Contradicting Management Control Ideologies

A Study of Integration Processes Following Cross-border Acquisitions of Large Multinationals

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För avläggande av ekonomie doktorsexamen i företagsekonomi som med tillstånd av Handelshögskolans fakultetsnämnd vid Göteborgs universitet framlägges för offentlig granskning fredagen den 5 oktober, kl. 14.15 i Volvo-salen vid Företagsekonomiska institutionen, Vasagatan 1, Göteborg.

ABSTRACT

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The 1990s and early 2000s witnessed some of the largest cross-border acquisitions in business history. This thesis studies how key management control actors experienced the integration processes following two cross-border acquisitions. The overall purpose is to study a particular management control model following an acquisition of two foreign multinationals and following an acquisition by a foreign multinational. A subset of three research questions is developed for these purposes: 1) to examine the actors' experiences regarding possible contradictions and their consequences; 2) to unravel actors' responses to conformity pressures; and 3) to illustrate the major elements and forces that thwart or enable integration. The large size of the organizations, the two-fold direction of the acquisitions, the assumed significant cultural differences, and the length of the examined process (over six years in Case 1 and seven years in Case 2) contribute to new findings. The study is based on a pragmatic (re-) constructivist research approach where key actors' narratives and their sense-making are the core elements. The fieldwork is based on 22 interviews with key actors in Case 1 and 28 interviews in Case 2.

The findings from the study illustrate that management control problems are behavioral problems that are most obvious in cross-cultural settings when organizations are growing through acquisitions. Management control is described by actors as models that consist of a collection of ideas, assumptions and frameworks rather than as physical elements. As a result, the work following such acquisitions is often something other than real integration. Rational integration frameworks then rarely help; nor can integration be forced upon the acquired entity by means of coercive power. Real legitimacy is needed in order to achieve most changes. The primary factors that makes the difference are the power of the rhetoric used to support the management control models and the skill of the finance actors (advocates) who wish to persuade and convince other actors (guardians) of the strengths and advantages of a given model. Hence, an acquirer's management control model and its advocates cannot defeat an acquired entity's model and its guardians if the acquirer's model and its rhetorical/persuasive powers are weaker.

Moreover, management control knowledge in organizations is often tacit knowledge. Therefore, as long as actors do not recognize the same management control models and do not apply the same worldview and logic, all tacit knowledge has to be made clear and 'visible' before it can be communicated to new members of the new entity. Otherwise, new members will not understand the new model and will not accept it. Interpretation and translation of management control models are therefore major drivers in creating a common management control language of clarified images and shared meaning and understanding. This in turn requires direct contact between actor groups: direct interaction and direct communication. Management control is not a 'technical rational' area where there is universal agreement on its benefits.

Additionally, the conflicts resulting from two competing management control models can probably never be totally resolved in a rational way because the resulting problems and situations, following cross-border acquisitions, are often complex and interwoven. From a purely financial perspective, it is difficult to weigh the pros and cons involved with making management control system changes. Therefore, in most cases, the subjective judgments and common sense of actors are crucial in this process of deciding if, how, and why one choice is better than another. The actors' socio-economic 'inherent' logic and their personal and company values must play a major role during such post-acquisition work. The conclusion of this study is that the best solution to resolving the conflicts between competing management control models is to make gradual changes, using negotiation strategies and applying strong rhetorical/persuasive methods in an environment that recognizes the importance of the participation of the actors involved.

Keywords: management control, mergers and acquisitions, cross-border, ideology, rhetoric, coercive power, legitimacy, integration process, institutionalization, contradictions

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To my three girls:
Johanna, Isabella, and Josefina

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Göteborg,
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Peter Beusch

ABSTRACT

The 1990s and early 2000s witnessed some of the largest cross-border acquisitions in business history. This thesis studies how key management control actors experienced the integration processes following two cross-border acquisitions. The overall purpose is to study a particular management control model following an acquisition of two foreign multinationals and following an acquisition by a foreign multinational. A subset of three research questions is developed for these purposes: 1) to examine the actors' experiences regarding possible contradictions and their consequences; 2) to unravel actors' responses to conformity pressures; and 3) to illustrate the major elements and forces that thwart or enable integration. The large size of the organizations, the two-fold direction of the acquisitions, the assumed significant cultural differences, and the length of the examined process (over six years in Case 1 and seven years in Case 2) contribute to new findings. The study is based on a pragmatic (re-) constructivist research approach where key actors' narratives and their sense-making are the core elements. The fieldwork is based on 22 interviews with key actors in Case 1 and 28 interviews in Case 2.

