the lack of research on the influence of cultural differences and how companies address and manage the differences in cross-border M&A.

1.3 Research question

According to Lee et al. (2015), Asian and Swedish cultures differ significantly. Hence, we would expect more challenges caused by the cultural differences between such countries with high degree of cultural differences. Therefore, we purposively aim to research the case of cross-border M&A between an Asian company and a Swedish company. Based on the report from Högberg, Grönblad, and Woxström (2021), Japan is the third-largest export market of Sweden outside of Europe and has had a business relationship with Sweden for over 150 years. Approximately 1,500 Swedish companies have an ongoing trade relationship with around 150 Japanese businesses. Besides, Grönblad (2021) mentioned Japan as a critical market for Swedish firms, which generate over 25 percent of total revenue. Furthermore, as international competition intensifies, many Japanese companies are willing to have joint ventures or other forms of cooperation with Swedish companies to learn about innovation, business models, and international success. Considering solid business relationships between Sweden and Japan and an increasing number of cross-border M&As globally, we could expect more cross-border M&As between these two countries in the future. When it comes to the entry strategies of Japanese companies, Tanganelli and Schaan (2014) found that the most widespread entry mode chosen by the Japanese companies were either greenfield investments or joint ventures. Additionally, a number of studies were conducted on the entry mode of the Japanese companies in the United States (Hennart & Park, 1993; Huallacháin & Reid, 1997; Reddy, Osbom, & Hennart, 2002). Makino and Beamish (1998) investigated an entry mode choice of Japanese companies in the Asian region, while Ben Youssef and Hoshino (2007) conducted research on the entry mode of the Japanese firms in the Australian market.

Besides, the number of Japanese outbound M&As has been increasing in recent years (Bessho, 2019), representing almost 40% of the total amount of M&A deals in the Asia – Pacific region (Okuno, Ichii, Ishikawa, & Leung, 2020).

Considering limited literature on the topic of outbound M&As from Japan to Sweden, the increasing number of cross-border M&A deals in Japan, and close business relationships between the two countries, the cross-border M&As when a Japanese company is acquiring a Swedish company are chosen research field. Hence, we believe that by focusing on the cross-border M&A between Japanese and Swedish companies, the research could discover profound insight into the influence of cultural differences and how they are handled in cross-border M&A.

Nonetheless, Teerikangas and Very (2006) stated that future researchers should focus on ‘how’ cultural differences impact the performance of M&A rather than on questioning existing of the influence as a ‘yes’ or ‘no’ research question. Besides, the research is exploratory and focuses on identifying and discovering variables that are influenced by cultural differences and how to manage the influence during the cross-border M&A. We formulated the research question as follows:

“What is the influence of cultural differences, and how are these differences addressed in Japanese cross-border M&A of Swedish companies?”

The purpose of the research is to understand and discover the impact of cultural differences on cross-border M&A by identifying potential challenges that occur by cultural differences and discovering the solutions to challenges. Nonetheless, we aim to have a deeper insight into how companies consider cultural differences and how they overcome the challenges arising from them in cross-border M&A.

1.4 Delimitations

To set boundaries for our research, we have identified delimitations for this study. Firstly, the entry mode under investigation is limited to cross-border M&As. Hence, domestic M&As or other entry modes, for essence, joint ventures or strategic alliances, are not included in this research. Secondly, we have set boundaries from the country’s perspective. Since cultural

context differs for each country, we have focused on Swedish and Japanese cultures. Thus, cross-border M&As between Japanese and Swedish companies are being studied in this research. Mainly when a Japanese company is in the position of acquiring a company and a Swedish company is in the target company's position. Another delimitation is referred to as a period of the cross-border M&As. From this perspective, we have been only considering cross-border M&As between Japanese and Swedish companies, which took place between 2016 and 2021.

2. METHODOLOGY

2.1 Research philosophy

According to Bell, Bryman, and Harley (2019), research philosophy encourages researchers to interrogate the element assumptions about reality. Research philosophy tolerates researchers to integrate their knowledge of the study field and determine how to conduct the research. Hence, it is essential to have sufficient research philosophy at the initial stage of the research. Since the research focuses on seeking the impact of cultural differences and how it is handled in cross-border M&A, the chosen research philosophy is interpretivism position under epistemology philosophy. Epistemology is the theory of what is known and what can be discovered. Besides, epistemological assumptions dispute whether natural science research models are appropriate for studying society or whether more sensitive alternatives are needed (Bell et al., 2019).

An interpretivism is an approach that considers the differences between humans and the subject of natural science, which requires social researchers to understand the subjective meaning of social action (Bell et al., 2019). Nonetheless, Elster (2015) explained that interpretivism indicates an approach that emphasizes the nature of an individual's personality and participation in social and cultural life. Besides, interpretivism is suitable when the research tends to understand phenomena and complexity in their context rather than generalize the foundation of understanding to the entire population (Creswell, 2007). Therefore, the research is based on interpretivism due to the research question and purpose, which integrates human interest and meaning. Nevertheless, interpretivism suggests that the knowledge should be gathered from individuals through interviews or observations to understand the perception of reality which leads to our research data collection method (Bell et al., 2019).

2.2 Research strategy

Due to the research purpose of finding a meaningful understanding of the influence of cultural aspects in cross-border M&A and how it is managed, the study was held as qualitative research. According to Bell et al. (2019), qualitative research is a strategy that usually emphasizes words and images rather than quantification in the collection and analysis of data. Hence, qualitative research is suitable for the research that emphasizes an inductive approach and focuses on the relationship between theory and social reality. In addition, the purpose of qualitative research is to discover and have deeper understanding of research topic with high validity rather than generalize the findings (Ulin, 2005). Hakim (2000) stated that the qualitative research methods provide the opportunity to investigate more sensitive, flexible, and deeper patterns of the study phenomenon. Besides, qualitative research contributes to theory development since it provides rich and detailed depictions of real-life phenomena and behavioral examples (Doz, 2011). Hence, since we intend to explore the influence of culture on the cross – border M&A, we believe that following qualitative research will allow us to have a deeper understanding and patterns of this phenomenon.

2.2.1 Inductive research.

Our research field is narrowed to the cultural differences and cross-border M&A between Japanese and Swedish companies. We acknowledged the limitation of previous theories that focus on a similar research field and explain a clear relationship between cultural differences and cross-border M&A. According to Bell et al. (2019), the inductive research process can be explained as beginning with observation, findings, and formulation of the theory proposition from unconstrained raw data. Therefore, considering the lack of previous theories related to the research field and the purpose of the research, we decided to apply an inductive approach to the research. Besides, the inductive approach that links data and theory is commonly associated with qualitative data, our chosen research strategy (Bell et al., 2019). Moreover, the research aims to develop propositions regarding the influence and relationship between cultural differences and cross-border M&A, and Bell et al. (2019) stated that a theory is the outcome of the inductive approach. Moreover, the research indicates how the target company manages the cultural differences, and an evaluation of the target companies is needed to discover this topic. Thomas (2006) mentioned that the inductive approach elicits insight

related to focused evaluation questions. Therefore, in the case of our research that needs to evaluate and develop theory, we believe the inductive approach is most suitable for the research.

2.2.2 Multiple case study.

According to Bell et al. (2019), a multiple case study is a form of comparative design when applied in a qualitative research strategy. Besides, it is a standard research design in business research that involves two or more organizations as cases for comparison. However, in some cases, not only organizations are considered as cases, but also the people are used as cases. Moreover, multiple case study supports improving theory-building. Due to the fact that it involves a comparison between two or more cases, it provides researchers with deeper insight to establish the circumstances in which a theory will or will not hold. Nonetheless, during the comparison, it may suggest concepts relevant to a new theory (Bell et al., 2019).

Due to this fact, our research includes three companies as cases for comparison. Besides, as Bell et al. (2019) stated, we believe that we can reach profound insight regarding the research topic by comparing multiple cases. Nevertheless, since the research is applying an inductive approach where we aim to develop emerging theory, we believe multiple case study is suitable for our research design.

2.3 Literature search

To write a literature review chapter for our research, we have conducted systematic literature reviews of the literature in the International Business field on the topic of cross-border M&A. Such an approach presupposes conducting a review in several steps by using peer-reviewed literature published in academic journals. Using peer-reviewed articles and sources also helped us enhance the quality of the theoretical part of this research (Bell et al., 2019). Primary sources of relevant academic literature have been the Supersearch function at the University of Gothenburg Library's website, such databases as Web of Science, Scopus, and Google Scholar. Keywords which we have used in the first step of the process were 'cross-border M&A', 'cultural integration', 'post-integration strategy', 'managerial strategy', 'national culture', 'organizational culture', 'expatriates', 'communication', 'experience'. To filter the articles we found, we have read the abstracts to understand the relevance of

academic literature. The next step of this process was to read through the articles we marked as relevant for current research. All of the articles chosen as a basis for the literature review are in English. Besides, we have not imposed any restrictions on a publishing date since some theories and approaches are fundamental to be included in this research.

2.4 Data collection

The primary data for this research is the information obtained from the interviews with representatives of companies we found relevant for our research.

2.4.1 Sampling.

While searching for potential companies and individuals to conduct interviews for the research, we used the purposive sampling method. Bell et al. (2019) highlighted the main types of purposive sampling. One of the sampling types we used is typical case sampling which refers to choosing companies and respondents under our particular interest. To collect relevant information for the research, we identified the critical criteria that the sample companies and respondents must follow. Such criteria for companies are:

1. The company is initially headquartered in Sweden
2. The company is acquired by a Japanese company
3. Such an acquisition took place between 2016 to 2021

The reason for having a specific period as one of the criteria is to conduct interviews with companies that had an integration process and still remember the process in detail and assess the changes resulting from the process.

We also identified criteria for potential respondents. Cross-border M&A can cause a lot of anxiety and resistance among employees resulting from the fear of losing a job or position, and a managerial approach can significantly eliminate such negative factors (Gunkel, Schlaegel, Rossteutscher, & Wolff, 2015). From this perspective, the top - management's tacit knowledge may help with the integration strategy implementation since the top managers are aware of the processes taking place within the organization. Hence, they can convey the necessary information and the overall integration plan to the employees, which would lead to a harmonization of the integration process since their attitude towards the M&A deal is

crucial for establishing trust (Costa et al., 2021; Kiessling & Harvey, 2006; Vasilaki & O'Regan, 2008). In the meantime, line or middle managers are essential intermediaries between the top management and associate/entry-level employees, and the way they communicate with both groups can have a significant impact on the post-merger integration (Angwin, Mellahi, Gomes, & Peter, 2016; Birollo & Teerikangas, 2019). Since employees are usually uncertain about the upcoming changes resulting from the M&A, they are more likely to believe the misleading rumors. In this situation, managers are crucial to overcoming stress and resistance by communicating with employees and informing them about the changes happening in the company (Angwin et al., 2016; Costa et al., 2021). Expatriates relocated from the acquiring company's country usually act as a bridge between two companies taking part in the cross-border M&A (Hébert, Very, & Beamish, 2005), which is why their position is extremely valuable for our research. Hence, we aimed to conduct interviews with top managers, middle managers, and an entry/associate level employees. Since our research question is connected to cultural differences between the acquiring and target companies, the perspective of the expatriates from Japan working in the Swedish sample companies was also vital to us. Therefore, we intend to obtain in-depth information about the studied phenomena and avoid bias caused by one-sided positions of employees initially working in Sweden. Besides, we believe having interviews with employees from different positions could provide diverse information for the research. Hence, we planned to conduct four interviews per company. We believe this approach would allow us to have a broader perspective on this research topic since all of the employees are affected by the M&A process in different ways.

The critical criteria for potential interviewees are:

1. A person should work at the company before and after acquisition
2. A person should hold a position of a top manager, middle manager, entry/associate level employee, or expatriate relocated from Japan to Sweden
3. A person should have been directly involved in the cross-border M&A

2.4.2 Sampling process.

We searched the companies on the Internet using such keywords as 'Japanese M&As in Sweden', and 'Swedish companies acquired by Japanese companies'. The search languages

were English, Japanese and Swedish. We confirmed the collected information through the official press releases published by the acquiring or target companies informing about such acquisitions to get more reliable information. As a final step, we created a list containing the companies for interviews with information about the name of the companies, contact persons, and the year of acquisition.

Contact information about potential interviewees was obtained on the companies' websites and LinkedIn platform. Some websites contained contact information of top management and middle managers, who followed the criteria we identified for the potential interviews. To obtain the contact information of managers whose details were not available on the websites, entry/associate level employees, and Japanese expatriates working at the company, we used snowball sampling, which refers to the method when researchers contact people who are aware of the subject matter and can help in establishing communication with other people which are relevant to the research (Bell et al., 2019). Hence, we contacted the HR function since they are aware of the qualifications of the employees within a company and could provide us with the right person for the interview. Snowball sampling was used to get contacts of the Japanese expatriates or other employees by asking for their contact information during the interviews or by e-mail communication.

The companies we included in the final list operate in different industries:

Company A: The company is one of the leading company parking sectors. Their business focuses on taking over responsibility for parking operations, property owners, housing cooperatives, municipalities, and county councils, giving clients time to focus on their core activities and optimize their parking area. The company was acquired by a Japan-based company headquartered in Tokyo in 2018.

Company B: The company is the global leader in high-pressure technology. They design, manufacture, and install high-pressure support systems to densify advanced materials, sheet metal forming, and high-pressure processing for food and beverage innovation, safety, and shelf life. The company was acquired by a Japanese company headquartered in Kobe in 2017.

Company C: The company takes a leading role in the engineering steel industry in Europe and has a global presence in the European, North American, and Asian markets. The company was acquired by a Japanese company headquartered in Tokyo in 2018.

As mentioned, qualitative studies are not aimed at achieving generalizability (Ulin, 2005). However, these companies are suitable for our research since they differ in size and operate in different industries. We believe that conducting interviews with representatives from these companies will allow us to have a broader perspective and conduct a deeper investigation of the cultural differences that arose during the cross-border M&A process and how to overcome such challenges.

We started sending an e-mail to potential interviewees on the 2nd of February 2022. The e-mail message was written in English, containing information about us, the background of the research, the purpose of the message, and the potential timeline for the interview. We also informed potential interviewees about our research topic and explained why they had been chosen for the interview. In total, we sent 46 e-mails and 13 messages on the LinkedIn platform. Some of the invitations remained unanswered, and in this case, we sent reminder messages. Besides, we tried to reach potential interviewees by direct and indirect calling and leaving voice messages. However, we received twelve responses, and when receiving answers from the potential interviewees, we agreed on the date of the interviews.

2.4.3 Semi-structured interview.

To obtain primary data relevant to this research, we used semi-structured interviews, which are characterized by having a list of questions or topics which are necessary for the interviews. However, during the actual interview, some of the questions can be omitted, and there is an ability to ask follow-up questions to gain a better understanding of the subject under investigation (Saunders, Lewis, & Thornhill, 2009). Non - standardized interviews, which are the most relevant for qualitative research methodology, provide the researchers more freedom to collect detailed and extensive information (Saunders et al., 2009).

All of the interviews were conducted through the online Zoom program, and these interviews can be defined as synchronous since the interaction between the interviewee and us took place in real-time (Bell et al., 2019). Online interviews using software applications, such as Zoom, have several advantages in terms of being flexible in rescheduling an interview if some emergency happens, not spending money on traveling to the companies' location. Some people can also feel more comfortable being interviewed online, and in this situation, they

would be more open to communication. Since face-to-face communication still occurs in an online interview, it is possible to establish rapport with an interviewee (Bell et al., 2019).

At the beginning of the interview, we introduced ourselves and our background and informed the purpose of the interview to respondents. Besides, permission to record the interviews was also asked before the start. Recordings of the interviews are beneficial for obtaining reliable data for analysis (Saunders et al., 2009). According to Bell et al. (2019), recording the interview can facilitate the process later and help the interviewers not be distracted by taking notes since all attention is drawn to the interview itself. Hence, taking notes allowed us to follow the conversation and ask clarifying questions. However, we took some brief notes during the interviews, which allowed us to concentrate and focus (Saunders et al., 2009).

The company list and respondents from each company and the date of the interviews are represented in Table 1. Stated Host Country Nationals (HCN) are employees initially working at the Swedish companies acquired by the Japanese companies when Parent Firm Nationals (PFN) refer to expatriates relocated to Sweden due to the cross-border M&A.

Date of the interview	Company	Name of the respondent	Position of the respondent	Duration of the interview	Location
March 2nd, 2022	Company A	HCN 1	CEO (Top management)	59.01	Online/ Zoom
April 21st, 2022	Company A	HCN 2	Technical Sales Director (Middle management)	37.28	Online/ Zoom
March 3rd, 2022	Company A	HCN 3	Legal Counsel (Associate level)	39.25	Online/ Zoom
March 8th, 2022	Company A	PFN 1	Senior Adviser (Japanese expatriate)	41.02	Online/ Zoom
March 4th, 2022	Company B	HCN 4	Direct of HR, IT and Communication (Top management)	1.03.35	Online/ Zoom
March 14th , 2022	Company B	HCN 5	Manager of Project Management (Middle management)	45.16	Online/ Zoom
March 15th, 2022	Company B	HCN 6	Product Manager/Product Specialist (Associate level)	43.32	Online/ Zoom
March 28th, 2022	Company B	PFN 2	Financial Manager and Region Officer (Japanese expatriate)	36.44	Online/ Zoom
March 15th, 2022	Company C	HCN 7	Executive Vice President, head of group marketing and technology (Top management)	28.43	Online/ Zoom
March 6th, 2022	Company C	HCN 8	Production Manager (Middle Management)	26.58	Online/ Zoom
April 12th, 2022	Company C	HCN 9	Application Engineer (Associate Level)	40.22	Online/ Zoom
March 31st, 2022	Company C	PFN 3	Executive Vice President and Production/Technology Advisor (Japanese expatriate)	29.07	Online/ Zoom

*Table 1. Interview schedule
Source: own contribution*

2.4.4 List of interview questions.

In order to collect reliable data for the research, having sufficient interview questions is essential. Hence, we formulated open, probing, and specific questions. Open questions allowed us to obtain extensive information on the subject matter; such questions encouraged the respondents to answer the questions in whichever way they wanted. Besides, probing questions allowed us to gain a deeper insight into the respondent's attitude towards the role of culture and other factors under investigation during the M&A process. Specific questions were used to confirm already known information about the company or its activities and operations, as well as about the respondents' position (Saunders et al., 2009).

The list of questions we prepared for the interviews covered the topics essential to answer the research question. We had two different lists for the employees initially working for a Swedish company acquired by a Japanese company (*Appendix 1*). The second list of questions was developed for expatriates relocated to Sweden from the headquarters located in Japan (*Appendix 2*).