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1. INTRODUCTION

This chapter presents the research problems and the purpose of the thesis. To that end, the chapter provides a short description of the area of management control and acquisitions with particular reference to various control problems across borders. The chapter ends with the delimitations of the study and an outline of the subsequent chapters.

1.1 Management Control and Acquisitions

This study is about management control in cross-border acquisitions of multinationals, presented as two case studies. In brief, cross-border acquisitions[1] occur when one enterprise acquires control of the whole or a part of another enterprise headquartered in another country. Typically, an acquisition normally involves the acquirer company's purchase of the acquired company's shares in a number sufficient to give the acquirer control, with the acquired firm continuing to exist as a legally owned subsidiary of the acquirer. The 1990s witnessed some of the largest cross-border M&As in business history with examples such as Daimler-Chrysler, Exxon-Mobil, British Petroleum-Amoco and Vodafone AirTouch-Mannesmann. Cross-border acquisitions today represent around 80% of the world's foreign direct investments (Chapman, 2003). The argument is made, rather convincingly, that multinational corporations today are the most important institutional force in the global economy and the single biggest means of integrating the world's economies (Hopkins, 1999).

There are three main explanations for the sharp increase in such cross-border acquisitions in the most recent wave of M&As that began in the early 1990s (OECD, 2001, p. 39): currency exchange rates, technological progress, and government regulation /legislation. Economic factors were important in cross-border M&As by American and British companies since their strong currencies helped pay for corporate equities. The decrease in transportation costs and the increase in information technology were factors in making international communication and co-operation easier and less expensive. In short, the optimal firm size increased. Governmental changes moreover helped liberate and deregulate markets, which in turn facilitated an international movement of capital and foreign direct investment.

Broadly defined, management control (MC) is "everything managers do to help ensure that their organization's strategies and plans are carried out or, if conditions warrant, that

[1] Most literature in the field of 'acquisitions' concerns both acquisitions and mergers, abbreviated usually as M&As. Mergers are a combination of two firms where a new corporate entity is created (Vaara, 2000). However, as only about 3% of all M&As can be classified as real mergers between equals (Buckley & Ghauri, 2002), they have not attracted much research attention. This study therefore refers to all business combinations as 'acquisitions'. In the theoretical discussion of this study, the term 'M&As' is often used because it is the term the referenced authors and researchers have used. The empirical chapters in this chapter differentiate between the two terms 'acquisition' and 'merger' in some parts in order to explain that the integration processes may be greatly influenced by whether the arrangement is, or is characterized as, a merger or an acquisition.

they are modified" (Merchant, 1998, p. xi).[2] A management control system thus is a logical integration of different management accounting tools used to gather and report data and to evaluate performance (Horngren et al., 1996). Therefore, in the best of worlds, according to the modern textbook literature, management control functions contain all the devices managers use to make certain that people's behaviors and decisions are consistent with the organization's objectives and strategies, such as formal and informal information systems (Merchant, 1998; Simons, 1990, 1995).

Management control is a critical function of management not least because control problems can lead to large losses and sometimes also to organization failures. Precisely owing to these potential dangers, one of the first and often most important actions taken to assure a successful integration[3] after an acquisition is to change the formal parts of the management control system, particularly at the acquired company (Granlund, 2003; Johansson & Nilsson, 2000; Jones, 1985a, 1985b, 1986; Kitching, 1967, 1974; Nilsson, 1994, 1997, 2000). After M&As deals, 'formal' management control changes should occur in the new 'combined' organization (acquirer and acquired), in order to begin generating the benefits associated with the actions taken by the new owner, and also, some argue, to assure a common strategy (Campbell et al., 1995; Goold et al., 1994). The M&As literature on strategy emphasizes that a clear, strategic profile is important for the enlarged company in order to create the value promised, or implied, by the acquisition (Jemison & Sitkin, 1986). From such a perspective, it is essential that the system of control is designed and used in harmony with this chosen strategy. Hence, management control systems are a main tool used to support the implementation of the chosen corporate strategy into the acquired 'subdivision'.