The first questions that we prepared for host country nationals aimed to obtain some basic information about the respondents and their position at the company. The second block of questions covered the process of cross-border M&A and respondents' attitudes towards the process. The third block of questions asks about the national and organizational cultures of both acquiring and target companies. These questions were aimed at identifying the effect such cultures have on the companies and identifying the importance of the integration process and ways to overcome difficulties that can result from this. The fourth block of questions aimed to identify the role of expatriates during the M&A process. The last block of questions included questions regarding the respondent's position towards overcoming such difficulties, such as the strategy managers follow to overcome such challenges and the role of culture in the cross-border M&A process. The questions regarding the integration process were also included in this set of questions.

The list of questions for the parent firm nationals was divided into several sections covering various aspects essential for this research. The first block of questions aims to obtain information about the respondents and their position at the company. The second block of questions was developed to gain information on the respondents' attitudes towards the cross-border M&A process. The third block of questions covers the questions about the Swedish organizational culture from the perspective of parent firm nationals who relocated from Japan

to Sweden. The fourth set of questions intends to identify challenges resulting from the acquisition process and ways to overcome them. The fifth set of questions covers the integration strategy implemented by the acquiring Japanese company. The last block of questions focuses on the perceptions of parent firm nationals regarding the cultural fit between the Japanese and Swedish organizational cultures.

2.5 Quality criteria

The most common quality criteria for business research are reliability, replicability, and validity. However, there has been a discussion regarding their applicability for those studies conducted using a qualitative approach. Hence, alternative criteria have been proposed by Lincoln and Guba (1985) that could be more relevant for qualitative research, which are trustworthiness and authenticity. In the meantime, the authors identified credibility, transferability, dependability, and confirmability as the criteria for trustworthiness (Bell et al., 2019).

2.5.1 Credibility.

Credibility refers to the ‘truth – value’ of the study (Korstjens & Moser, 2018). To enhance the credibility of data obtained from the semi-structured interviews, respondents were asked questions covering the topic. They also reinforced their answers with real-life examples so that we could have an in-depth understanding of the subject matter. To have a broader picture, we asked follow-up questions to avoid misinterpretations of the perspectives described by the respondents. Interpretations of data were conducted by us individually. In case we had different opinions about specific topics, we discussed them together to avoid bias, which allowed us to enhance the credibility of our research (Nowell, Norris, White, & Moules, 2017). We used peer-reviewed articles to enhance this quality criterion regarding the literature we used for the literature review chapter of this research (Bell et al., 2019).

2.5.2 Transferability.

Transferability refers to the process of conducting research, meaning that the reader can understand the overall process and each step that we have done to conduct it (Korstjens & Moser, 2018). To follow this criterion, we have been transparent in our research providing

the readers extensive information regarding the approach we follow, the full scope of materials we had, describing the sample size, sampling criteria, the process of contacting interviewees, and the whole interviewing process in general including the list of questions we have developed for the interviews (Korstjens & Moser, 2018).

2.5.3 Dependability.

Dependability is one of the criteria associated with trustworthiness. It refers to the documentation of the whole process of the research, including the formulation of the research topic, sampling process for the potential respondents, transcriptions of the interviews, and the process of the analysis of data (Bell et al., 2019; Nowell et al., 2017). To achieve the dependability of this research, we were consistent on every step when conducting it, documenting everything and providing detailed information on the steps we have done. In the meantime, all of the transcripts, recordings, and notes were available for both of us and stored safely.

2.5.4 Confirmability.

Confirmability refers to eliminating researchers' personal attitudes or values that could affect the study's results and findings (Bell et al., 2019). Since the two of us have been working on this research, this allowed us to be more objective and critical towards the study and reduce the chance of our personal biases and interpretations both during conducting interviews and working on other parts of it. We have been working in collaboration, reviewing and correcting mutually written parts. All of the interviews we have had to obtain primary data for this research were conducted in the same environment, and both of us took part in it. All interviewees were contacted equally through e-mail or message on LinkedIn platforms.

2.6 Ethical considerations

Bell et al. (2019), referring to Diener and Crandall (1978), highlighted that ethics in business research refers to four principles. These principles are harm to respondents, which refers to confidentiality and anonymity issues, and conscious consent, which refers to providing respondents information about the research to understand whether the interviewee wants to take part in it. The third principle of ethics in business research is privacy covering the potential sensitive topics for the participants and sensitively treating them, allowing withdrawal of such information. The fourth principle refers to the prevention of deception,

which means that the researchers act with goodwill, and such factors as their self-interest are eliminated from such study (Bell et al., 2019). When it comes to the funding and collaboration that occurred throughout the study, which is an essential aspect of ethics considerations (Swedish Research Council, 2017), it is essential to mention that we did not have any funding, and none of our respondents and companies did not have a direct interest in the results of this study.

To meet the ethical consideration of this study, we provided the respondents' information about the research and its objectives beforehand when sending the interview request to understand whether they would like to take part in it. All of the respondents' names and companies' names were provided with anonymity and confidentiality, and their personal information was not disclosed in this study. Consent to record the interviews for the analysis was provided by the respondents, and in case they did not want to reply to the questions that might be sensitive to them, we did not put any pressure on the participants. Therefore, we were attentive to the respondents' emotions and actions, acting with goodwill. Nonetheless, this research is conducted for academic learning purpose without any personal benefits.

2.7 Data analysis

2.7.1 *Grounded Theory.*

As the method of data analysis, we chose to follow the grounded theory approach, which is one of the most widespread approaches used in qualitative studies (Bell et al., 2019). Following this approach, we analyzed and collected data simultaneously, meaning that the potential codes were generated right after the interviews. We took notes during interviews, known as memos in the terminology particular to the grounded theory approach. Such notes helped us to develop concepts and themes later on. We were involved in the process of the constant data comparison to identify similarities in codes we generated throughout the interviews. To analyze the interviews' transcriptions, we have conducted line-by-line analysis particular to the open coding approach where each paragraph of the text has been explored, and patterns evolving in the text have been identified. When we started noticing the interconnections of the data, we identified the initial codes leading to the themes (Goulding, 2002). As the next step of data analysis, we identified similarities in themes which allowed us to determine categories. For example, for the category such as 'Employees' attitude,' firstly,

we generated eight initial codes using a line-by-line analysis. After identifying the patterns of the data obtained, we have generated themes covering these codes: ‘Primary impression’ and ‘Concerns/Resistance.’ After a more thorough analysis of the themes and interrelations, we have identified the category for this theme: the ‘Employees’ attitude.’ Based on the generated categories, we formulated theoretical propositions. Figure 1 represents the overall process we have been following when analyzing the data collected from the interviews.

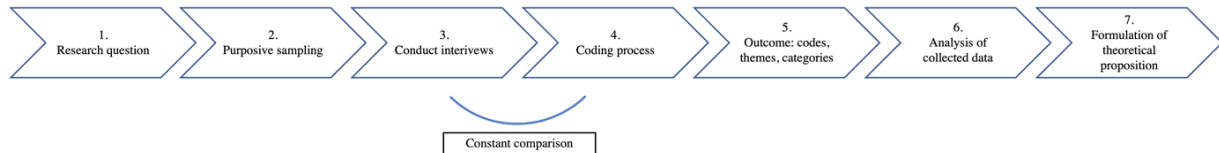


Figure 1. Research process
Source: own contribution

2.8 Challenges during the data collection process

The challenges we faced during the data collection included language barrier, limited sample size, and observation of body language. The language barrier occurred during the interviews with expatriates from Japan. In order to overcome the challenge, we sent the interview questions in advance, which gave them time and opportunity for the respondents to be fully prepared. Therefore, respondents could provide accurate information for the research. Besides, during the interview, we used probing questions and continuously repeated the questions and answers from the interviewees to avoid misunderstandings and misinterpretation (Bell et al., 2019). We recorded the interviews, which allowed us to listen multiple times and get accurate transcriptions (Bell et al., 2019). Nevertheless, the language barrier we faced was a minor level of challenge. Therefore, we could overcome this by listening to the interview multiple times.

Moreover, due to the COVID-19 pandemic, all the interviews were conducted through the online Zoom program, which may cause a challenge in observing interviewees' body language and establishing rapport (Bell et al., 2019 ; Kobakhidze, Hui, Chui, & González, 2021). However, we recorded all the interviews with a camera, which allowed us to observe the interviewees' body language during the transcription process and build trust between us interviewees (Bell et al., 2019).

Nevertheless, the sample size was limited due to a limited period of research and narrowed research area. Since the research area focuses on the cultural aspect of Swedish and Japanese companies when it comes to M&A, we formulated specific criteria for sampling. For instance, the Swedish company needs to be initially established in Sweden and had cross-border M&A with a Japanese company within five years. Since our sample criteria were specific, limited number of companies fulfilled the criteria. Hence, we have listed and contacted ten companies to participate in our research. Unfortunately, the majority of companies did not reply to or reject the interview request. However, we have conducted interviews with three companies and several interviews with different positions within a company. Hence, we believe that we have obtained richer information regarding the research topic.

3. LITERATURE REVIEW

3.1 Cross-border M&A

Cross-border M&As are a phenomenon that has seen an interest in academia for decades and have been identified as widespread routes for corporate growth and internationalization (Faulkner et al., 2012; Graebner, Heimeriks, Huy, & Vaara, 2017; Steigenberger, 2017). Lebedev, Peng, Xie, and Stevens (2015) defined the main incentives of M&As as the desire to enhance the firm's market share, reduce costs, operations and transactions, and have control over resource dependency management. Panibratov (2017) underlined benefits from the cross-border M&A in terms of value creation, in particular increasing competitiveness and brand awareness, cost savings, access to new technologies, markets, product lines, and asset synergies. Therefore, as many scholars mentioned, such factors depend on the absorptive capacity of an acquiring firm (Cakici, Hessel, & Tandon, 1996; Eun, Kolodny, & Scheraga, 1996; Reus & Lamont, 2009).

Literature in this field contains a variety of views on the motives of the cross-border M&A. Hence, according to cultural familiarity theory, companies try to avoid making investments in companies located in countries with a significant cultural distance (Denison et al., 2011; Lee, Shenkar, & Li, 2008; Li & Guisinger, 1991; Shenkar, 2001). Conversely, according to the resource-based view, cultural differences arising from the cross-border M&A lead to a better synergy between the acquiring and target firms, which leads to a more efficient outcome of

the deal (Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009; Denison et al., 2011). Therefore, Costa et al. (2021) highlighted that pre-assessment of the target firm is essential to identify potential strengths and weaknesses such cross-border M&A can bring and emphasized the importance of cultural factors in such assessment. In this regard, due diligence is an inevitable part of the M&As and is aimed at the examination of tax matters, operations, management approach, valuation of a target firm, and financial matters (Angwin, 2001). From this perspective, the stage of cultural integration is an unavoidable part of the cross-border M&A, and although it usually takes place after the closure of the deal, the planning stage of this process should start before it (Steigenberger, 2017) .

Angwin (2001) also highlighted the significance of pre-assessment of cultural differences between two firms involved in the M&A process since they can operate in different business environments and have different national cultures, which can have a significant impact on the outcome of the process. Hence, the author stressed that the acquiring firm and advisors taking part in the cross-border M&A should consider such differences (Angwin, 2001). Besides, Teerikangas and Very (2006) identified that the impact of cultural differences is highly dependent on the overall approach towards the cross-border M&A including the level of integration between two companies, acculturative mode, and managerial strategy towards such integration.

3.2 Culture in cross-border M&A

3.2.1 National and organizational culture.

The concept of culture is complex to define since it includes several variables, for instance, national, organizational, professional, or functional culture. Besides, all the variables are interdependent and affect the overall M&A process (Naor, Linderman, & Schroeder, 2010). According to the classic concept of culture, individuals living in a comparable cultural environment have a similar value system meaning that the culture is homogeneous and unchanging (Lee et al., 2015). Besides, the shared value, attitudes, and customs predetermine the shared identity of a particular group making the group distinct from others meaning that the community cannot be extant without culture (Lee et al., 2015). However, the concept has seen a critique from modern scientists in cross-cultural management since it is not suitable for explaining various cultural phenomena in companies operating worldwide (e.g. Lee et al.,

2015; Boyacigiller, Kleinberg, Phillips, & Sackmann, 2004). Furthermore, the social constructivist concept describes culture as heterogeneous and flexible depending on the social context where individuals operate. Hence, individuals are able to change their culture over the time since they tend to interact with others which leads to the creation and transformation of the cultural boundaries and the shared or dismissed recognition of individuals in the end (Lee et al., 2015). Therefore, the standard concept argues that culture is unchangeable, and it “exists” as a part of the physical world. However, the social constructivist concept argues that culture is dependent on the social context of reality (Lee et al., 2015). However, both concepts are valuable to have a multidimensional view of culture itself and state that cultural clashes exist in the cross-border M&A process (Lee et al., 2015).

According to Schein (2004), the general definition of organizational culture focuses on the beliefs, values, and assumptions shared by members of an organization. However, recent literature defined organizational culture as essential in determining an individual’s commitment, satisfaction, productivity, and longevity within the organization and understanding organizational climate (Lunenburg, 2011). Besides, Lunenburg (2011) claimed the primary method of maintaining organizational culture is through the socialization process by which individuals learn the values, expected behaviors, and social knowledge necessary to assume their roles in the organization. According to Gordon (1995), national and organizational cultures are complex and challenging to change or combine, especially in the short term. Due to their unique characteristics related to the organization's orientations and goals, they can evolve and consolidate over a more extended period.

3.2.2 Impact of national and organizational culture in cross-border M&A.

According to Naor et al. (2010), national and organizational culture play a significant role in international operations. Hence, developing a profound understanding of the connection between organizational and national culture could improve the implementation of management practices on operations (Naor et al., 2010). However, Teerikangas and Very (2006) stated that the differences in national and organizational cultures seem unidentified through the cross-border M&A process, which could result in a more extended period for the acquired company to reach its most efficient state (Morosini, Shane, & Singh, 1998; Teerikangas & Very, 2006).

The social constructivist concept demonstrates the common culture clashes in the post-acquisition process when employees of the acquired firm start to identify themselves as ‘they’ versus ‘us’. Therefore, employees at the acquired firm refuse to accept the new identity and start focusing more on the differences between their culture and the culture of the acquiring firm (Lee et al., 2015). The social identity theory, among others, can also be valuable in terms of the post-acquisition integration and the acceptance of the target firm’s employees of the new group identity. This process is explained by the two social factors leading to the fortunate integration of both target firms and acquiring firm’s employees. The first factor described by Hogg and Terry (2000) is characterized by the mindset of the target firm’s employees, namely their understanding that their company has been acquired and their status within the newly established working environment can be relatively lower compared with the employees of the acquiring firm. Such an understanding might help the employees to pass the integration process. Concurrently the ‘them’ versus ‘us’ psychology can also be circumvented if the new acquiring company provides better opportunities in terms of the social mobility of the employees (Hogg & Terry, 2000; Lee et al., 2015). From the practical perspective, the classic concept of culture can be valuable for the individuals taking part in the M&A process in terms of defining the possibilities and risks occurring in the post-integration phase. At the same time, the social constructivist theory is valuable for predicting the possible occurrence of such opportunities and risks (Lee et al., 2015).

Morosini et al. (1998) underlined that cultural differences could benefit the value creation process and knowledge sharing due to the unique set of practices and habits from both acquiring and target companies. Besides, cultural differences could be a source of greater synergy that increases efficiency and gains opportunities from learning and specialization (Brock, 2005; Lee et al., 2015). Teerikangas and Very (2006) also identified the beneficial nature of cultural differences during cross-border M&A. On the other hand, cultural differences could cause complex challenges in communication between acquiring and target firms. The different cultural backgrounds and differences inherited in both firms may lead to negative consequences and higher stress, resistance, and antagonism (Lee et al., 2015). Besides, aspects of stress, resistance, and antagonism are essential in the context of M&A, and cross-border M&As in particular. Since the distinctions between the acquiring and target firms may lead to resistance of the employees towards the new culture implemented in the newly established environment, the negative influence of cultural differences on the outcome of the M&A deal may be evident in the target firm since the employees should accept the

culture of the acquiring firm (Lee et al., 2015). Reus and Lamont (2009) stated that cultural distance might have consequences on the cross-border M&A process. However, such consequences depend on understandability and communication factors. Having a poor cultural fit is negative because the uncertainty associated with cultural distance reinforces the need for monitoring and control and can create managerial conflict (Bereskin et al., 2018; Denison & Ko, 2016). Nevertheless, Larsson and Lubatkin (2001) claimed that the more acquiring firm uses formal integrating mechanisms to impose its culture onto the acquired firm, the less likely it is that acculturation will be achieved. Conversely, the more the acquiring firm relies on social controls such as joint socialization or shared experiences, the greater the chance of acculturation.

Denison et al. (2011) mentioned that cultural aspects in the cross-border M&A process are often not considered from the initial stage of the process. However, Angwin (2001) underlined the importance of awareness of cultural differences between the acquiring and target companies. Due to this fact, it can be an asset when it comes to managing cross-border M&A and leads to benefits for the companies. Besides, identification of the cultural peculiarities can be valuable not only from the perspective of understanding the firm's culture and its effect on its strategic decisions but also in the process of identification of the target firm and the strategy towards such firm, which might lead to the growth strategy and identification of the possibilities and constraints which is especially important in the cross-border M&As (Denison et al., 2011). Hence, it is essential to consider cultural aspects at every stage of the due diligence process, which refers to assessing and examining the target company (Angwin, 2001). Besides, Quah and Young (2005) stated that not only in the pre-acquisition process but also cultural differences can become a challenge and most visible during the post-acquisition period.

3.3 GLOBE cultural dimensions

The Global Leadership and Organizational Behavior Effectiveness (hereafter - the GLOBE) research project was developed by professor Robert J. House in 1991. The project aimed to assess different cultures, the types of leadership within the companies, and societal efficiencies. The GLOBE Study 2004 covered 62 societies worldwide (Globe Project, n.d.). According to Schein (2004), cultures share the same practices and values to solve such issues as integral integration and external adaptation. Hence, House, Hanges, Javidan, Dorfman, and

Gupta (2004) assessed each culture's scores on values and practices. Therefore, practices represent how society operates, and values represent how such societies are expected to operate. The GLOBE Study website contains a map representing the study results for each cultural dimension. The scores vary from very low (1) to very high (7) (Globe Country Map, n.d.). Since the research focuses on examining the cultural influence on the cross-border M&A between Japanese and Swedish companies, we focus on Sweden's and Japan's rankings in the GLOBE study. Hence, in their book, House et al. (2004) identified several dimensions of culture. The dimensions identified are:

- **Future orientation:** this dimension identifies the extent to which individuals are oriented toward their future

According to House et al. (2004), those societies ranked higher in this dimension are more prone to achieving success, and people living in such societies can be described as socially active. Leaders in organizations operating in such societies are more flexible and adaptable. They are usually driven by internal motivation and aimed at long-term orientation. In general, for this dimension, long-oriented success is a prime concern. In the meantime, those communities ranked lower in this dimension are characterized by a short-term orientation. Usually, people living in such an environment do not have the internal motivation, and they are more oriented toward immediate satisfaction and gratification. Leaders operating in such societies are less flexible and adaptable to fast changes. Therefore, strategic decision-making is oriented toward short-term periods. Figure 2 represents the country practice and country value scores for Sweden and Japan.

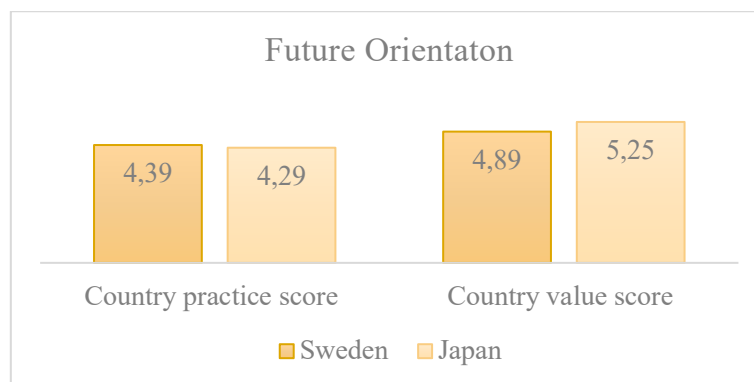


Figure 2. Future orientation dimension

Source: (Globe Country Map, n.d.)

- **Assertiveness:** This dimension represents such qualities as an individual's persistence and aggressive behavior towards others

People operating in societies ranked higher on this dimension are characterized by being oriented towards achieving success and development. Individuals interact and directly communicate with each other. They are mainly oriented toward the actual results, and in this regard, aggression is associated with something that can help achieve such results. Communities scored lower in this dimension are more directed towards cooperation. They count aggression as something negative. Such individuals show more empathy for weaknesses and respect traditions, status, and cooperative mindset and loyalty. Harmony is an essential aspect of their world perception (House et al., 2004). Figure 3 represents the country practice and country value scores for Sweden and Japan.

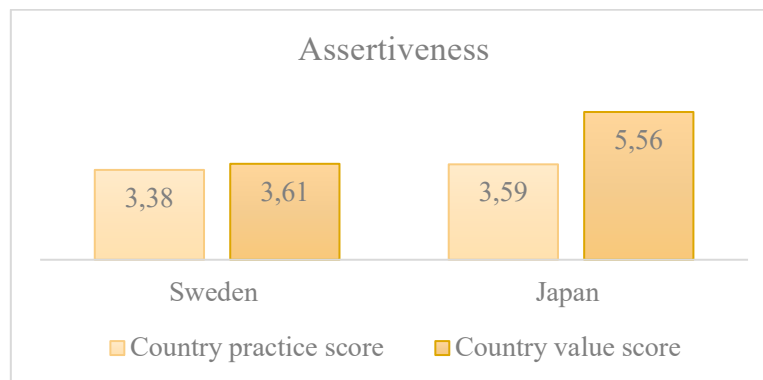


Figure 3. Assertiveness dimension

Source: (Globe Country Map, n.d.)

- **Humane orientation:** this dimension identifies the rewards of the society towards individuals acting in a kindhearted, caring, gracious way towards other individuals

Societies ranked high in the humane orientation dimension are usually characterized by mutual support and care towards others in society. For people living in such an environment, helping others is essential, and individuals' discriminatory actions towards others are unacceptable. In the meantime, individuals living in societies that scored low in the humane orientation dimension are primarily self-interested, and they resolve their issues and problems individually. Society's values are individual well-being and comfort. In such societies, the

state is a guarant of society members' well-being, and it creates institutions and systems to help individuals achieve a higher standard of living (House et al., 2004). Figure 4 represents the country practice and country value scores for Sweden and Japan.

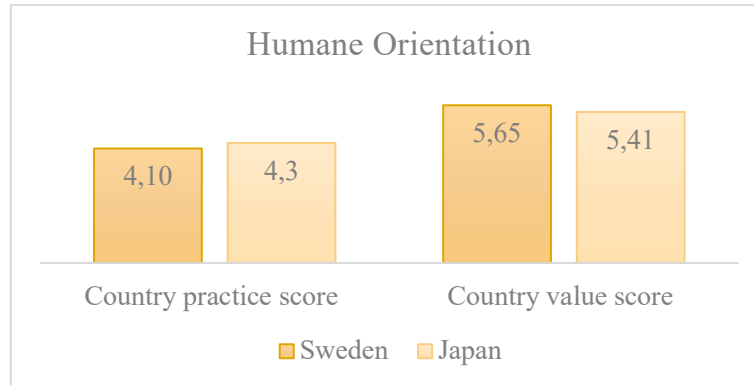


Figure 4. Humane orientation dimension

Source: (Globe Country Map, n.d.)

- **Performance orientation:** this dimension refers to the group's attitude towards the group members' desire to improve and develop productivity

House et al. (2004) identified characteristics relevant for those societies that scored higher and lower on this dimension. Communities with a higher level of performance orientation can be characterized as result-oriented, individualistic, and initiative people with a “can-do” attitude who value feedback since it can result in developments and improvements. Additionally, such societies do not count age as a limiting factor for promotions and count hard work as a factor in achieving success. Societies with a lower score in this dimension can be described as people who highly value traditions, and they primarily assess others from the perspective of their personality and not their work achievements. Such societies have respect to age and authority, which affect, for example, promotion decisions. Figure 5 represents the country practice and country value scores for Sweden and Japan.

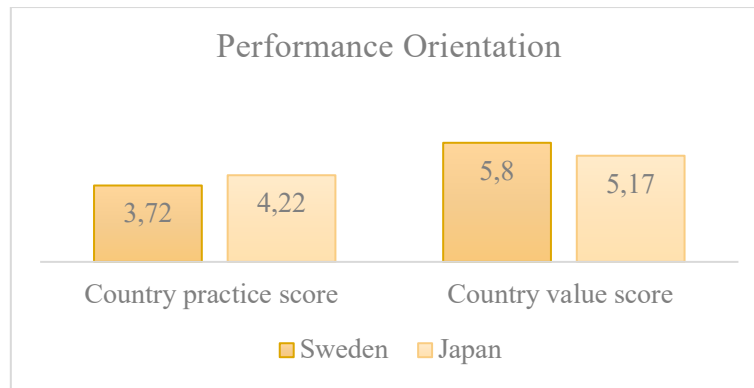


Figure 5. Performance orientation dimension

Source: (Globe Country Map, n.d.)

- **Gender Egalitarianism:** this dimension refers to the society’s perceptions of genders

According to House et al. (2004), communities that ranked higher in this dimension can be described as communities with more working women and women in top positions. Moreover, in such societies, women usually have the same level of education, and they are more active in making decisions. Societies ranked lower in this dimension can be characterized by a lower involvement of women in the decision-making process. A number of working women and women in top positions is limited in such societies. In general, the status of women in society is lower, and they are less educated than men. Figure 6 represents the country practice and country value scores for Sweden and Japan.

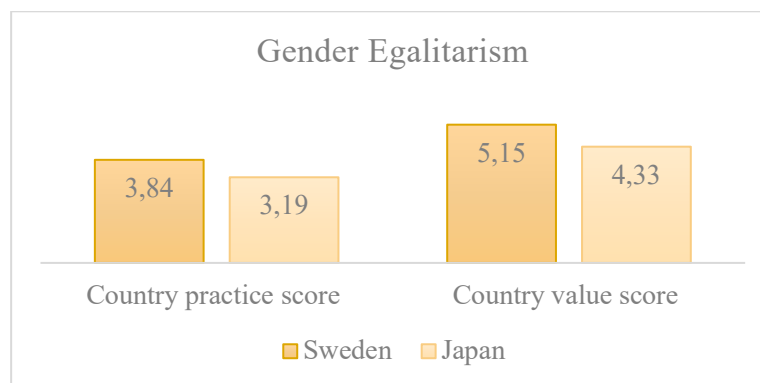


Figure 6. Gender Egalitarianism dimension

Source: (Globe Country Map, n.d.)

- **Power distance:** this dimension refers to the attitude of the society towards hierarchy, power, and status

According to House et al. (2004), societies that scored high in the power distance dimension are known for the social inequalities and limitations in social mobility. Such societies can also be characterized by infringement of the rights of certain segments of society and by limited access to wealthfare and resources, including access to information and education. Conversely, societies scored lower in the power distance dimension provide more equality to individuals operating in such societies, and access to different resources is high, including innovations, information, or education. Figure 7 represents the country practice and country value scores for Sweden and Japan.

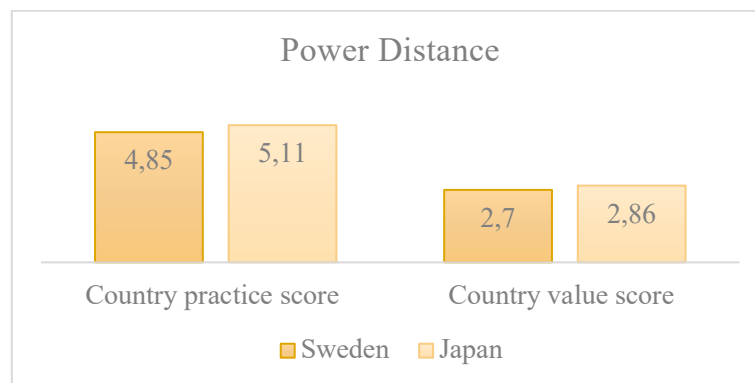


Figure 7. Power distance dimension

Source: (Globe Country Map, n.d.)

- **Individualism vs collectivism:**

House et al. (2004) highlighted that those societies that scored higher in the collectivism dimension are usually developing countries with agricultural economies. People tend to associate themselves as a part of the group, meaning that they put the interests of such a group first. Communication within such societies is more stable and long-term, therefore, the number of interactions in total is fewer. On the contrary, individuals operating in societies ranked higher in this dimension put their individual interests first and do not identify themselves as a part of a group. Individuals are involved in interpersonal communication and interactions more frequently. In the meantime, such contracts cannot be identified as long-term relationships.

Measures of this dimension were divided into two subtopics by the authors, institutional collectivism and in-group collectivism. Institutional collectivism was measured by identifying the focus of participants. Namely, they mostly stick to individualistic or collectivistic dimensions. In the meantime, In - Group collectivism measurement aims to

identify individuals' perceptions of their families. This dimension represents the assessment of the individual's kind attitude towards the group, for example, their family or organization (House et al., 2004). Figure 8 represents the country practice and country value scores for Sweden and Japan.

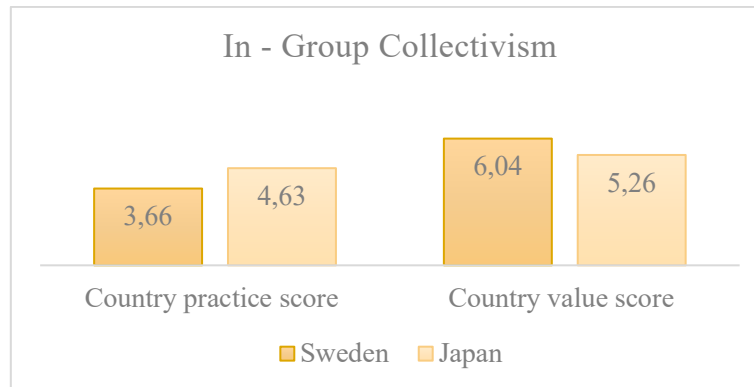


Figure 8. In-group collectivism dimension

Source: (Globe Country Map, n.d.)

- **Uncertainty avoidance:** this dimension refers to the collective attitude towards regulations and norms, which leads to avoidance of uncertainty in the future.

According to House et al. (2004), societies ranked higher in this dimension are characterized by a strong orientation toward rules and regulations, and this is, among others, manifested in documenting all of the agreements and communicating in a formal way. This allows such communities to predict changes and assess potential risks. Conversely, societies ranked lower in this dimension communicate and interact in an informal way and have fewer regulations and rules. The power of words is vital for such societies, and they can rely on them rather than on legal contracts. Therefore, they are more prone to violating regulations and norms. Figure 9 represents the country practice and country value scores for Sweden and Japan.

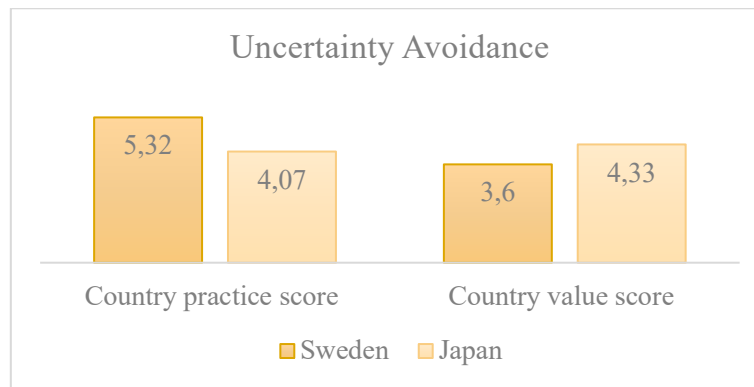


Figure 9. Uncertainty avoidance dimension

Source: (Globe Country Map, n.d.)

3.4 Cultural integration in cross-border M&A

Cross-border M&A requires integration in organizational culture since cross-border M&A involves companies with various roots and external environments and different cultures, values, and operational styles. Besides, cross-border M&A creates cultural disparities that are not just at the organizational level but also the national level (Zhu & Huang, 2007).

Furthermore, Denison et al. (2011) underlined that cross-border M&A's integration process demands more attention to cultural differences since they can significantly affect the overall outcome of the M&A. Hence, cultural integration has been identified as one of the critical processes in the cross-border M&A process (Hajro, 2015; Cartwright & Schoenberg, 2006).

According to Zhu and Huang (2007), cultural integration eliminates conflicts arising from cultural differences by organizing and integrating different communities' values, and behavior of different individuals. Besides, cross-border M&A cultural integration seeks to reduce cultural differences as much as possible in the target company. Therefore, whether the cultural integration is successful or not is critical to the success or failure of a cross-border M&A. Denison et al. (2011) stated that cultural integration is the single most crucial predictor of synergy realization in the M&A. Besides, Larsson and Finkelstein (1999) highlighted the double-sided nature of organizational integration, including the level of integration of both acquiring and target firms and the efforts both companies have made to smooth integration providing more opportunities for synergy and its realization.

In order to have successful cultural integration, Zhu and Huang (2007) underlined that it is essential that acquiring company respects and understands the target company's culture. Besides, the authors formulated four approaches of cross-culture management that resolve cultural differences between acquiring and target companies: localization, transplanting the culture, cultural innovation, and use of evasion tactics. The localization strategy is when acquiring company's operating model is not imposed on the target company and has a management policy based on the local condition. Besides, the acquiring company respects the local culture and benefits from this localization strategy. The second model is transplanting the culture of acquiring company which refers to when acquiring company appoints its people to manage the target company for supervision and control. Moreover, cultural innovation by integration approach is when both acquiring and target companies coexist and create new culture and management. By integrating the two cultures, the company could maximize its cross-cultural advantage. Nevertheless, the fourth approach refers to evasion tactics that when there is a significant cultural gap between the acquiring and target company, it is necessary for the manager of acquiring company to avoid the critical cultural differences (Zhu & Huang, 2007).

Furthermore, Steigenberger (2017) suggested that the rise of socialization among parts of the process is needed. It can be achieved through informal meetings and the roadmap development, which includes the steps required to facilitate the integration process and employee exchange (Larsson & Lubatkin, 2001; Lodorfos & Boateng, 2006; Saunders, Altinay, & Riordan, 2009; Steigenberger, 2017). Besides, Costa et al. (2021) highlighted the importance of developing the projects, which enhances and facilitates the integration of employees from both the acquiring and target firms. Moreover, Schweiger and Goulet (2005) identified the effects of training aimed at cultural integration. Employees involved in integration activities on an advanced level, including the training, and activities aimed at increasing communication and interaction among workers, tend to result in more advanced teamwork and cultural awareness compared to those employees taking part in such activities on a superficial level. Besides, the findings claimed that the training increased the employees' awareness of culture. However, such training does not increase cooperation between the employees (Steigenberger, 2017).

Additionally, Slangen (2006) mentioned that activities that focus on creating a shared identity would bring culture to the forefront of the integration process and can help to prevent

fragmentation. Creating a solid shared identity is a complex process in cross-border M&A. Besides, Barkema and Schijven (2008) found that organizations that engaged in significant restructuring after subsequent mergers could better use the synergistic potential of their previous mergers. Besides, restructuring in these organizations often involved reducing inefficiencies by combining subunits with the same functions. The authors suggested that organizational restructuring should be considered in the second phase of post-acquisition integration when an organization is engaged in constant M&A activity (Barkema & Schijven, 2008). Efforts to develop and adapt the organizational culture to the new business will ensure organizational alignment and help maintain a culture that promotes high levels of firm performance. Understanding the culture that has been created, learning from previous acquisition and integration activities, and defining how M&A fits into the growth strategy of the organization will allow for informed choices for future M&A activity (Slangen, 2006).

Moreover, when it comes to the post-integration phase of the M&A process Epstein (2004) developed a model which includes five factors necessary for successful post-merger integration. The author defined the significance of such aspects as a consistent integration plan, an experienced integration team, targets' identification, communication, and speed of the integration (Epstein, 2004). Besides, Quah and Young (2005) defined four stages in the post-acquisition process: pre-acquisition, slow absorption, very active absorption, and the fourth phase is absorbed. The authors also define the timeline for each step. Moreover, Quah and Young (2005) also highlighted the key aspects that impact the process and should be considered. They separated such aspects as the actions which should be considered at each stage, cultural factors, the changes followed by the process, and the expected behavior of the employees from both companies. The cultural aspect needs to be taken into account in each phase of the overall process (Quah & Young, 2005). According to the findings made by Quah and Young (2005), the changes needed in the post-acquisition process should be done consistently and not right after the M&A. Such an approach will allow the acquiring company to get involved more in the natural and organizational culture of the target firm and avoid negative consequences for the business (Quah & Young, 2005). Therefore, Slangen (2006) highlighted that the cultural aspect might crucially affect the process and the outcome of the M&A deal if both companies are aimed at close integration (Denison et al., 2011). Quah and Young (2005) also underlined the importance of the pre-integration phase since, during this phase, the firms can set the track of the overall M&A process.

Nevertheless, Lee et al. (2015) mentioned two approaches that previous scholars identified. The first group of scholars focused on the "value conflict" approach covering such aspects as learning possibilities resulting from the integration process after the M&A process and M&A execution. Therefore, it is declared that cultural differences resulting in different value systems in both acquiring and target companies affect the post-acquisition process to a large extent in case such systems vary from each other (Lee et al., 2015). Another group of scholars identified the category covering the "identity conflict" approach. This approach considers the M&A process from the psychological aspect and human nature. The main issue is that the employees do not want to share the new identity; hence they refuse to accept it even during the post-acquisition stage. Here the authors usually try to identify the reasons and ways to resolve the "us" versus "them" identity mentioned in this part (Lee et al., 2015). Since the researchers from the first category usually focus on the analysis at the organizational level and the researchers from the second category on the individual level, we intended to view such processes from both perspectives by collecting data from the managerial perspective and the bottom employees' perspective, which provide broader picture and motives affecting the integration process.