After M&As, the two management control systems must be integrated in a way that creates synergies in the form of economies of scale and scope in administrative and financial processes (Kitching, 1967, 1974). Such integration inevitably means changes that are normally justified primarily in terms of reduced communication costs since it is obviously essential that the two companies' figures be comparable if there is to be a reliable basis for making decisions and reducing interface problems. Implementing and integrating management control systems and processes in a way that suits both acquirer and acquiring companies is generally a challenge since such systems and processes are integral to organizations' structures. Jones (1985a, p.197) in a seminal study described this challenge thusly:

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[2] Merchant's (1998) definition of 'management control' is a popular one. He is one of today's most appreciated theoreticians in the field (Waal, 2005). However, it is not the only definition nor necessarily the best one. Throughout this study, I use Merchant's definition merely to show that it is only one way of looking at management control. Unfortunately, an exact Swedish translation of this term is not possible as there is no word-for-word equivalent, perhaps owing to 'ideological-cultural' differences between Sweden and the Anglo-Saxon countries.

[3] The word 'integration' has multiple and complex meanings. At this point, I use 'integration' in a simple way to illustrate that some degree of inter-organizational co-ordination of systems, processes, and practices (or even people) is necessary after an acquisition (not necessarily after a merger). A main issue with the integration process concerns the level of integration organizations choose to implement (Pablo, 1994) and how organizational members look at this issue.

> “Management accounting systems form an integral part of an organization’s structure and processes to effect control. Their importance stems from the ability to facilitate organisational integration, to motivate, to assist decision-making, and to provide measurements of performance through enabling characteristics such as the delegation of authority, communication of objectives, participation, and informational feedback. The delicate balance of the framework of organizational control is likely to be disturbed by acquisition and the restoration of equilibrium makes new demands upon MAS as facilitators of integration and motivation.”

Turning to the research in the area of management control and M&As, researchers have, predictably, examined the topic from a number of angles. Several authors, feeling the need to legitimize their studies, have used ‘bad performance’ or ‘a high failure rate’ of post-acquisition business combinations as their main rationale for their investigations (Granlund, 2003; Jones, 1985a, 1985b; Kitching, 1967, 1974; Nilsson, 1994, 1997, 2000). In these studies, the major reason for bad performance offered generally is the complexity involved in trying to restore the equilibrium to the framework of organization control that Jones describes.

Research has also revealed that integration of management control systems in practice often means that the acquired organization’s system must be designed and used in the same way as the acquiring company’s (Jones, 1985a, 1985b, 1986). Hence, several studies look at how such systems are made to conform to the needs of the acquirer rather then to support the acquired organization (Jones, 1985a, 1985b; Kitching, 1967). Taking a political perspective, researchers have shown that political processes rather than structural logic have sometimes determined which management accounting and control systems are adopted. Almost unavoidably, research has revealed problems in long-range and strategic planning as well as other dysfunctional effects have resulted, including poorer quality of information and over-formulization of rules and procedures (Jones, 1985a).

In a follow-up study, Jones (1985b, p.305) concluded, “the design of management accounting systems can be subject to political processes which reflect ideological values rather than being purely mechanical devices”. He also found that such systems, in the post-acquisition period, are treated more according to universalistic theory (conformity and carry-over) than according to contingency theory. Jones (1986) concluded furthermore that many control functions shattered in the organizations he evaluated (usually, the informal parts) and more formalization was the rule as changes automatically led to an increase in formal control. Apparently, formal control increased in most of the acquisition cases evaluated by Jones and in the two studies (1986, 1992) that followed these investigations of acquisitions/buy-outs, all made in Anglo-Saxon settings.