3.4.1 Degree of integration in cross-border M&A.

Mirvis and Marks (1992) typology constructed by the authors expects a degree of integration can vary depending on changes that the acquiring and target firms will implement (Denison et al., 2011) (Figure 10). Hence, the model assumes five dimensions: 'stand-alone,' 'reverse acquisition,' 'transformation,' 'absorption,' and 'best of both.' The 'stand-alone' dimension assumes a low degree of change from both the acquiring and target firms; therefore, the 'transformation' mode is on the opposite angle requiring a high level of change from both the acquiring and target firms. The 'absorption' dimension requires a low degree of change from the side of the acquiring company. At the same time, the degree of change in the acquired firm is expected to be high. The 'reverse acquisition' mode, which is on the opposite angle from the 'absorption', requires a low degree of change in the acquiring firm; the same the degree of change from the target firm's perspective is high. The 'Best of Both' type is characterized by significant changes from both firms involved in the M&A process (e.g. Denison et al., 2011; Mirvis and Marks, 1992).

Degree of Change in Acquired Company	High	Absorption		Transformation
			Best of Both	
	Low	Stand Alone		Reverse Acquisition
		Low		High

Degree of Change in Acquiring Company

Figure 10. Types of M&A according to Mirvis & Marks (1992)

Source: Denison et al. (2011, p. 100)

The degree of integration during the M&A process may differ from firm to firm, and M&A may result in some challenges the companies face during the process and in some advantages for both sides. The challenges and advantages the firms face during the M&A process may differ depending on the degree of integration. Several research has highlighted that the acquiring firm's degree of autonomy can affect such challenges or benefits (Epstein, 2004). According to Slangen (2006), the lower the degree of integration between the acquiring firm and the target firm, the more benefits cultural differences in both companies bring. Therefore, the author also highlighted the importance of clear communication between the employees from both sides to avoid adverse effects of cultural differences in case autonomy cannot be achieved (Slangen, 2006).

3.5 Management role in cross-border M&A

The outcome of the cross-border M&A is dependent on a number of factors, and culture is one of the aspects which can have a significant impact on the growth of the company. Culture is hard to change; therefore, cultural integration between companies in culturally different environments can take more time (Costa et al., 2021). Considering that practitioners should make changes gradually to enhance a smooth transition from one culture to another, eliminating potential challenges (Costa et al., 2021). From this perspective, a number of researchers highlighted the importance of communication and interaction between the acquiring and target companies, which can differ depending on the culture of both companies (Denison et al., 2011; Costa et al., 2021; Marks & Mirvis, 1992). Besides, Costa et al. (2021)

underlined the significance of internal and external communication, which can lead to a better decision-making process and enhance coordination between both companies involved in the cross-border M&A. The ability of the management team to identify and find solutions to overcome challenges arising from the cultural differences and clear communication was stressed by Denison et al. (2011) as factors influencing the success of operations at both companies. Clear internal communication facilitates the overall process from the perspective of a shared understanding of possible changes at the company due to the M&A process and the elimination of stress among the employees caused by the M&A (Denison et al., 2011; Marks & Mirvis, 1992). Gunkel et al. (2015) also found that managerial support can facilitate the process of employees' resistance elimination. Therefore, the authors stressed the importance of pre-assessment of the cultural differences during the due diligence stage or before the integration stage of the cross-border M&A (Denison et al., 2011). In his study, Angwin (2001) underlined that the choice of the potential target company is dependent on the culture of the acquiring firm's top management and highlights that having previous experience in managing M&As can positively affect the outcome of the process. Denison et al. (2011) also underlined that having previous experience, particularly experience in managing cross-border M&As, and experience working on a global scale in different industries, is a factor leading to a more successful outcome of the deal.

Larsson and Lubatkin (2001) highlighted the role of the acquiring firm's management in the acculturation process. Hence, they suggested a number of activities a company can implement to facilitate the acculturation process. In this regard, social control activities such as cross-visits, workshops, team building activities, and shared rituals can facilitate the acculturation resulting from cultural differences. The authors also mentioned the significance of employee exchange, transition teams, and participation of the top-management team (Larsson & Lubatkin, 2001). Besides, Steigenberger (2017) highlighted that the acculturation process is even more significant if, in the process of the cross-border M&A, companies with significant cultural differences or strong hierarchies are involved.

3.6 Expatriates in cross-border M&A

As stated, cross-border M&A is a complex process that includes various aspects which should be taken into consideration, and such factors influence, among others, synergy creation between the acquiring and the target firms (Denison et al., 2011). Since both firms

look for some benefits they can gain from the M&A process, knowledge transfer is another essential factor that, in turn, could lead to the strengthening of the firm's positions and addressing difficulties and weaknesses occurred (Yahiaoui, Chebbi, & Weber, 2016). One of the managerial approaches that impacted the knowledge transfer highlighted by Yahiaoui et al. (2016), among others, was the relocation of expatriates, the integration process, which also includes various forms of interaction and communication between the employees.

Expatriates act as a bridge between the acquiring and the target firms. This can significantly affect and increase knowledge-sharing activities. The composition of the management team of the new target firm depends to a large extent on the acquiring firm depending on the extent of integration desired by acquiring company. Hence, such a managerial team can consist of the initial managerial team of the target firm, and the acquiring company can also send expatriate employees to the target firm (Hébert et al., 2005).

Expatriates can be a source of knowledge from the acquiring firm, which can positively affect the operations of the target firm. Therefore, such value generation demands not only efforts put from the side of the acquiring firm; this is a reciprocal process (Hébert et al., 2005). Expatriates from the acquiring firm, in turn, can be a bridge between the acquiring and the target firms and share the knowledge they have with the target firm's employees and management through workshops and communication as well as take a control function in terms of communicating with the headquarters (Hébert et al., 2005). In their work, Hébert et al. (2005) mentioned that relocating expatriates to the target firm's office can be valuable if cultural differences exist since they can be facilitators in the communication process between the acquiring and the target firms.

According to the findings obtained by Budhwar, Varma, and Katou (2009), expatriate managers relocated to the target company play an essential role and help in guiding and controlling the overall M&A process. In one of the case studies describing the M&A between the UK-located company and the Indian company under the author's investigation, the authors described that the assessment of the cultural differences was not conducted, which resulted in the cultural clashes. Interestingly, the authors also highlighted the absence of special training for the employees (Budhwar et al., 2009).

4.EMPIRICAL FINDINGS

4.1 Relationship and interaction between acquiring and target companies

Regarding the question about the relationship and interaction between the Japanese company and the Swedish company, both sides of respondents stated that there was no guideline or request for a change in organizational culture. The keywords such as 'no direct interaction,' 'no guideline or requirement before the acquisition,' and 'monthly meeting' were included in the responses from the majority of respondents. Besides, parent firm nationals (PFNs) stated that it is essential to be flexible and work as equal partners rather than trying to control and make a significant change. Besides, only *Company A* changed its corporate name after the acquisition and slightly changed its vision, mission, and business principles. However, *HCN 1* claimed that changes were made by mutual discussion.

“[Acquiring company] would like to be more adapted to the Western type of guidelines. Instead of being in strict control, they would like to delegate the responsibilities to their subsidiaries throughout the world.” (HCN 1)

Moreover, host country nationals (HCNs) mentioned few direct interactions between them and the acquiring company. *HCN 9* mentioned that direct connection and communication could depend on the employee's position. Some of the host country nationals working as middle management were involved in interactions with employees from the acquiring companies when working on a number of joint projects. However, the degree of such interactions was still limited. Besides, *HCN 5* supported the statement that mostly top management has closer communication and contact with the Japanese company.

“Like I said that the interaction between the [acquiring company] and the [Company B] organization is mostly done at the management level. So, the regular employees don't have much contact with the [acquiring company].” (HCN 6)

Based on the conducted interviews, both sides of the respondents described their relationship positively, but the level of interaction and integration was low. Besides, as *PFN 1* stated, they do not force or request significant changes or integrations with Swedish companies. *HCN 7* mentioned that their acquiring company is very supportive and avoids integrating too hard.

Besides, several respondents mentioned that the level of awareness regarding the acquisition and acquiring company is low due to the low level of interaction and integration. *HCN 6* stated that they were unaware of the acquisition and changes until they became middle managers. Hence, relationships between all three companies under investigation with their acquiring companies are positive, and their interaction occurs mainly at the top management level.

“And we got a really good relationship. So, from technical point of view, from my view, that has been quite good”. (HCN 8)

Additionally, to build a strong positive relationship between the acquiring and target companies, *HCN 7* claimed it is essential to have regular meetings and learn about each other, especially in cross-border M&A where there is a significant difference in working style. Besides, *HCN 1* stated that having the expatriates and meetings physically support creating the relationship and understanding of different cultures, which leads to a better relationship.

“But for me it was more of creating connections.... And from there, understand how they work and apply to that, that way of working, so, for me, it was personal connection and a lot meeting physically and create a relationship, understand how they're working.” (HCN 8)

4.1.1 Level of integration.

According to the information provided by the respondents, all of the companies have either a low or medium integration level and a high degree of autonomy. The respondents used the words such as 'no forcing,' 'equal partnership,' and 'low integration level' while describing the situation after the acquisition. Based on the fact that the acquisition has not significantly impacted the organizational structures and cultures. In the case of *Company A*, as mentioned, some changes occurred in the governance model and reporting structure. However, all of the employees working at the company still report to the top management, and then the top manager reports to the acquiring company. The company's name, vision, and mission have also been modified (HCN 1). However, employees on the lower level did not notice any substantial changes in their daily tasks. Hence, *HCN 3* underlined that nothing has changed in their daily routines, which was confirmed by *PFN 1*.

“We didn't force anything, but we just share what is [acquiring company's] principle of the business, what is our core value, what is the vision mission.” (PFN 1)

In the case of *Company B*, the acquiring company has not implemented any changes to the company's organizational culture, and this has been confirmed by the *PFN 2*. The respondent underlined that acquiring company did not force their principal on the target company. In the meantime, *HCN 4* mentioned that some changes had been made after the acquisition in interactions with the acquiring company, such as adding additional layers. However, this has not affected the employees' daily routines at *Company B*.

“But I think it was pretty clear from the beginning that it would not affect us that much at all since we are pretty much a subsidiary, division, stand-alone from the Japanese organization.” (HCN 6)

No significant changes in organizational culture arose from the cross-border M&A with the Japanese company at *Company C*. *PFN 3* and *HCN 8* underlined that the overall structure at *Company C* is more centralized nowadays. However, this does not affect the daily work of employees. According to the information obtained from *HCN 8*, working as a middle manager, there were some changes in the reporting so that today there is an additional layer, and employees also report to Japan. *HCN 9*, an associate-level employee, underlined that the only change they noticed was that now their team has another department to discuss the projects.

“Actually, no, I think They have been really, really supportive and avoiding to step in too hard, I think they, they realize that we have a business model that is different, and they don't fully understand. And our performance has been good. So, they have not really wanted to shake up things. So, we are very much operating like we used to” (HCN 7)

Moreover, the degree of integration desired by the acquiring company can also be connected with its cultural peculiarities. Hence, according to the information provided by the parent firm nationals, the reason for not absorbing their target companies can be related to their culture. *PFN 1* stated that not giving requirements or guidelines can be due to Japanese culture. Thus, Japanese companies usually try to avoid implementing significant changes to their target companies and smooth the overall process of the cross-border M&A by providing a high degree of autonomy to their subsidiaries. As the parent firm nationals mentioned, this

can, among others, be connected with the Japanese culture from the perspective of avoidance of potential conflicts between two companies. Besides, host country nationals also underlined that a low level of integration could also result from a lack of knowledge regarding the specifics of doing business in Sweden and the mentality of Swedish employees and stakeholders at the Japanese companies.

Interestingly, representatives from all companies agreed that there would be more complexities if acquiring companies decided to have a deeper integration. Such changes could have resulted in an increased resistance level from the employees. *HCN 1* mentioned that if the acquiring company obligated a high level of integration, there would be strong resistance from employees, especially when there are cultural differences, which can cause additional challenges. Besides, *HCN 5* and *HCN 8* mentioned that when there are significant differences between acquiring and the target company, a high level of integration can bring significant challenges and issues in the future.

“And I think it would be almost impossible for both parties to succeed if you're trying to implement the Japanese way of working into the Swedish organization, if the differences are just too big”. (HCN 5)

“That's also with people, you're happy with what you have and what you know, if someone comes to say we will make the change and force you into new way of working, and I think this will create issues”. (HCN 8)

As mentioned, the level of the employees' awareness either about the acquiring firm or about the acquisition, in general, is low, especially among middle managers and associate level employees. Hence, *HCN 6* was working as an associate-level employee at *Company B* when the acquisition took place. However, they did not notice any changes until they (HCN 5) became a middle manager at *Company B* since they did not possess detailed information about the acquiring company. *HCN 2*, a middle manager of *Company A*, also mentioned that they were not aware of the organizational culture of the acquiring company. When talking about the acquiring company of *Company C*, both the middle manager (HCN 8) and an associate-level employee (HCN 9) were not so sure about some basic information about it.

“I didn't really notice until I became a manager...Also, the majority of employees in [Company B] I think have not really held that” (HCN 6)

4.2 Employee's attitude towards cross-border M&A

4.2.1 Primary impression.

In order to discover how employees receive cross-border M&A between Japanese and Swedish companies, we asked questions regarding respondents' first impressions of cross-border M&A. Eleven out of twelve respondents had positive responses. The common keywords included in the responses were 'Excited,' 'Good deal,' and 'Glad.' According to *HCN 7*, having cross-border M&A with a Japanese company was the absolute favorite option among all the employees in the company. Hence, all the employees were happy when they heard about M&A with a Japanese company. Besides, *HCN 2* described their impression as unusual since everybody had a favorable opinion regarding the M&A with a Japanese company. The respondent mentioned that based on their previous acquisition experience, when it comes to cross-border M&A, it is more usual that either everyone is negative or split in half. However, all employees had a positive perspective on this situation which the interviewee found an unusual reaction. Moreover, from acquiring firm's perspective, *PFN 1* and *2* had positive perceptions of the cross-border M&A. *PFN 1* described that it would be an excellent opportunity for both sides.

“I thought that would be good and I think that this acquisition is a very great deal.” (PFN 2)

On the contrary, few responses expressed their impression with such keywords as 'Scary' and 'Cultural difference'. *HCN 5* expressed that at the beginning of the cross-border M&A, there were some concerns regarding potential changes in the company and cultural differences between Swedish and Japanese cultures.

“It's, it's always scary when you don't know exactly what is in front of you. So, I would say it was both ways it's scary maybe not the correct term, but, but still..... and then I started to think about the Japanese culture and the differences between Swedish culture and Japanese, but also, it is a big difference.” (HCN 5)

4.2.2 Concerns.

To have a more profound perspective regarding employees' attitudes towards cross-border M&A, we prepared questions about employees' concerns and resistance as the follow-up questions. The common concerns from parent firm nationals were related to 'management systems' or 'business-related issues'. *PFN 1* specified the concerns about how they should co-work with the local management. Besides, *PFN 2* mentioned two different concerns in regard to management and cultural differences.

“I think there are two concerned. One is who can manage the [Company B] after acquisition how and who can control the [Company B] remotely from Japan. And the second, it's cultural differences. So, I didn't know the culture of Sweden and [Company B]. But I understood, there might be a lot of differences between Japan and Sweden” (PFN 2)

On the other hand, from the perspective of a target company, host country nationals' comments commonly included such keywords as 'curiosity,' 'anxiety,' and 'potential change.' The majority of the respondents shared experiences that there were some concerns, especially at the beginning of the acquisition, due to uncertainty of the future and potential changes in autonomy that the acquiring company might bring. Hence, *HCN 9* stated that some employees were scared of potential changes in the company when they received news about the acquisition. However, in the process, such fears disappeared. Besides, all of the respondents stated that the levels of concerns and anxiety were significantly low. Nevertheless, following previous responses regarding the first impression, few respondents responded that there was no concern. For instance, *HCN 3* stated no concerns since they were aware that there would be no changes to daily tasks after the acquisition.

“Of course, in the beginning, you don't know exactly what will happen. So, maybe you have some thoughts about if they will go in and structure things too much or make decisions on very high level, on a very detailed level. And so, we lose some of our own choice or making decisions by ourselves....and then of course when you meet Japanese people or from the beginning we're quite different culturally”. (HCN 8)

Additionally, based on the responses, the level of concerns and resistance might connect with the level of integration. For instance, *HCN 2* mentioned that due to the type of acquiring

company and the purpose of the acquisition, the interviewee was aware of the low level of integration. Therefore, the respondents did not have any concerns regarding the acquisition. Besides, *HCN 4* stated there was curiosity from employees at the beginning of the process. However, there were no further concerns or question marks when they figured out that there would be no deep integration after the acquisition. The respondents underlined some anxiety and curiosity among the employees due to the potential changes and cultural differences between Japanese and Swedish cultures.

4.3 Cultural fit between Japanese and Swedish companies

4.3.1 Swedish organizational culture.

In terms of describing Swedish organizational culture, both host country nationals and parent firm nationals commonly used the keywords 'decentralized,' 'lean management,' 'flat management,' 'discussion culture,' and 'avoid conflict.' Both sides of respondents described that Sweden has a decentralized and flat management style of organizational culture which is the opposite of Japan. Besides, *HCN 4* pointed out that it might be hard to see where decisions are taken due to the decentralization culture. *HCN 8* agreed that since Sweden has a flat organization type, there is no need to go through all the hierarchy levels and all the employees get broader responsibilities. Besides, *PFN 2* supported and mentioned that the Swedish lean management style is effective since each manager can decide what the interviewee believes is good to point for the business.

“Swedish and [Company B] has a speedy and Lean management So, it is effective to catch up the market and catch up the customer demand in the future...each manager can make a decision without any hesitation I think that's a good point for the business”. (PFN 2)

Moreover, all respondents agreed that the Swedish organization has a strong discussion culture. *HCN 2* mentioned that there are often several meetings and discussions in Swedish organizations where it is open to everyone to discuss their ideas or opinions. While explaining about 'discussion culture,' some host country nationals used the word 'Freedom' and 'Free-thinking.' For instance, *HCN 6* stated that Swedish organizational culture provides much freedom but is under the responsibility. Besides, the majority of host country nationals underlined that discussion culture is one of their strengths when it comes to organizational

culture. However, interestingly, host firm nationals mentioned that they believe the decision-making process takes longer than in Japan due to 'discussion.' Host firm nationals agreed that 'discussion culture' is one of the Swedish organizational culture's strengths and uniqueness. However, some respondents highlighted that often the discussion ends with other discussions even when they need to come up with a decision which extends the decision-making process and time.

“In Sweden they discussion, discussion, discussion and achieve the consensus. So, again, we should have a discussion, discussion and achieve a consensus repeatedly with every business unit. It took a long time, about three months for each issue.” (PFN 3)

Parent firm nationals pointed out that Swedish employees and organizational culture are highly based on 'purpose-oriented,' which means that when Swedish employees get signed to specific work tasks, they always ask for the purpose and start the question with 'why?'. Hence, PFN 2 explained that it is essential to explain and provide additional explanations and purpose to Swedish employees. Due to the interviewee's previous experience, there may be potential complexity when Swedish employees do not fully understand or receive the tasks' purpose.

“In Sweden, it is important to explain why this task is important... so, when Japanese employee sends the email to the Swedish employee to do something. Swedes always ask Oh, why? Why? So, complication is happening something.” (PFN 2)

Additionally, the host country national described Swedish organizational culture as 'Fast in changing' and 'Trial and error' cultures. HCN 9 explained that Swedish organization has a culture that gives opportunities and freedom to all employees. If employees have something they want to do that interests them, they can pursue that and make a change quickly. Besides, the respondent mentioned that Swedish organizations are more open to taking the trial and learning from the error.

“We are pretty quick at changing. As I said, we're pretty open, creative, people can drive change and all of this, but the result is that it might not be as well founded and documented”
(HCN 9)

4.3.2 Japanese organizational culture.

When describing Japanese organizational culture, parent firm nationals used such keywords as 'innovative,' 'hierarchy,' 'micromanagement,' 'no guideline/job description,' 'detailed-oriented,' 'centralized,' 'no questioning regarding work tasks,' 'lifetime employment, 'loyalty.' In the meantime, keywords used by the host country nationals were 'top-oriented', 'strict', 'detail-oriented', 'documented', 'well-organized/prepared', 'client-oriented', 'life employment', 'long-term planning', 'hierarchy', 'centralized', 'less sensitive on Gender equality. Moreover, most respondents similarly described Japanese organizational culture highlighting the most common features peculiar to it. Hence, four host country nationals highlighted a high level of hierarchy in the acquiring Japanese companies expressed in a strong division of departments and responsibilities in these departments, and *HCN 6* also underlined that Japanese organizational culture has characteristic of a strong client orientation, which is represented by an inability to say "no" to a client.

“Huge hierarchy Yeah, that’s very complicated from my point of view, I have difficulties understanding all the departments and what you need to do in order to achieve something and it’s very or more a lot of silo thinking” (HCN 5)

Such a hierarchical organizational structure and national culture also influence the distribution of roles and managerial positions within a company. Two respondents from the top management who took a direct part in the M&A process and negotiations with the Japanese companies noticed the gender and age bias among their colleagues from the top management in the acquiring Japanese companies. According to their observations, the oldest person in the highest position in the room would gain more respect from others when the number of women in the top managerial positions was limited compared to the Swedish team (*HCN 1 & 7*).

“You need to consider equality, gender equality. Japan is horribly behind and, and especially in the steel business.” (HCN 7)

Another aspect peculiar to the Japanese organizational culture is detail orientation which was highlighted by five respondents from host country nationals and three parent firm nationals. As highlighted by *HCN 5*, such a details orientation can result from a prominent

organizational structure of the acquiring company resulting in greater resource availability. Therefore, as mentioned by the *PFN 1*, Japanese management is more oriented toward micromanagement when the Swedish interviewee highlighted that the Swedish managers do not tend to be involved in all of the details of the project (HCN 1&2). Detailed orientation of the Japanese employees is also manifested in the necessity to back up all of the decisions made within a company with numbers and facts, which is also connected with a strong division of the responsibilities within a team (HCN 6). However, to *HCN 9*, such a detail-oriented approach may influence creativity, the ability to see the picture from a bigger perspective, and the speed of the decision-making process.

“In terms of [acquiring company] side is obviously I mean, there’s a lot more detailed reporting, I mean, is a difference between sort of maybe some of the Nordic culture and then a Japanese culture where I mean, most managers in the Nordics don’t want to be bothered by details, but a manager in Japan with all of the details.” (HCN 2)

When it comes to the decision-making process, several interviewees, including *HCN 6* and *PFN 2*, highlighted that the top management makes the majority of the decisions, and Japanese employees do not tend to question such decisions, which is also a result of the hierarchical structure peculiar to the Japanese organizational culture. From this perspective, all of the decisions made within an organization are well thought out and claimed afterward, leaving no room for flexibility, which is also partially connected with a high degree of individual responsibility for the Japanese employees (HCN 9).

“It’s Japanese. Of course. It’s really top-oriented. I mean, in the discussions we have, we see that management needs to take every decision. Everything is really strict...they need to know everything in detail. That’s more of Japanese culture.” (HCN 6)

Japanese organizational culture is also characterized by a completely different from the Western approach towards what is a long-term question (HCN 7 & 9) and employees’ loyalty to the company (*PFN 2*), which partially can be a result of the lifetime employment system mentioned by *PFN 3*. When it comes to the definition of the long-term period, Japanese people are oriented towards hundreds of years or generations. Japanese employees are usually loyal to their company and keep working there for decades, a common feature of Japanese

culture. The lifetime employment system, which is one of the characteristics of Japanese culture, has been underlined by both employees of the Swedish and Japanese respondents.

“Many Japanese companies they recruit directly from the university and then you are employed for life”. (HCN 4)

4.3.3 Cultural fit between Japanese and Swedish companies.

Answering the question about the cultural fit between Swedish and Japanese organizational cultures, the majority of parent firm nationals used such words as 'satisfied,' 'compatible,' 'conservative,' 'equality principle,' 'good marriage,' 'symphony,' 'similar thinking style.' Besides, host country nationals used such words as 'extremely alike,' 'good match,' 'similar culture,' and 'common working style' when elaborating on this topic. Importantly, two respondents from the top management mentioned that when it comes to organizational culture and a fit between two cultures, it is crucial to consider an industry both the acquiring company and target companies operate and the size of both organizations (HCN 4 & 7). From this perspective, three respondents operating in the production sector highlighted that being acquired by a company operating in the same industry and interested in the development is more beneficial (HCNs 8, 9 & PFN 3). However, *HCN 1*, a representative of the top management team of *Company A*, highlighted that the acquiring company had no experience in working in their field, but it did not cause any issues.

One respondent from the top management (HCN 4) who has experience working abroad highlighted cultural differences peculiar to Asian countries, and from his experience among Asian cultures, the Japanese one is the closest to Sweden. Two employees working in the top management, two working as middle managers, and one representative working as an associate-level employee mentioned compatibility of both cultures and mutual respect between them. In the meantime, *PFN 2 and 3* also mentioned and agreed that both cultures represent a good fit when working together. From a cultural perspective, Japanese and Swedish people are similar in thinking, showing respect, acting in public, and communicating with others (HCN 2, 7, 9, & PFN 2). *HCN 7 and 9* also highlighted that from the business management perspective, and both cultures are also alike in terms of their vision and how they run a business. Therefore, *PFN 3* mentioned that Sweden and Japan are similar in their

attitudes towards equality. However, two host country nationals spotlighted such differences as attitudes toward equality between Swedish and Japanese cultures, mentioning that most Japanese representatives of acquiring companies were men during the negotiations about the M&A process. Seven out of twelve respondents underlined an excellent cultural fit between Japan and Sweden.

“I think Swedish people and the Japanese people are, I think it's kind of Symphony. So, we will have a good relation, because similar thinking.” (PFN 2)

“I think from a fundamental way of thinking the Japanese and the Swedish people are extremely alike. We have this personal space kind of thing. I mean, we don't interrupt each other....And I think that really helps the communication, we are not so loud, we have this Scandinavian culture, which is actually surprisingly similar to the Japanese form of respect”
(HCN 9)

4.4 Challenges in cross-border M&A

Regarding challenges and complexities that occurred during the cross-border M&A process, host country nationals mentioned that they experienced challenges with communication, misunderstandings between the acquiring company and target company representatives, and time difference. In the meantime, parent firm nationals underlined challenges connected with the Swedish working style, mainly working hours, which affect the projects' management (PFN 1 & 2). The majority of respondents highlighted that there are challenges in communication. Both host country nationals and parent firm nationals agreed that the language barrier was a challenge that affected the cross-border M&A process. Moreover, three respondents mentioned that they had challenges connected with understanding the Japanese organizational culture, mainly dealing with the hierarchical organization of Japanese firms and the way they act during the meetings and communicate with each other. As mentioned, Japanese organizational culture is characterized by hierarchy, and Swedish employees had challenges understanding such a structure and whom to contact if they had to work on the project with the Japanese colleagues.

“The problem with that is that the senior people, the older people don't know English that well. So, the younger people are much more easy to collaborate with for us, which means in a way that we have to break with the typical Japanese way of communicating, you know, you have to go climb the hierarchy and get but we are cutting across like that, and finding the right partners to communicate with.” (HCN 7)

When it comes to professional communication, *HCN 9* underlined that all of the meetings were conducted in a rigorous format, and there was no space for creativity and informal discussions, which, in their view, affects the decision-making and overall communication process. *HCN 5* also highlighted such complexity as misunderstandings arising from the different way of thinking and their detail orientation. This issue was also highlighted by *PFN 2* from the perspective of an indirect way of communication peculiar to Japanese culture. Difficulties in getting things right and adapting them to the Swedish environment were also spotlighted by *HCN 4*.

“In the dialogue and that business relation you can definitely see the cultural differences. And while that is challenging, sometimes it's easy to misunderstand and not understand each other at all. Basically, you do not understand the question that they ask and if I try to answer they will not understand the answer. Because we will look at things in different ways” (HCN 5)

Moreover, parent firm nationals who relocated to Sweden because of the acquisition mentioned that they also experienced a number of challenges while working as the bridge between the two companies. The majority of challenges arose from a misunderstanding of Swedish working culture, working hours, or vacation periods as examples, complexities connected with different ways of communication. Hence, *PFN 1* and *2* underlined working hours in Sweden have become an issue since they affected the projects within the organization.

“In Sweden, still people tend to go home really early like at 4 o'clock, nobody in the office. It is totally different from Asian culture, especially Japanese culture. But because of this sometimes the project is delayed.... I actually got through some disappointment from shareholders” (PFN 1)

The significant challenge that seven respondents mentioned is the language barrier. The respondents mentioned challenges such as the language barrier can be caused by the industry specifics, but sometimes it happens since both sides of companies were not fluent in English. In such situations, interpreters were an essential part of the meetings of the two companies.

“Of course, language is, is a challenge to some extent as well. Japan is not known for being very skilled in English. So, it's difficult to find people who both understand the technique and understand or speak good English as well. And I mean, we were not definitely not perfect in English either.” (HCN 5)

4.5 Implemented solutions

The cross-border M & A process resulted in several complexities within the Swedish companies, such as increased anxiety among employees or external factors such as cultural differences between the acquiring company and target company. From this perspective, respondents pointed out a number of factors that can help overcome such challenges.

4.5.1 Social activities.

Social activities were mentioned as a possible way to overcome adverse outcomes caused by the cross – border M&A. From this perspective, social activities aimed at enhancing cooperation and interaction between the employees at both companies and helping to be aware of the culture of the acquiring company help overcome challenges resulting from cultural differences. When it comes to informing the employees about the acquiring company, we found out that the most informed employees of the future changes occurred on a managerial level. For example, there could be seminars organized by *Company C* for managers with information about Japanese culture. However, representatives from *Company A* and *Company B* underlined that they did not have any special seminars other than the corporate presentations about the acquiring companies. However, as the line manager at *Company C*, *HCN 8* mentioned, interacting and creating connections with his Japanese colleagues is more critical when working on the projects with the acquiring company representatives. Personal interaction as a way to avoid misunderstandings and challenges was also underpinned by *HCN 6, 8, and 7*.

“But for me it was more of creating connections, especially with these engineers that we have in Sweden and with the guys in Japan. And from there, understand how they work and apply to that, that way of working, so, for me, it was personal connection and a lot meeting physically and create a relationship, understand how they're working.” (HCN 8)

4.5.2 Expatriates.

In terms of the role of expatriates in cross-border M&A, all parent firm nationals responded using the keyword of 'Bridge'. They stated that their primary role is connecting Swedish and Japanese companies and facilitating communication between two companies acting as a bridge between two cultures. Besides, *PFN 2* highlighted that expatriates play a significant role in cross-border M&A.

“I also have a task connecting [Company B] and this [acquiring company]. So to say it's like a bridge between [acquiring company] and [Company B]”. (PFN 2)

Not only parent firm nationals rate the role of expatriates as significant, but also the majority of host country nationals mentioned expatriates as one of the significant roles in the cross-border M&A. *HCN 4* mentioned that not only do expatriates work as a business-related bridge but also they work as interpreters and translators during the discussion between two companies which can resolve the problem caused by the language barrier. Besides, not only in the level of translating the language but expatriates also help prevent potential problems caused by cultural differences. Several respondents explained that Japanese expatriates help Swedish employees understand more about the Japanese way of working and their different perspectives. Besides, all host country nationals stated that communication between the two companies might be more difficult if they did not have expatriates. Nevertheless, several respondents stated that having expatriates relocated from the acquiring company on board facilitates communication and interaction between the acquiring and target company and ensure the elimination of potential cultural clashes that arose from the cross-border M&A process.

“One key has been that we have had two Japanese employees here in Västerås, and we have been able to use them as well lobbyists or whatever they can I explain what we want to achieve when we say something, and vice versa, they can understand or explain to me what

the Japanese people are thinking and why they are asking these questions. So, I think that has been an important thing to simplify the cooperation". (HCN 5)

4.5.3 Internal communication.

Hence, from the perspective of overcoming issues connected with employees' increased stress levels, *HCN 1* and *4* from the top management team highlighted the importance of communication and interaction with such employees to eliminate concerns or fears resulting from the changes that occurred due to the acquisition. *HCN 9*, working as an associate-level employee at *Company C*, also agreed that the role of top managers is essential since their attitudes directly affect the perceptions of employees towards such a process.

"But we kept information going on there were explained to our employees. And we are very open with information in general within the company. So, we explain where we are in the process and where history is coming". (HCN 4)

The significance of communication when it comes to overcoming complexities between the employees at the acquiring and target companies was highlighted by *HCN 1*, *4*, and *PFN 1*. According to them, it helps to overcome misunderstandings arising from cultural differences.

"Of course, without communication then it doesn't work anyway. I was lucky because I think this management is really listen and speak and try to understand mutually and I think that mode is really worked". (PFN 1)

4.5.4 International experience.

According to the words of seven respondents, another factor that indirectly affects the process of overcoming complexities is an international experience or past experience in managing cross-border M&A processes. This facilitates communication processes and provides people with an understanding of how to interact with their colleagues with different backgrounds and cultures. Hence, *HCN 5* underlined that it was an advantage for the managers at *Company B* to have such type of experience since it benefited in overcoming misunderstandings arising from the cultural differences between Japanese and Swedish cultures.

“If you don't have the experience of working in different countries and hands on doing this type of things, then it's very hard to realize what are the timeframe? And how can you work with it? And what's easy? What's not easy?” (HCN 4)

4.6 Influence of cultural difference

In responses to the question regarding the influence of culture when it comes to cross-border M&A, the majority of respondents mentioned that it is 'important' and 'critical' to be aware of cultural differences and how culture can influence cross-border M&A process and results. *PFN 2* stated that cultural differences could directly impact cross-border M&A in the initiated stage. Besides, *PFN 1* underlined that cultural differences could bring potential challenges and complexity, which may negatively impact their business result.

“ I think it's important. For example, one of my HR advisor so they said, if the business price good on the for the post company, so this deal is very good. But the cultural different is so big. We should stop this there.” (PFN 2)

“ I think the culture differences obviously affecting much.....So, it's really important to set the right expectation, which means we need right understanding of Swedish culture in those kind of aspects. So, in that sense, the cultural difference is quite a lot.....I actually got through some disappointment from shareholders and then try to reset the right expectation here.”
(PFN 1)

However, most of the respondents explained that they agree that it is essential to be aware of the cultural difference and their potential outcomes. However, some other factors may have a more significant influence on cross-border M&A, such as the goal of the business, profits, and financial aspects. *HCN 7* mentioned that culture could be influenced in the post-merger integration process. Nevertheless, the respondent also stated it is essential to consider other factors beyond the cultural levels.

“I think the post-merger integration is absolutely critical to the success of moving forward. That's when you sort of energize people, motivate people, make people stay on board and so on. And I think in that respect, the culture is absolutely key component. It's critical, but not the not the same...I mean, on the surface, Japan can look very different to Sweden and

Finland, it is different. I think you have to look beyond those cultural levels and look at other things, how do you what's your view on business?" (HCN 7)

Additionally, several respondents stated that it is critical to have the correct understanding and respect for cultural differences in order to have a successful outcome of cross-border M&A. However, *HCN 2* pointed out that majority of companies are not well aware of the cultural difference and how they can impact cross-border M&A.

"You might not need to have the cultural fit, but you need to have the joint understanding... I think that you might not need to have a cultural state, but you need to respect the differences. And you need to have an understanding that what I perceive as, let's say, good behavior, or what I perceive as this is how decisions are being taken". (HCN 4)

"It's important to understand the difference of organizational and working culture between Japan and Sweden." (PFN 3)

5. ANALYSIS

5.1 Findings

Cross-border M&As can cause several challenges arising from the cultural differences between the acquiring and target companies. This research explores the effect of such cultural differences and the ways companies follow to overcome such complexities. To obtain extensive information on this topic, we have conducted interviews with Swedish employees on different levels and with Japanese expatriates who relocated to Sweden due to the cross-border M&A, which allowed us to have a deeper understanding of this phenomenon. Following the grounded theory approach, we identified codes, themes, and categories based on the interviews. Firstly, we analyzed keywords that respondents commonly and repetitively used in order to identify codes (*Appendix 3*). Secondly, we pinpointed themes using identified codes, and lastly, we determined the categories. As restricted below, Figure 11 explains our identified categories: level of integration between the Japanese acquiring companies and the Swedish target companies, employees' attitudes and behaviors toward the cross-border M&A, the cultural fit between Swedish and Japanese companies, challenges caused by

cultural differences, implemented solutions that companies use to overcome challenges that arise from cultural differences in cross - border M&A and influence of cultural differences on the cross -border M&A.