In a Swedish context, research studies show that there exists rather different management control system integration logic. In Sweden, it seems as if shared activities determine how much co-ordination is necessary (in financial acquisitions less than others). The more co-ordination that is needed, the more management control systems are used (Nilsson, 1997). The mechanical extension processes described by most textbooks and consulting studies are not visible to the same extent. In fact, Nilsson (1997) shows how integration decisions follow structured discussions, in which the pros and cons of situational adjustments versus centralization are talked through. Hence, it seems that contingency theory is applied more in Swedish enterprises than in, for example, British ones, which were the objects of the investigations in all of Jones’ studies (1985a, 1985b, 1986, 1992).

1.2 Control Problems (across Borders) are Behavioral Problems

It is general knowledge that controlling multinational organizations is a complicated task, primarily due to cultural and societal differences across regions and across national borders. The management control literature has devoted considerable space to this topic as well (Bhimani, 1999; Chenhall, 2003; Chow et al., 1994; Emmanuel & Otley, 1995; Simons, 1990; Slagmulder, 1997). Management accounting systems and techniques are not yet global since socio-cultural elements, reflecting the environment of organizations, are very influential (Bhimani, 1999; Bhimani et al., 1996; Harrison & McKinnon, 1999). The exhaustive analysis of multinationals' control mechanisms by Harzing (1999), for example, shows that about ten years ago, there still were "strong differences between multinationals headquartered in different countries in the application of the various control mechanisms". Harzing's study provides evidence that "the country-of-origin effect has anything but lost its significance" (pp. 356-357).

Since managerial control problems often stem from behavioral problems, national culture predictably has a direct effect on management control systems, as Merchant (1998, p. 769) explains:

> "National culture has a direct effect on MCS because control problems are behavioural problems. When groups of employees perceive things differently or react to things differently, different control choices may have to be made."

Merchant (1998, p. 768) also finds that "adapting management and control practices across borders is complicated", and he acknowledges, "Research on the topic is in its early stages". Despite the increased focus on this topic in the last decade, I agree with Merchant's assessment of the state of research at present in this area.

However, some important research has been conducted on control problems following cross-border acquisitions. The work of Hofstede (1980, 1984) during the 1980s was the trigger for a series of cross-cultural studies in the field of management control. For an extensive overview of studies based on Hofstede's taxonomy, see Harrison and McKinnon (1999) and Chow et al. (1999). In these studies, Hofstede's typology of value differences (individualism versus collectivism; large versus small power distance; strong versus weak uncertainty avoidance; masculinity versus femininity; and long-term versus short-term orientation) among workers in subsidiaries of multinationals in different countries is examined. In most of these studies, the researchers determine that the culture of the national environment in which an organization is active affects the management processes and practices (Brewer, 1998; Chow et al., 1999; Hofstede, 1980, 1984, 1997) and the way control systems are used (Birnberg & Snodgrass, 1988).

However, the research that applies Hofstede's typology originates from 'overseas' as the organizations studied typically are U.S.-based, and compares U.S. organizations with organizations (or subdivisions) in Asia, for the most part. Furthermore, many of these studies are from the early 1980s and are thus rather out-of-date, as Harrison and McKinnon (1999) note. Probably the most severe criticism of this research based on Hofstede's culture typology has come recently from researchers who question the value of such a quantitative way of viewing culture in organizations. They perceive a risk in reducing culture to just another variable in the existing models of organizational performance. Harrison and

McKinnon (1999) find such a diminution of culture in most of the studies they evaluate. In fact, most authors now writing on cross-cultural management control apply survey methods in the study of the comparative 'dimensions' of culture.

However, this survey methodology does not comply with the epistemological foundation of culture research in organizational studies in general. Hence, it is now argued that culture researchers should be concerned with the evolution of social systems over time, while also placing emphasis on acquiring a deep understanding of the underlying cultural assumptions (Schein, 1989) and individual meaning (Geertz, 1964). Hofstede's typology is criticized as a rationalization of the individual's cultural characteristics, generalized to a national level where they can be quantified. Where once, Hofstede's typology of national cultures was considered revolutionary in the study of organizational behavior, in contemporary research his ideas have lost their force, particularly among researchers who are less inclined to categorize cultures in the changing environment of globalization.