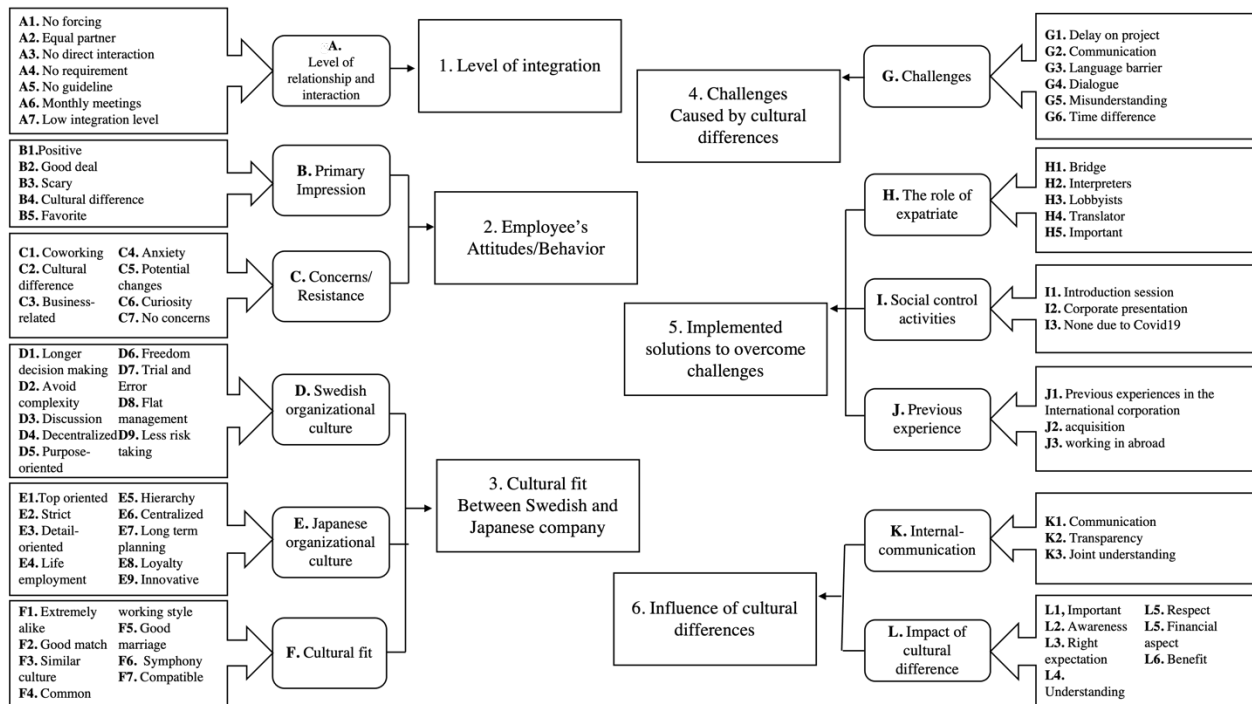


Figure 11. Data structure
Source: own contribution

5.2 Level of integration

According to our findings, we could interpret that Companies B and C have a low degree of integration considering the degree of changes that occurred after the M&A process. Besides, Company B has experienced changes in reporting standards and IT security. In the meantime, changes in reporting standards are only limited to a management level. Moreover, such changes do not impact organizational culture, meaning that the degree of cultural integration is low. Regarding the decision level process, Company's B acquiring company is only involved in confirming big projects. Other than that, their engagement in the operations of Company B is low, meaning that Company B has a high degree of autonomy which respondents also confirmed.

Changes that occurred at Company C due to the acquisition of the Japanese company, such as the changes in reporting standards and projects aimed at centralization within the company, did not affect the daily routines of the company's employees. Such changes were limited to a

particular management level, and the acquiring company tried not to implement significant changes. Communication with the acquiring company is limited to a certain level depending on the department and employees' position. From this perspective, we could interpret the degree of communication with the acquiring company as low. Besides, occurred changes did not influence the organizational culture of Company C. Thus, we can interpret that Company C has a low degree of cultural integration and a high degree of autonomy.

In the meantime, the most changes after the acquisition arose at Company A. These changes are related to changes in the company's name, mission, vision, and values and the slight changes in reporting style. Although modifications regarding the name, mission, vision, and values were visible to all employees, and they were directly involved in developing the new mission, vision, and values of Company A, changes in reporting style did not affect associate-level employees. The role of the top manager was limited in terms of decision-making at the beginning of the process. However, three years after the acquisition took place, the respondent regained autonomy. Considering that the changes were limited to a particular management level and did not impact employees, we can interpret that as a medium level of integration.

Our findings discovered that the integration level could depend on the acquiring company's cultural characteristics and managerial strategy. As was mentioned by some respondents acquiring companies are not aware of the peculiarities of doing business in Nordic countries, meaning that stepping in too hard could directly affect the operational activity of the companies. Besides, respondents highlighted that in case their acquiring company would plan to have a deeper culture integration, it could have caused more complexities from the cultural differences point of view, which is in line with Slangen (2006) highlighting that a lower degree of integration can bring more benefits from cultural differences in both companies. From this perspective, we can interpret that acquiring companies followed the localization strategy developed by Zhu and Huang (2007), allowing target companies to operate under the local conditions and environment. Although the companies under investigation still operate autonomously, the acquiring company still takes a controlling function through expatriates relocated to Sweden, which is one of the models proposed by Zhu and Huang (2007), meaning that two strategies are combined.

Proposition 1a. The level of integration is primarily not affected by cultural differences.

Proposition 1b. The level of integration has a significant impact on the level of communication between acquiring and target companies.

Proposition 1c. The level of integration has a significant impact on the relationship between acquiring and target companies.

5.3 Employees' attitudes and behavior

Based on the empirical findings, employees' attitudes and behavior, such as concerns and resistance towards the cross-border M&A affected by uncertainty and potential changes. Respondents mentioned that it is natural that cross-border M&A affects employees' attitudes. Particularly when it comes to cross-border M&A, additional attitudes and behavior such as curiosity may arise from employees due to cultural differences between acquiring firm and the target company. Hence the findings state that due to the characteristic of M&A that occurs uncertainty and potential changes in the organization, this might create negative attitudes and behavior from employees. Gunkel et al. (2015) and Steigenberger (2017) also discovered that M&A is a highly emotional event from an employee's perspective due to the uncertainty associated with the process. Hence, it increases stress and resistance from employees.

Moreover, the findings identified the post-M&A process as the stage where concerns and resistance often occur. During the process, most employees are starting to realize and be aware of the cross-border M&A, and companies start implying changes, which occurs stress, concerns, and resistance from employees. Besides, when employees start interacting with each other, they grasp cultural differences. Lee et al. (2015) also stated that cultural differences possibly have a negative effect on post-merger integration, and employees are likely to experience severe acculturation stress. Besides, Steigenberger (2017) underlined that the integration process often negatively affects emotional response and the mental health of the employees who are involved in cross-border M&A.

The findings discovered those attitudes and behavior such as concerns, stress, anxiety, and resistance are not relatively connected to cultural differences in cross-border M&A. Due to the fact, respondents highlighted the reasons for these negative attitudes and behavior are

mainly due to uncertainty regarding potential changes and not only because of the cultural differences between acquiring and target companies. Additionally, we discovered a positive impact of cultural differences in employees' attitudes and behavior. Several respondents described that they had positive attitudes and behavior since there were cultural differences between acquiring and targeting the company, which they believed would be challenging and a great opportunity.

Moreover, our findings state that employees may experience increased stress and negative attitudes and behaviors during cross-border M&A. However, the fact that caused these negative attitudes and behavior is mainly due to uncertainty and potential changes. Besides, the degree of negative attitude and behavior is identified as significantly low, which does not influence the outcome of cross-border M&A. Therefore, cross-border M&A potentially causes additional concern, stress, anxiety, and potential resistance. However, there was no significant evidence that cultural differences provoke negative attitudes and behavior from employees. Therefore, employees' negative attitudes and behavior could occur in cross-border M&A due to uncertainty and potential changes. However, the relationship between cultural differences and employees' negative attitudes and behavior is significantly weak.

Proposition 2a. Employees' attitudes and behavior are weakly influenced by cultural differences.

Proposition 2b. Employees' attitudes and behavior are significantly affected by the uncertainty and potential challenges after the cross-border M&A.

5.4 Cultural fit

According to the respondents, Japanese and Swedish cultures represent an excellent cultural fit due to similar thinking and working style, which helps coordination and working together. This finding is in line with Bauer and Matzler (2014), where the authors highlighted that a positive outcome of the cross-border M&A depends on the cultural fit between the acquiring company and the target company, meaning that both cultures combine well. Several respondents mentioned that having a good cultural fit is essential when it comes to cross-border M&A since it can impact communication between two companies which potentially could lead to a negative impact on outcome and synergies creation. Besides, a poor cultural

fit could lead to potential negative employees' attitudes and behavior toward cross-border M&A.

Bereskin et al. (2018) and Denison and Ko (2016) also stated in their research that if a poor cultural fit between the organizations takes place, it can lead to increased uncertainty about the overall process and organizational conflicts, in such a situation, more control is needed to avoid such circumstances.

Our findings identified a good cultural fit between Japan and Sweden, and House et al. (2004) also proved this in their GLOBE study. The findings state there are many similarities between Japan and Sweden, for instance, similar thinking and working style that led to a good cultural fit. However, there are still differences between the two countries, and our findings identify those areas as gender equality, organizational structure, and a perspective of orientation. For instance, respondents stated that Japan has a hierarchical organizational structure significantly different from the Swedish organizational structure, which has a flat and lean management style. House et al. (2004) also identified scores for the power distance dimension, representing society's perceptions of hierarchy, power, and status, and discovered differences among others between Japan and Sweden. However, the findings agree that differences in organizational structure and power distance are significantly more substantial than those the GLOBE study described. Besides, the findings mentioned that Japan is less sensitive than Sweden regarding gender equality. Several respondents pointed out that during the meetings regarding the cross-border M&A, all the delegates from the Japanese company were male. Respondents mentioned this could be due to their industry, but also they believe it is cultural differences. House et al. (2004) also stated that gender egalitarianism as a dimension of the GLOBE study represents society's attitude towards genders, and the scores for Japan and Sweden differ significantly in this dimension. However, another factor underlined by the Swedish employees and Japanese expatriates was the loyalty of Japanese employees towards their company which can be referred to in—the group collectivism dimension described by House et al. (2004), which represents an attitude towards a group or organization. In this dimension, Sweden and Japan scored identically, which supports our findings towards the attitudes of an individual concerning an organization, in this case, being loyal to the company. Therefore, there are some differences in mentioned dimensions, such as gender equality and organizational structure between Japan and Sweden. Considering that the differences are not significant, especially from a business perspective, and there are more

similarities between the two countries, our findings state that the cultural fit between Japanese and Swedish companies is compatible.

Proposition 3. The cultural fit between Japanese and Swedish companies is identified as compatible.

5.5 Communication challenge

According to the empirical findings, the significant challenges and complexities caused by cultural differences during the cross-border M&A can be identified as communication between acquiring and target companies. The identified reason that communication is a significant challenge during the cross-border M&A is due to language barriers, differences in dialog, time differences, and differences in organizational structure. Angwin and Savill (1997) also stated that cross-border M&A is generally more complex and riskier as a generic acquisition problem is compounded by differences in national cultures, language differences, political influences, and regulatory hurdles.

The findings stated that the challenges in communication occur by language barriers and differences in communication style and dialogue. For instance, respondents claimed Japanese have a culture of indirect communication style in which they deliver the message indirectly, possibly with sarcasm. Hence, Japanese indirect communication sometimes causes confusion and misunderstanding among Swedish employees. Moreover, respondents underlined that the difference in organizational structure makes communication more challenging. For instance, when Swedish employees try to communicate with Japanese employees in the middle-management position or higher position, Swedish employees need to contact associate employees before since Japanese companies have a hierarchical organizational structure opposite to the Swedish organizational structure. Along with the findings, Gunkel et al. (2015) and Matsumoto, Yoo, and Nakagawa (2008) stated that communication, expression and perception of emotions are strongly affected by national culture.

Furthermore, findings state that the communication process takes longer and is more complicated due to differences in the organizational structure that are based on cultural differences. Besides, the findings discovered the challenges and complexities in communication that appear from the beginning of the cross-border M&A, such as the due diligence process. However, the findings pointed out that communication challenges also

appear post-acquisition when all the employees need to integrate and co-work with acquiring company. Since there are only limited employees involved in the due diligence process, the findings stated the communication challenges appear more significantly after the acquisition. This is in line with Quah and Young's (2005) statement that the effects of culture can take place in the early stages of the acquisition process but are especially crucial in the post-acquisition period.

Proposition 4a. Communication challenges occur in cross-border M&A due to cultural differences.

Proposition 4b. Communication challenges occur both in pre and post cross - border M&A stages.

5.6 Implemented solutions

5.6.1 Social activities.

According to our findings, all of the companies taking part in our research had different activities to inform the employees about the cross-border M&A. Some of them were aimed at enhancing cooperation and interaction between them. However, the degree of such activities organized by Companies A, B, and C differs. Hence, there were no special activities other than the corporate presentation at Company B. Therefore, information about the Japanese culture was not provided. Company A did not organize any informal activities due to the Covid – 19 pandemic. However, representatives from Company C stressed the importance of being aware of the Japanese culture. Therefore, they arranged special seminars about Japanese culture and invited lecturers from the university to present them to the managers working at Company C. From the perspective of employees working and interacting with the representatives of acquiring firm, such activities helped to some extent in overcoming cultural clashes. Therefore, in this regard, physical meetings and communication between the employees from both acquiring and target companies while working together on the projects were valuable in overcoming cultural differences and learning. Larsson and Lubatkin (2001) also discovered that arranging social control activities for employees at the target firm can contribute to overcoming cultural clashes arising due to cross–border M&A while Costa et al. (2021) highlighted that mutual development of a project could be a factor which facilitates

integration process and interaction between employees at the companies involved in the cross-border M&A process.

Proposition 5a. Social activities contribute to overcoming challenges arising from cultural differences to a limited degree.

5.6.2 Expatriates.

All of the Japanese acquiring companies relocated expatriates to their Swedish subsidiaries. According to our findings, this contributed from the perspective of facilitating knowledge transfer, communication between the acquiring and target companies, and overcoming difficulties caused by cultural differences between two companies. Therefore, the number of expatriates who relocated to Sweden was limited. Although all of the acquiring companies implemented slight changes in the operational activity of the Swedish companies or changes in mission, vision, and values, challenges and misunderstandings from the cultural differences still arose. From this perspective, expatriates took a function of a bridge connecting Swedish and Japanese companies and contributed to the communication between the two firms eliminating complexities related to cultural clashes. The importance of expatriation in the cross-border M&A was also mentioned by Yahiaoui et al. (2016), and Hébert et al. (2005) underlined that they could enhance the opportunities for synergy creation and commitment a knowledge-sharing process and facilitate communication between the acquiring and target companies.

Proposition 5b. Expatriates noticeably contribute to overcoming challenges arising from cultural differences.

5.6.3 Internal communication.

Although employees at the acquired Swedish companies did not experience strong resistance to the cross-border M&A process, some of them still had some concerns or anxiety regarding the potential changes at the company. From this perspective, communication within the company was mentioned as one of the solutions that could help overcome such attitudes. The respondents highlighted that being transparent and open to answering the employees' questions about the changes occurring at the companies is crucial. Such an approach helps to

smooth the integration process and eliminate possible concerns about the changes among employees. A number of researchers stressed the significance of internal communication. For instance, Angwin et al. (2016), Birollo and Teerikangas (2019), and Denison et al. (2011) underlined the importance of internal communication going from the top/middle management level, which in turn leads to the facilitation of cultural integration process and a positive outcome of the cross – border M&A.

Proposition 5c. Internal communication contributes extensively to overcoming challenges arising from cultural differences.

5.6.4 Previous experience.

Another factor facilitating the process of the cross - border M&A management and overcoming challenges arising from the cultural differences mentioned by the respondents is an experience of working abroad and international experience, as well as an experience of taking part in the M&A process in the past. From the perspectives of respondents taking part in our research, such experience allows them to have a broader understanding of different cultures, contribute to facilitating the cultural integration process, and overcome challenges caused by cultural differences between the acquiring and target companies. Angwin (2001) and Zhu and Huang (2007) highlighted that international experience is beneficial from the point of understanding cultural differences and how they affect cultural integration. In the meantime, Angwin (2001) stressed that having such experience is especially essential for the top management level since they are involved in direct communication with the representatives of the acquiring company from the very beginning of the cross–border M&A process.

Proposition 5d. Previous experiences from managing cross-border M&As and/or working in an international environment contribute moderately to overcoming challenges arising from cultural differences.

5.7 Level of influence of cultural differences

The importance of culture as an essential aspect in the cross-border M&A process was highlighted by the respondents. The respondents especially underlined that in the post-integration phase when changes in organizational culture start to take place and directly

impact the employees' daily work. However, according to our interpretations, managers taking part in the process from the beginning did not pay much attention to such aspects, focusing more on the operational side. Besides, advisors from banking, law or consultant sectors were involved, and less attention was paid to potential cultural clashes which could occur from being acquired by Japanese companies. Therefore, this could also depend on an expected integration level between the two companies. From this perspective, none of the companies taking part in this research have a high level of integration, meaning that there are no significant changes in the employees' daily tasks. As the respondents mentioned, if the acquiring companies wanted to have a higher degree of integration, more clashes could have occurred, supporting our interpretations. From this point of view, all Swedish companies had an option to choose their acquiring company, which also gave them more flexibility in terms of decision making. However, the main focus has been on either the industrial or operational side of the process, and cultural factors were not included in the evaluation process. Importantly, since the majority of respondents agreed on the fact that Swedish and Japanese cultures represent a good cultural fit which is an important aspect when it comes to the integration process due to the M&A, we could also expect more complexities occurring from the cultural perspective in case of the acquisition where the cultural fit between companies is poor.

Importance of the cultural aspect in the integration stage of the cross-border M&A was highlighted by Denison et al. (2011), stating that cultural integration is one of the most crucial factors when it comes to synergy creation between two companies taking part in the M&A process and cultural integration as of the same significance as operational integration due to the M&A (e.g., Cooper & Cartwright, 1996 ; Hajro, 2015). Slangen (2006) also underlined that the more profound the integration level between the acquiring and target companies, the more challenges resulting from cultural differences that occur affecting overall M&A performance. Therefore, according to Bauer and Matzler (2014), if the cultural fit between the acquiring and target companies is poor, more challenges can occur from the cultural aspect (e.g. Cartwright & Schoenberg, 2006; Denison et al., 2011).

Proposition 6a. The influence of cultural differences has been underestimated in cross-border M&A.

Proposition 6b. The level of influence of cultural differences is relatively low in cross-border M&A.

5.8 Theoretical propositions

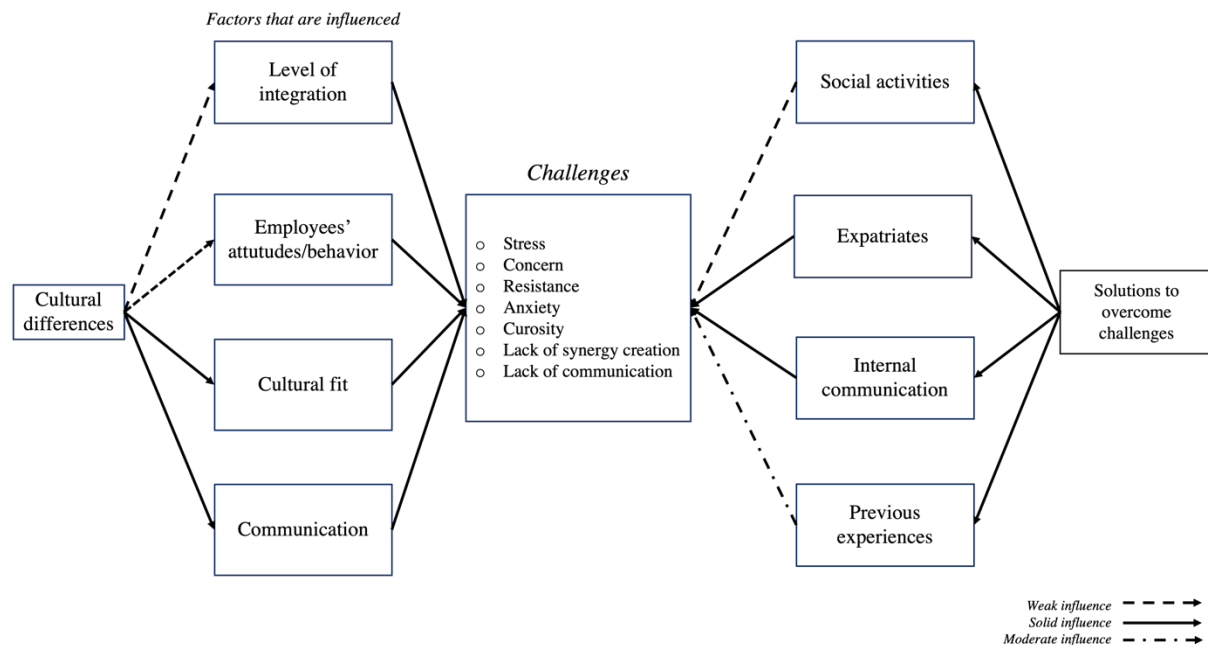


Figure 12. Theoretical proposition
Source: own contribution

Based on the analysis, we formulated the theoretical proposition (Figure 12) that represents factors influenced by cultural differences during the cross-border M&A, challenges that are caused by cultural differences, and the suggested solutions to overcome the challenges. As the proposed model describes, we discovered that cultural differences have a weak influence on the level of integration. The findings state that the managerial strategy of acquiring a company has a more substantial impact on the level of integration than cultural differences. Hence, our findings argue that the level of integration is primarily not affected by cultural differences. Besides, we conceived that the level of integration could influence the level of autonomy and employees' attitudes and behavior of the target company. For instance, the lower level of integration and the higher the level of autonomy between two companies, the less stress and resistance employees will experience.

Moreover, our findings argue that the level of impact of cultural differences on employees' attitudes and behaviors is also weak. Due to the fact that our findings identified uncertainty and potential changes as factors that have a significant impact on employees' attitudes and

behaviors over cultural differences. However, some respondents stated that cultural differences influence their behavior and attitudes. Our proposition states that employees' attitudes and behaviors are weakly affected by cultural differences.

Furthermore, there was clear evidence that cultural differences significantly impact the cultural fit between acquiring and target companies. The findings stated that there are more similarities than differences between Japanese and Swedish cultures, which creates a good cultural fit between the two countries in terms of business. Besides, respondents argued that having a notable gap and differences in cultural aspects could significantly impact cultural fit, leading to the lack of synergy creation. Nevertheless, cultural differences have a powerful influence on communication between acquiring and target companies. Due to the fact communication process involves aspects such as languages, dialogue, and organizational structure, which are strongly affected by culture. Hence, communication has been identified as the factor that is most affected by cultural differences. Besides, based on the findings, we identified the outcomes of the factors affected by cultural differences. Our findings discovered that when cultural differences influence mentioned factors, it could result in increased stress, concern, resistance, anxiety, curiosity, and lack of synergy creation and communication.

Nonetheless, according to our findings, one of the solutions to overcome adverse outcomes caused by cultural differences are social activities aimed at educating the employees about the Japanese culture and enhancing interaction between the employees at both companies. However, according to respondents, such activities had a slight effect on interactions between the employees of the two companies. Hence, we can propose that the influence of such activities is weak. Another solution, according to our findings, is the relocation of expatriates acting as a bridge between two countries, which has a strong influence on overcoming complexities and facilitating communication between the acquiring and target companies. As the respondents agreed, this allowed them to eliminate misunderstandings that took place in interactions between two companies and learn more about the cultural peculiarities of the acquiring and target company. Thus, we can suggest that the relocation of expatriates to a target company has a strong influence on overcoming negative outcomes caused by cultural differences. Internal communication was also suggested as a solution to overcome such negative outcomes. Clear internal communication from this perspective help to overcome uncertainty among the employees regarding the changes occurring due to the M&A process

and contribute to the elimination of negative perceptions towards the cross-border M&A. Majority of respondents agreed on the question of the significance of the clear internal communication. Besides, internal communication strongly influences overcoming negative outcomes caused by cultural differences, which was also supported by the respondents taking part in this research. The final solution we found is having previous experience working in the international environment or previous experience managing cross-border M&As. According to respondents, such experience is valuable from the perspective of being more aware of the possible cultural differences and cultures in general and the ways of dealing with complexities caused by them. Besides, according to our findings, having previous experience has a moderate effect on overcoming negative outcomes caused by the cultural differences due to the cross – border M&A.

Moreover, when it comes to the influence of culture on the cross-border M&A process, we could highlight that although interviewees are involved in such a process agreed that this aspect is significant, they did not take this aspect into account to a large extent focusing first on the operational aspect of cross-border M&A.

6. DISCUSSION

6.1 Conclusion

This research was conducted based on the purpose to discover and answer the following question:

“What is the influence of cultural differences, and how are these differences addressed in Japanese cross-border M&A of Swedish companies?”

In order to answer the research questions, we have conducted twelve in-depth interviews with Swedish companies that Japanese companies acquire. Besides, to collect diverse and accurate data, the interviews were conducted with top management, middle management, associate-level employees, and Japanese expatriates. Moreover, based on the grounded theory approach, we managed to analyze the collected data and divided it into codes, themes, and categories. After the data analysis, we have developed a theoretical proposition that describes the impact of cultural differences in cross-border M&A. The identified factors affected by

cultural differences are the level of integration, employees' attitudes and behaviors, cultural fit, and communication between acquiring and target company. Besides, negative outcomes such as resistance, anxiety, curiosity among the employees, lack of communication, and synergy creation could arise from those affected factors. Hence, the influence of cultural differences appears in those mentioned factors and potentially causes negative outcomes.

Moreover, our research discovered implemented solutions to overcome the cultural differences between Japanese and Swedish companies such as social activities, expatriates, internal communication, and previous experiences. Besides, respondents from all of the companies taking part in this research agreed that the cultural aspect is significant and should be taken into deeper consideration when it comes to cross-border M&As. However, none of the companies took any actions to make a pre-assessment of the culture of either acquiring or target companies which could also result in negative outcomes and the necessity to find strategies to handle them.

Furthermore, we discovered that factors such as managerial strategies in the operational aspect and financial aspect are considered to be more essential for acquiring and target companies than the cultural aspect in cross-border M&A. Considering that the identified influence of cultural differences is significant, which could lead to the negative outcome of cross-border M&A. Besides, our findings state that companies could easily underestimate the influence of cultural differences.

6.2 Implications from the research

Literature in the cross-border M&As field covers many aspects of this process, including the significance of culture. However, as already mentioned, there is a lack of studies covering such aspects of how cultural differences might affect the cross – border M&A and how companies can overcome complexities arising from them. Teerikangas and Very (2006), in their study, highlighted the necessity of explaining how culture impacts the process instead of just saying whether there is an effect or not. Hence, our research will contribute to the theoretical field from the perspective of explaining the influence of the cultural differences on the cross – border M&A. More importantly, we believe that understanding how to handle cultural clashes arising from the cultural differences in the M&A process is another significant aspect. From this point of view, our study will contribute to the literature by highlighting the ways or strategies of overcoming such an effect of the culture in pre-and

post- stages of cross-border M&As. Literature covers aspects of the cross-border M&As between companies from/developed countries/from developing countries (Deng & Yang, 2015; Lee et al., 2015; Sachsenmaier & Guo, 2019) to a large extent. However, a number of authors made a research entry modes chosen by the Japanese companies when internalizing their activities Tanganelli and Schaan (2014) and on the topic of Japanese acquisitions and joint ventures in the United States (Hennart & Park, 1993; Huallacháin & Reid, 1997; Reddy et al., 2002), a number of literature focusing primarily on the Japanese outbound cross – border M&As is limited. Therefore, we believe that since our study focuses on the cross-border M&A between the Japanese and Swedish companies, this study will contribute to the theory from the perspective of cross-border M&As between Asian and Swedish companies. We have developed fourteen propositions regarding the impact of culture in cross-border M&As between Japanese and Swedish companies and strategies to overcome complexities caused by cultural differences. These propositions contribute to the literature by providing profound information on the context of the cross-border M&As between the Japanese and Swedish companies in the modern days.

Besides, when it comes to practical implication perspective, through the research, we discovered challenges that are caused by cultural differences and solutions such as social activities, expatriates, internal communication, and previous experiences to overcome the challenge. We believe that by implementing these solutions in advance, the company could prevent communication challenges in cross-border M&A. We discovered that majority of solutions were commonly used within companies. For instance, all the case companies had expatriates who were bridges and communicators between acquiring and target companies. However, interestingly, when it comes to having social activities, all the companies identified methods that support getting to know a different culture and contribute to the interaction between employees from both companies. However, in reality, only one company organized the social activities to prevent potential challenges and complexities caused by cultural differences, and social activities have been nominated as one of the effective solutions. Hence, we recommend taking it into consideration during the integration process in cross-border M&A. Nevertheless, we have noticed that respondents identify cultural differences as a significant factor to consider and pay attention to when it comes to cross-border M&A. However, the reality was pointing out slightly different directions. However, our findings highlighted those cultural differences could influence the several factors that we mentioned,

which could directly influence the result of the cross-border M&A. We suggest companies pay more attention to cultural differences and their impact on the cross – border M&A.

6.3 Limitations& Future studies

This research aims to understand the influence and the ways to manage cultural differences in cross-border M&As. To collect the data for our research, we conducted twelve interviews with three different companies. We believe the interviews were enough to provide profound insight into our research, primarily since we have conducted interviews with both acquiring and target companies' perspectives. Therefore, the acquiring companies' perspective data was collected from the interviewees with the Japanese expatriates who relocated to Sweden due to the cross-border M&A. However, having a perspective of the employees working at the acquiring companies in Japan could also enrich our findings and allow us to have more insights into the subject matter.

Additionally, by its nature, organizational culture is integrated within an organization, and it is hard to change it, meaning that it can take a more extended period to evolve (Marks & Mirvis, 1992). Therefore, having a more extended period to conduct the research could give us opportunities and time to conduct more interviews to obtain richer information for the research. Nevertheless, due to the Covid-19 pandemic, all of the interviews were conducted online, which limited us to observing the body language and emotions of the interviewees.

Future researchers could conduct a longitudinal study to understand the cultural impact better to observe and study the cultural changes taking place after the cross-border M&A process is in progress. Besides, since this research focuses on cross-border M&A between the Japanese and Swedish companies, conducting comparative research on cross-border M&A between companies from different countries in Asia and Swedish companies and comparing could generate interesting results. Moreover, research on how cultural differences influence the performance of target companies after the cross-border M&A may have interesting implications. Since the research is focused on cross-border M&As as an entry mode, it would be interesting to investigate cultural differences in other entry modes, for essence, joint ventures or strategic alliances. Nevertheless, future researchers could conduct a deductive or abductive study based on the proposed theoretical proposition. We suggest having a broader case sample of companies which would allow generating profound information by testing the propositions.

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APPENDIXES

Appendix 1: The list of questions for Swedish interviewees

Basic information about an interviewee, position and about the acquiring and target company:

1. Basic information about the interviewee and the company.
2. Basic information about the acquiring company.

Attitudes towards M&A process and respondents' perceptions towards this process:

3. What were your first impressions of the acquisition?
4. What were your primary concerns about the acquisition?
5. How would you describe the relationship between your company and the acquiring company?
6. Could you please describe the acquisition process? For example, was there any adviser or experts who are well-aware of both companies? Ex) expert from the acquiring company's country.

Changes in the companies after acquisition, complexities:

7. How would you describe your company's organizational culture before the acquisition?
8. How would you describe the acquiring company's organizational/national culture, and were you aware of their culture before the acquisition?
9. Was there a significant difference? And if there was, please describe in detail.
10. What were the strengths and weaknesses of this acquisition?
11. Was there any complexity during the acquisition regarding organizational/national culture? ex) communication/ language barriers
12. Was there any specific requirement or guideline from acquiring company regarding organizational culture? Ex) work environment, HR requirements, corporate language, etc.
13. How did the acquisition impact your daily work tasks? '
14. Were there any noticeable changes in the work environment and organizational culture?
15. If there were, how do you think employees would feel about it?
16. What would you apply in your daily work from the Japanese/Swedish way of working?

Role of expats:

17. Do you think that expats acting as a bridge between the acquiring and target firms facilitate the integration process and interactions between two companies?

Role of cultural aspect during the M&A process and overcoming cultural differences:

18. How did you overcome complexities resulting from the cultural differences?
19. Did you have any special training and education regarding the cultural differences of both acquiring and target companies?
20. Do you think that having international experience helps to overcome cultural differences?
21. What is the role of communication in regard to overcoming complexities resulting from the M&A?
22. How would you rate the cultural fit between Sweden and Japan?
23. How would you describe your experience as an employee during the acquisition?

24. How would you rate the 'cultural aspect' when it comes to the critical factors that significantly influence the acquisition and the performance afterward?

Appendix 2: The list of questions for Japanese expatriates

Basic information about an interviewee and their position in the company:

1. Basic information about you, your position, and the company.
2. Did you have previous experience in cross-border acquisition? And moving to a different country as the expert?
3. If you have, do you think that previous experience of working with people from different countries is helpful?
4. If you have not, were there any type of education, training, or seminar session that explains the company in Sweden and Swedish working culture?
5. What were your first impressions of being the expert and moving to Sweden?

Interviewees attitudes towards an acquisition:

6. What were your first impressions of the acquisition?
7. What were your primary concerns about the acquisition?
8. How would you describe the relationship between your company and the acquiring company?
9. How much were you involved in the acquisition process?

Questions about Swedish organizational culture:

10. How would you describe your first impression of Sweden and Swedish working culture?
11. How would you describe your company's and home company's organizational culture? and what are the differences?
12. If you could apply some of the working/organizational cultures from your home country to your current company in Sweden, what would it be?

Complexities to overcome difficulties resulting from the cultural differences and ways to overcome them:

13. Have you ever experienced any complexity regarding organizational/national culture?
ex) communication methods/ language barriers/ working hours
14. If you have, how did you overcome such complexities?
15. Have you ever experienced any difficulties/ challenges while working as a bridge/communicator between your home country and Sweden?

Questions about level of cultural integration from Japanese company (Acquiring company):

16. Was there any specific requirement or guideline from acquiring company regarding organizational culture when they send you as the expert? Ex) Work environment, HR requirements, etc.
17. If you could apply some of the working/organizational cultures from your home country to your current company in Sweden, what would it be?

Cultural fit of the Japanese and Swedish organizational cultures:

18. How you would rate the cultural fit between your home country and Sweden in terms of business?
19. How would you rate the importance of the cultural aspects when it comes to pre and post-acquisition?

Appendix 3: Coding table

Codes	Theme	Quote Examples
<ul style="list-style-type: none"> ○ Positive ○ Interesting ○ Glad ○ Scary ○ Cultural difference ○ Favorite ○ Excited ○ Good Deal ○ Nice 	<p>Primary impression</p>	<p>“I was delighted. I never worked with the Japanese before. I've been working with a lot of other countries or cultures. So, that was very exciting. I thought it was fun, interesting, educating.”(HCN 1)</p> <p>“It was positive. And I think it was a little bit unusual of an acquisition in the way that everybody was positive. That's, I mean, I've been through a number of acquisitions. And that's usually not the case. Either everybody's negative, or there's like a 50:50 split or something”(HCN 2)</p> <p>“It's always scary when you don't know exactly what is in front of you. So, I would say it was both ways. Scary is maybe not the correct term, but still..... and then I started to think about the Japanese culture and the differences between Swedish culture and Japanese” (HCN 5)</p> <p>“So, the Japanese owners was very much the best solution. And everybody was happy with that.”(HCN 7)</p> <p>“I was excited and I thought it is a great opportunity” (PFN 1)</p> <p>“I thought that would be good. I think that this acquisition is a very great deal.” (PFN 2)</p>
<ul style="list-style-type: none"> ○ Anxiety ○ Potential change 	<p>Concerns/ Resistance</p>	<p>“No, not at all. Not at all. And from my point of view, I'm still work exactly the same way so.”(HCN 3)</p> <p>“Some concerns that okay, maybe Japanese people think that Europe is the same...So, I mean, they had some changes in how they did stuff but not as drastic as they might feared”.(HCN 9)</p>

<ul style="list-style-type: none"> ○ Curiosity ○ No concerns ○ Business-related concerns ○ Coworking ○ Cultural difference 		<p>“Of course, in the beginning, you don't know exactly what will happen. So, maybe you have some thoughts about if they will go in and structure things too much or make decisions on very high level, on a very detailed level. And so, we lose some of our own choice or making decisions by ourselves”(HCN 8)</p> <p>“I mean, some [employees] were probably scared of that [potential changes] before or during the acquisition. But when it finalized, I don't think anyone had that theory. So, it was just the shock, or whatever you want to call it, when we actually got bought”(HCN 9)</p> <p>“My concern was about how should we coworking with the local management because we acquire this company with all of the management will stay in the organization” (PFN 1)</p> <p>“I think there are two concerns. One is who can manage the [Company B] after acquisition. How and who can control the [Company B] remotely from Japan. And the second, it's cultural differences. So, I didn't know the culture of Sweden and [Company B]. But I understood, there might be a lot of differences between Japan and Sweden” (PFN 2)</p> <p>“At first, we had a concern regarding more practical business-related concern like we thought in Sweden's companies' worktime ratio is too low”(PFN 3)</p>
<ul style="list-style-type: none"> ○ No direct interaction ○ No previous requirement/guideline ○ Monthly meetings 	<p style="text-align: center;">Level of integration & autonomy</p>	<p>“I think we have a very good relationship because what happens, which is also very typical Japanese, is that they send their own people into, I put it into my company in various positions. Which is quite strange.”(HCN 1)</p> <p>“No [guideline], the only thing was actually the governance model, which they wanted to put in place right away...[acquiring company] would like to be more adopted to Western type of guidelines. Instead of being in strict control”(HCN 1)</p>