As far as the treatment of acquisitions in textbooks for accountants and controllers (DePamphilis, 2003; Morris, 2000; Morris & Blackton, 1995; Willson, et al., 1999), typically their main feature is a checklist of the pre-M&As steps (from 'due-diligence' to 'negotiation' to 'closing the deal'). It is striking that such textbooks devote little, or no, attention to the integration step, following the closing of the deal, since the failure of this step accounts for many of the failures of such business combinations (Beusch, 2004, 2005). Similarly, research on the integration process in studies on M&As and management accounting and control is sparse. The explanation may be that integration problems only really became evident during the mid to late 1990s (Galpin & Herndon, 2000). It is difficult to find a study that examines the management control integration process over time, following an acquisition; snapshots of a post-acquisition integration success or failure are much more common (Jones, 1985a, 1985b, 1986; Kitching, 1967, 1974). With the exception of a few studies (Granlund, 2003; Nilsson, 1997, 2002; Roberts, 1990), we also have very limited knowledge of the success or failure of the integration process midway through the post-acquisition period, say two to three years after the acquisition deal has been announced.

Thus, most research in the field of management control and M&As describes integration as a relatively straightforward process that assumes fairly rational decision-makers are involved. In this research, the main focus is on formal information systems and feedback systems, suggesting that systems behavior rather than human behavior is of most interest. As a result, management control systems in the research have almost exclusively been treated as 'hard' variables, separate from human, cultural, and social variables. Typical consulting studies and framework reports furthermore mostly concentrate on how the various steps in acquisitions have to be planned and executed (Ashkenas & Francis, 2000; Galpin & Herndon, 2000; Gaughan, 2002). Terms such as 'adequacy' and 'accuracy' are then used throughout such literature, and human behavioral problems are not closely examined. As Granlund (2003, p. 208) reports:

> "Mergers and acquisitions have rarely been analyzed from management accounting's point of view, and especially so if we are looking for studies that try to understand the human and social aspects of these processes."

On the other hand, socio-cultural and Human Resources (HR) researchers in the M&As research stream have, for more than twenty years, looked intensively at cultural and human issues during integration processes following acquisitions. They emphasize that organizational differences (Cartwright & Cooper, 1996; Larsson & Risberg, 1997) and national cultural differences (Calori, et al., 1994; Gancel, et al., 2002; Håkanson & Janson, 1992; Morosini, 1998; Morosini, et al., 1998) both play an important role in integration processes. Integration struggles, due to culture clashes, are the problems most often mentioned by companies after M&As deals are closed. The majority of these studies show that the complexity of the M&As integration process normally increases the more distant the organizations are socio-culturally.

It is only in recent years that researchers have looked more closely at management control practices in different organizations. This increase in the research is the result of interest in systems influenced by modernity, globalization and local ideologies (Ajami et al., 2005). In this research, the focus is on broader and more institutionalized concepts of control in which, using Kostova and Roth's definition, management control practices are defined as an organization's routine use of knowledge for conducting a particular management control function that has "evolved over time under the influence of the organization's history, people, interests, and actions" (2002, p. 216). These practices reflect the shared knowledge of the organization and "tend to be accepted and approved of by organizational members". The major challenge to organizations, according to this research stream, is making the integration process work with people in the acquired organizations, such as management control system designers and users, who, for the most part, have grown up in specific societies in accordance with the thought and action models of that society, following its values, ideas, and customs.

These "ideological" characteristics that people exhibit derive from different structures of their society, for example, its constitution, its laws and regulations, its various traditions and systems, and the philosophical thought models that influence a particular culture (Norreklit & Norreklit, 2005; L. Norreklit, 2005). Such characteristics are reflected in the management theories and management control concepts that are applied in a particular society, and hence, in particular organizations as well. Therefore, in order for management control instruments to be effective in an organization they need to be consistent with these underlying ideological characteristics (Bourguignon et al., 2004). However, in addition to these societal elements, every company has its own history with its own management philosophy and ways of working. Therefore, people working at that company are necessarily influenced by the "values, norms and practices of its management" (Bartlett & Ghoshal, 1995, p. 472) and probably by other employees as well. As a result, members of a firm develop a set of shared beliefs that legitimizes certain ways of organizing and controlling that become part of a firm's dominant logic, summarized by Lubatkin et al. as the "administrative heritage" (1998).

Thus, given this shared history and shared work experience, organizational practices in a company become taken for granted and institutionalized. Such practices then are adopted for reasons of legitimacy and not necessarily for reasons of efficiency (Meyer & Rowan, 1977). Practices appear legitimate when organizational members perceive them as reasonable and accept them as the right way to perform certain work. An example of this kind of shared practice is described by Ahrens (1996, p. 146):

> "When organisational members become accountable to accounting, the numbers never speak for themselves. They need to be compiled, compared, and interpreted in ways which organizational members perceive as reasonable. Those reasonable, accepted ways make out an organisation's style of implicating accounting into processes of accountability. In order to avoid appearing unreasonable or unintelligible, organisational members act and argue such that they reproduce that style."

A framework that I believe best summarizes management control in organizations is Perrow's (1970, 1972, Perrow et al., 1986) typology that classifies control in organizations by three orders of control; namely, first-order control (direct supervision); second-order control (programs and routines); and third-order control (assumptions and definitions that are taken for granted). Perrow (1970) calls these third-order controls "premise-controls" because these control mechanisms influence the premises people use when analyzing situations and making decisions in organizations. Premise-controls are in this way the deep assumptions that are the foundations, for example, of culture in Schein's (2001) conceptualization.[4] Such "premise-controls" therefore are mostly about the informal controls and the parts of standard control frameworks (Merchant, 1998; Simons, 1995) as they include the more "unobtrusive control instruments" that typically are "implicit and tacit, preconscious and mindless; simply things that are taken for granted" (Perrow et al., 1986, pp. 127-128).

Management control is not simply about accounting numbers gathered by different systems. Its most important function relates to providing the data for decision-making as has long been recognized. Nearly a half century ago, March and Simon (1958) explained the importance of premises in decision-making. Thus, 'premise-control' is a constructive concept that connects sense-making with decision-making. Premise-controls are considered, for example, more pervasive when the technology in organizations is more non-routine and when professionals do the work; hence such controls are most important at the top levels of organizations (Perrow et al., 1986, p. 130). In other words, premise-controls are especially necessary to stabilize and routinize work when the first and second-order controls (surveillance, rules, specialization, and standardization) are not possible or desirable (Weick, 1995).

Premises are close to emotionally charged beliefs as they include both "factual content and value content", and it is exactly because "the truth of these premises is not known that their choice is made on other grounds such as ideology" (Weick, 1995, p.114). The relationship between Perrow's first-order and second-order control and the premise controls (third-order control) is explained by Weick (1995, p. 117):

> "Controlled work creates nonroutine spin-offs higher up that require interpretation and judgment. These spin-offs are susceptible to premise and ideological control. At some location in the organization, ideological content will affect nonroutine decision-making. The question of which issues are nonroutine and come under the control of ideological content, and where in the hierarchy these ideological premises are imposed on the nonroutine, are researchable issues affected by organizational design. We reach these issues in studies of sensemaking, because premise controls are one means by which

[4] Perrow's (1970) classification has found support over the years, and has also been applied in management control studies (Abernethy & Brownell, 1997) that mostly research the effectiveness of non-accounting controls.

ideology is translated into action, and because this translation occurs most often where the technology is nonroutine and unanalyzable, and where the potential for incomprehension is high. It is this complex structural configuration where, ironically, content may have its most decisive effect."

Management control tasks, such as budgeting, standards setting procedures, financial planning, and creating/using financial performance measurements, while performed at lower levels in organizations, require interpretation and judgment by top levels. Research suggests that the potential for misunderstanding of these tasks seems especially high after M&As. Granlund (2003, p. 210) makes this point in his study of different actors' views of the M&As integration process from a management accounting point of view over a longer period of time. In his study, he asked interviewees: "What was the integration process like?" and "Why did the system take the particular form?"