<ul style="list-style-type: none"> ○ Low integration level ○ No forcing ○ Equal partnership 		<p>“So, I think the relationship that we have with our owners is more compared to financial placement then stand in it. So, we are not integrated in any way”.(HCN 4)</p> <p>“On the higher management level, of course, they have more meetings, reporting meetings, and so on. But I don't think on the line manager level, we don't have any specific meetings with [acquiring company] directly.”(HCN 6)</p> <p>“Actually, no [guideline] I think they have been really, really supportive and avoiding to step in too hard”(HCN 7)</p> <p>“Even we don't force it, but you know, some good part we take it and convert it into the Swedish or Nordic version...but we just share what is the [acquiring company's] principle of the business, what is our core value, what is the vision mission” (PFN 1)</p> <p>“But now from my experience, most important, it's that we should work as an equal partner, not the acquiring company.” (PFN 3)</p> <p>“We are introducing the working group system more centralized and horizontal relationship”(PFN 3)</p>
<ul style="list-style-type: none"> ○ Low awareness 	<p style="text-align: center;">Awareness</p>	<p>“I don't really know to be honest. I mean, no, I couldn't fairly comment on that actually. Because I don't know.”(HCN 2)</p> <p>“ I don't have the details. I should know this better.”(HCN 5)</p> <p>“I didn't really notice until I became a manager...Also, the majority of employees in [Company B] I think have not really held that”(HCN 6)</p>
<ul style="list-style-type: none"> ○ Freedom 	<p style="text-align: center;">Swedish organizational culture</p>	<p>“We don't like to be controlled, or we don't want people above us telling us what to do. Because we are very transparent. We don't really like hierarchies at all, we're</p>

<ul style="list-style-type: none"> ○ Trial and Error ○ Freethinking ○ Self-sufficient ○ Flat management, ○ Decentralized ○ Try to avoid conflict ○ Fast changing ○ Broader responsibility ○ Prepare stability ○ Less risk-taking ○ Shorter working hours ○ Longer decision-making process/time ○ Avoid complexity ○ Openminded ○ Discussion 		<p>like, I mean, everyone can step into my door in my room without having an appointment. That would never happen in Japan,”(HCN 1)</p> <p>“it's quite decentralized... there's quite a lot of meetings and discussions and quite an open discussion culture.”(HCN 2)</p> <p>“Swedes tend to say that we're sort of in the middle, which is, from my perspective, completely wrong with far out on one end, extremely, extremely, let's say decentralized... And it might be hard to see where decisions are taken. Swedes tend to strive for consensus to logic stamp, tend to try to avoid conflicts”.(HCN 4)</p> <p>“As Europeans or Scandinavians, we have a tendency to look at things in a bigger perspective”(HCN 5)</p> <p>“Western, Swedish. I mean, we have a lot of freedom under responsibility”.(HCN 6)</p> <p>“In Sweden, we are quite flat in our organization... And we are quite broad in our responsibilities”(HCN 8)</p> <p>“We are pretty quick at changing. As I said, we're pretty open, creative, people can drive change and all of this, but the result is that it might not be as well founded and documented”(HCN 9)</p> <p>“In Sweden, still people tend to go home really early like at 4 o'clock, nobody in the office. It is totally different from Asian culture, especially Japanese culture. But because of this sometimes the project is delayed.” (PFN 1)</p> <p>“Everybody talks and everybody is very logical. So, there is no unreasonable thing. Anybody's reasonable, very logical, but...where is the decision?” (PFN 1)</p> <p>“I think, people love more stable things...So, I feel like they try to avoid some those kinds of challenge is in their culture” (PFN 1)</p>
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<ul style="list-style-type: none"> ○ Decentralized ○ Purpose-oriented ○ Lean management 		<p>“In Sweden, it is important to explain why this task is important... so, when Japanese employee sends the email to the Swedish employee to do something. Swedes always ask that doesn't mean people Oh, why? Why? So, complication is happening something.” (PFN 2)</p> <p>“Swedish and [Company B] has a speedy and Lean management So, it is effective to catch up the market and catch up the customer demand in the future...each manager can make a decision without any hesitation I think that's a good point for the business” (PFN 2)</p> <p>“In Sweden they discussion, discussion, discussion and achieve the consensus. So, again, we should have a discussion, discussion and achieve a consensus repeatedly with every business unit. It took a long time, about three months for each issue.” (PFN 3)</p>
<ul style="list-style-type: none"> ○ Top-oriented ○ Strict ○ Detail-oriented ○ Documented ○ Well-organized/prepared ○ Client-oriented ○ Life employment 	<p>Japanese organizational culture</p>	<p>“They were really paying attention to everything what I said, because I was the oldest guy in the room, I have the highest position...which I think is very strong Japanese factor, is that they were very much into details. Extremely. So, things that we don't even consider being a detail.”(HCN 1)</p> <p>“I mean, very early on in even prior to the acquisition, and the due diligence phase is just how much detail they love getting into that. I think that was sort of striking... Most managers in the Nordics don't want to be bothered by details, but a manager in Japan with all of the details.”(HCN 2)</p> <p>“my impression is that many Japanese companies, they are looking at the long term. I mean [acquiring company] is talking about the 100 year plan... Many Japanese companies they recruit directly from the university and then you are employed for life”.(HCN 4)</p>

<ul style="list-style-type: none"> ○ Long term planning ○ Hierarchy ○ Centralized ○ Less sensitive on Gender equality ○ Innovative ○ Hierarchy ○ Micromanagement ○ No guideline/job description ○ No questioning regarding work task ○ Lifetime Employment ○ Loyalty 		<p>“Japan is very, very detail oriented, deep down into the details directly, and it's difficult to back out and look at the whole picture”.(HCN 5)</p> <p>“It's Japanese. Of course. It's really top oriented. I mean, in the discussions we have, we see that management needs to take every decision. Everything is really strict...they need to know everything in detail. That's more of Japanese culture. We are more trial and error”(HCN 6)</p> <p>“You can't really say “no” in Japan. So, if you've promised the customer, something you need to do. And if we had maybe done it with a Western company, we would say, we don't think that you should do this. But in Japan, they say, Okay, we need to do this anyway, because the customer wants it”(HCN 6)</p> <p>“You need to consider equality, gender equality. Japan is horribly behind and, especially in the steel business.”(HCN 7)</p> <p>“And my feeling from the beginning is that maybe Japan is a bit more hierarchical. You need to follow the steps within an organization”(HCN 8)</p> <p>“Japanese they talk about, you know, generations. So, it's a completely different point of view on what is long term”(HCN 9)</p> <p>“Everything they say, you know, it's thought through and real. It's not someone's opinion, if they present something, it is decided. Differently from Sweden, where we'll say stuff and then see if it was actually true...Also they have an extreme hierarchy.”(HCN 9)</p> <p>Japanese company tends to do the micromanagement that is the biggest so to say” (PFN 1)</p> <p>“I think Japanese companies are more like detailed than Swedish companies” (PFN 1)</p> <p>“Japanese culture. So, we don't have any job description.” (PFN 1)</p>
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		<p>“To try to strive step ahead. Which means try not big giant step, but the small step, try a new thing.” (PFN 1)</p> <p>“Japan, Japanese do not really speak out. But in terms of the decision-making process or timing, many, many people are reading air. And when it comes to this stage, then everybody tried to read the air and no decision come on. ” (PFN 1)</p> <p>“The employee has big loyalty to the company...So, in fact, actually, I was in [acquiring company] for 10 years and my boss is that 25 years [acquiring company] So, that is so common culture in Japan.” (PFN 2)</p> <p>“Japanese so, they avoid saying it's a direct meaning they want to say the indirect method...many Japanese managers and executives is wanting to tell someone indirect feelings. Avoid saying direct expression. I think this sometimes makes Swedish people confused.” (PFN 2)</p> <p>“Japanese companies they want their employees to tend to do the task without the purpose... So, Japanese people can accept these tasks without any explanation.” (PFN 2)</p> <p>“If my manager demanded me to do something, I don't ask my manager why this task is required. So, such as so [acquiring company] culture”. (PFN 2)</p> <p>“Japan has adopted a lifetime employment system...most importantly is lifetime employment” (PFN 3)</p> <p>“In Japan, they should draw up the budget in greater detail...They were asked to explain these differences in detail.” (PFN 3)</p> <p>“Usually in Japan, we have a centralizing function” (PFN 3)</p>
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<ul style="list-style-type: none"> ○ Communication ○ Different dialogue ○ Misunderstanding ○ Language barrier ○ Time difference ○ Delay on project 	<p>Challenges</p>	<p>“We've had a couple that have struggled with language, they've sort of been rotated to other assignments. But yeah, we've had a couple that really struggled with with English.”(HCN 2)</p> <p>“But more on a personal level, I think that some colleagues might feel reluctant to, on the deep level, get to know each other's. But no extra costs.”(HCN 3)</p> <p>“In the dialogue and that business relation you can definitely see the cultural differences. And while that is challenging, sometimes it's easy to misunderstand and not understand each other at all. Basically, you do not understand the question that they ask and if I try to answer they will not understand the answer. Because we will look at things in different ways”.(HCN 5)</p> <p>“Huge hierarchy Yeah, that's very complicated from my point of view, I have difficulties understanding all the departments and what you need to do in order to achieve something and it's very or more a lot of slow thinking”.(HCN 5)</p> <p>“The problem with that is that the senior people, the older people don't know English that well. So, the younger people are much more easy to collaborate with for us, which means in a way that we have to break with the typical Japanese way of communicating, you know, you have to go climb the hierarchy and get but we are cutting across like that, and finding the right partners to communicate with.”(HCN 7)</p> <p>“While we [Swedes] can take a spontaneous meeting, discuss something and it doesn't really matter if we come up with stupid ideas... but you can't really do that on an official meeting with Japanese, because then it will be okay, here is where we exchange facts...So, we still haven't figured out really how to have these formal meetings and discuss informal stuff”(HCN 9)</p> <p>“I would say language is one barrier... then we have a Swedish team, more or less everyone speak English, because the meetings are held in English. On Japanese</p>
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		<p>side there is maybe one guy in this team who speaks English. So, then he has to translate. And then also, depending on your background knowledge, things can be difficult to explain or understand maybe”.(HCN 8)</p> <p>“But because of [Swedish working style] sometimes the project is delayed.... I actually got through some disappointment from shareholders” (PFN 1)</p> <p>Of course, we challenge that through the dialogue, try to come up with the best solution in local way, I think that is actually in line with the ultimate goal. Make this company more better and make profit.” (PFN 1)</p> <p>“And the other interesting complexity is vacation period. So, in Sweden, they tend to have a vacation on July. So, as a team, they cannot answer the discipline the play. So, that is complicated.... And the Japanese people say, why do they not answer? And of course language barrier is the major difficulty here. “ (PFN 2)</p> <p>“Japanese avoid saying direct expression. I think this sometimes makes Swedish people confused.”(PFN 2)</p> <p>“the most important is that issue with language barrier...the biggest issue for the Japanese is a language barrier...Once a month, we have official meeting and they talked about the business issues during the dinner time. We have to talk about it in English, they cannot understand.” (PFN 3)</p>
<ul style="list-style-type: none"> ○ Extremely alike ○ Good match ○ Similar culture 	<p style="text-align: center;">Cultural fit</p>	<p>“It's actually pretty good...Because I think we're quite fact driven. Not so emotional. We'd like to sort of doing our homework. So, I think the I mean, I think that the fits not too bad, actually.”(HCN 2)</p> <p>“The Asian countries, I see a big difference between the different Asian countries in China versus South Korea versus Japan versus Malaysia. It's quite different. Japan and Sweden are actually quite a good fit of them”.(HCN 4)</p>

<ul style="list-style-type: none"> ○ Common working style ○ Satisfied ○ Compatible ○ Conservative ○ Equality principle ○ Good marriage ○ Symphony ○ Similar thinking style 		<p>“I think we are the closest to Japan. So, we have a lot in common. And they have also from Japan, quite a lot of respect for the Nordic countries”(HCN 7)</p> <p>“I think in the beginning was maybe more uncertain, we didn't know how to work, but they are quite similar to the Swedish style, I would say, it's works quite good.”(HCN 8)</p> <p>“I think from a fundamental way of thinking the Japanese and the Swedish people are extremely alike. We have this personal space kind of thing. I mean, we don't interrupt each other....And I think that really helps the communication, we are not so loud, we have this Scandinavian culture, which is actually surprisingly similar to the Japanese form of respect”(HCN 9)</p> <p>“I think It's a good marriage for the both company.” (PFN 2)</p> <p>“I think Swedish people and the Japanese people are, I think it's kind of Symphony. So, we will have a good relation, because similar thinking.” (PFN 2)</p> <p>“So, we think Japanese and Swedish company are very compatible. They are compatible.” (PFN 3)</p> <p>“Japan and Sweden because we had a modest and conservative, emotional expression and equality principle, everyone is equally.” (PFN 3)</p>
<ul style="list-style-type: none"> ○ Important ○ Critical ○ Joint understanding ○ Respect difference 	<p style="text-align: center;">Influence of cultural differences</p>	<p>“I wouldn't say the more that there were or are any critical factors, I think it's more. There are a few other things you need to adopt to because setting the goals of the business, you know, when it comes to profit market share, launching new services and products, I would say those are the same.”(HCN 1)</p> <p>“I think that's you might not need to have the cultural state, but you need to respect the differences. And you need to have an understanding that what I perceive as,</p>

<ul style="list-style-type: none"> ○ Financial aspect ○ Benefit ○ Right expectation ○ Right understanding ○ Awareness 		<p>let's say, good behavior, or what I perceive as this is how decisions are being taken".(HCN 4)</p> <p>“I think the post merger integration is absolutely critical to the success of moving forward. That's when you sort of energise people, motivate people, make people stay on board and so on. And I think in that respect, the culture is absolutely key component. It's critical, but not the not the same...I mean, on the surface, Japan can look very different to Sweden and Finland, it is different. I think you have to look beyond those culture levels and look at other things, how do you what's your view on business?”(HCN 7)</p> <p>“I think there can be, a risk of misunderstandings or in our culture of a way of how we behave or how we work or how we report results. If that's not the same way in the other end. Of course, it could be a problem. So, then yeah, I think it's important to lift these issues if it comes. But as I said before, Sweden and Japan we are quite similar anyway. “(HCN 8)</p> <p>“ I think the culture differences obviously affecting much.....So, it's really important to set the right expectation, which means we need right understanding of Swedish culture in those kind of aspects. So, in that sense, the cultural difference is quite a lot.....I actually got through some disappointment from shareholders and then try to reset the right expectation here.” (PFN 1)</p> <p>“ I think it's important. For example, one of my HR advisor so they said, if the business price good on the for the post company, so, this deal is very good. But if the cultural different is so big. We should stop this there.” (PFN 2)</p> <p>“it's important to understand the difference of organizational and working culture between Japan and Sweden.” (PFN 3)</p>
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<ul style="list-style-type: none"> ○ Introduction sections ○ Corporate presentations ○ Covid19 	<p style="text-align: center;">Social Activities</p>	<p>“But for me it was more of creating connections, especially with these engineers that we have in Sweden and with the guys in Japan. And from there, understand how they work and apply to that, that way of working, so, for me, it was personal connection and a lot meeting physically and create a relationship, understand how they're working.” (HCN 8)</p> <p>“We tried to spread information. We made sure there were organization charts, we had the prepared it very well, from Japan side with all photos, names of people, we even started to introduce nicknames, like Swedish nicknames. So, we tried to really make it visible. And then of course, we also brought in some training seminars, from University of Dalarna. They had some training in Japanese culture, and so on. So, we had a little bit of that”.(HCN 7)</p> <p>“And we haven't hardly have any informal social gatherings due to Covid, because we [...] So, that's unfortunate, of course, but we have invited them to almost every meeting but most of those meetings are in Swedish. But they still participate. And then they know the purpose of the meeting”.(HCN 1)</p>
<ul style="list-style-type: none"> ○ International experience ○ Working abroad ○ Experience at running M&A in the past ○ Previous experience from acquisitions 	<p style="text-align: center;">Previous Experience</p>	<p>“if you don't have the experience of working in different countries and hands on doing this type of things, then it's very hard to realize what are the timeframe? And how can you work with it? And what's easy? What's not easy?”(HCN 4)</p> <p>“For me, me and the particular colleague of mine, we, the two of us, we really worked on this, and we have a lot of international experience ourselves. And both of us leave the work in Asia. And so we, we know very well, what it looks like from both sides, so to say”(HCN 7)</p> <p>“But then I was all over the world. And, of course, you learn a lot, and then you understand how you have to handle people in different parts of the world, that is different things. So, I think, for me, personally, has been quite good experience”. (HCN 8)</p>

		<p>“So, there's no surprise and because my first 10 years in Asia, mainly I was engaged in Asia business, including China, and also Korea and Taiwan. And then next 10 years, second decade is in Americas, United States, Canada”. (PFN 1)</p> <p>“But I had experience on acquiring other company so, that is helpful for me now” (PFN 2)</p>
<ul style="list-style-type: none"> ○ Communication ○ Transparency ○ Joint understanding 	Internal- communication	<p>“We did have, you interviewed [(HCN 7), he is my channel into the board. So, we got the communication through him. And he, many get excited about his own little projects, and so on. So, it always got filtered through his ambition in that” (HCN 9)</p> <p>“But we kept information going on there were explained to our employees. And we are very open with information in general within the company. So, we explain where we are in the process and where history is coming”.(HCN 4)</p> <p>“Of course without communication then it doesn't work anyway. I was lucky because I think this management is really listen and speak and try to understand mutually and I think that mode is really worked”. (PFN 1)</p>
<ul style="list-style-type: none"> ○ Important ○ Interpreters ○ Lobbyists ○ Translator ○ Bridge 	Role of Expatriate	<p>“Six Japanese people working in Sweden in Stockholm. They I would say they are helping things for us... I think it would be quite difficult, if I was the only key contact person to the top management in Tokyo, then I think the culture issues would be more of an issue...Also being the bridge between Tokyo and Sweden,”(HCN 1)</p> <p>“the fact I mean, having these Japanese expats, the secondees living here in Sweden, Norway, and Finland is a big help...they're a big help in translating not only from a language perspective, but also from a cultural perspective and putting together...So, I think without them it would have been a lot more difficult.”(HCN 2)</p>

		<p>“One of the reasons why well, we have a Japanese engineer in [Company B], in Västerås, is because just a language barrier, and also to be able to facilitate these types of contractual discussions that take place”.(HCN 4)</p> <p>“one key has been that we have had two Japanese employees here in Västerås, and we have been able to use them as well lobbyists or whatever they can I explain what we want to achieve when we say something, and vice versa, they can understand nor explain to me what the Japanese people are thinking and why they are asking these questions. So, I think that has been an important thing to simplify the cooperation”. (HCN 5)</p> <p>But I know that I've been in meetings which Japanese that you need to have an interpreter. And that's also one of the reasons that we have expats here working here. So, they are working, or they were working somewhat as interpreters some things in the beginning”. (HCN 6)</p> <p>“But then we also have in higher-level management, much more problems with understanding cultural differences.... And that's also one of the reasons that we have expats here working here. So, they are working, or they were working somewhat as interpreters some things in the beginning”.(HCN 6)</p> <p>“I think expats is very, very important and they plays a big role” (PFN 2)</p> <p>“I also have a task connecting [Company B] and this [acquiring company]. So to say it's like a bridge between [acquiring company] and [Company B]”.(PFN 2)</p>
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