Perhaps the area of most interest in recent interpretive accounting research is the investigation into the relationships among accounting, organizations, and society. Probably more than in any other research stream, studies show that organizational objectives follow calculations and do not merely precede them (Olsen et al., 1998). This research also shows that it is primarily the practical rather than the functional character of accounting in general, especially of management accounting and control, which is the focus of interpretive research. Accounting, in this context, is sometimes described as a social and institutional practice (Hopwood & Miller, 1994). This description contrasts with the view of the researchers in the functionalist stream who have described accounting as technical advice that is determined by, and follows, clear-cut organizational objectives. In this new approach, management control practices are the result of actions taken by active members of the organization where there is "a deep interpenetration between the technical practices of accounting, the meanings and significances that are attributed to them and the other organizational practices and processes in which they are embedded" (Hopwood, 1989). Particularly in this area of research, the Scandinavian and Swedish contributions have been important (e.g., Brunsson, 1990; Czarniawska, 1995; Jönsson, 1996, 1998).

Moreover, accounting information in the more recent research has become a fundamental resource for making sense of past decisions as well as a guide to the present (Brunsson, 1990). Only recently, Ahrens and Chapman (2007), for example, showed that while management accounting often is politically influenced, unintended, and temporary, it also includes rather symbolic values and often serves as a ritual device quite useful in decision-making. These authors developed a notion of "situated functionality" and described the "interrelationships between technical and interpretive accounting processes in the wider field of accounting practices" by defining the real problems with management control practices as follows: (pp. 23-24):

"Management control systems are certainly used in efforts at securing the interests of remote managers or shareholders, but the real difficulty for management control practice lies in determining what activities can support such ends, how such activities are to be brought about throughout the organization, and how such activities can help recast organisational ends."

Therefore, Ahrens and Chapman recommend looking for ways to use management control systems as “a resource for action” rather than looking for ways “to constrain individuals and overcome resistance” (p. 24). In other words, such systems have to be designed to work proactively towards common action rather than designed to force individuals to take certain actions or simply to limit their possibilities for actions. After acquisitions, it is apparently difficult to apply full rationality and to find the precise activities that support such ends.

Jemison and Sitkin (1986), in their well-recognized study, point out that the most critical problem after acquisitions is that the follow-through of the process may be overlooked due to its sporadic nature. Apparently, managers encourage “the use of hard, concrete, and predictive analysis that are typified by the economic analysis of strategic fit” that is the result of the “rational” and “synoptic” views of managers (Jemison & Sitkin, 1986, p.161). Softer issues, however, are more open to unclear interpretations and therefore are not given much credibility by managers.

In looking at management accounting changes studies in general, we can also see that system changes are likely to render some previously used routines unfeasible or “disconnected” (Burns & Scapens, 2000; Granlund, 2001). Many management accounting studies also report that the introduction of a new information system does not bring about the desired effects if users do not recognize the organizational characteristics and climate of the working environment as consistent with the values embedded within the new system (Abernethy & Brownell, 1997; Ahrens, 1996). One may therefore expect that the documentation of the total management control system will decline in quality over time after M&As deals. As a result, members of the organization may have incomplete information about the current system, leading to frustration since people usually feel emotionally attached to the old systems. They will evaluate the new system against a rather incomplete conception of the old system. Therefore, to overcome a host of resistance to a new system, convincing arguments in favor of the new system are necessary. Additionally, problems may arise when new practices are evaluated with old routines and practices in mind. Consequently, when systems are changed, it is not simply a technical procedure of installation. People using the systems must be educated and trained to understand the systems’ output that will certainly differ in form, if not in content.

Finally, M&As research has learned to take care in interpreting success and failure stories of integration processes after M&As. Narrators who comment on integration processes use different discourses (rationalistic, cultural, role-bound, and individualistic) to present their views (Vaara, 2002). Hence, the perspective of narrators and their discourse methods seem to be influential factors in their descriptions and evaluations of such management control system integrations, or of changes in general. Therefore, what narrators recount about integration processes after M&As is very much dependent on their social identity and the different expectations of society. A problem for the researcher is that quantitative survey methods are unable to capture such a picture as such methods normally focus on the tangible aspects of firm’s practices (such as technology, capital, system applications, etc.). The intangible aspects, that are more difficult to measure, such as culture and ideology, receive less attention.

1.3 Towards the Research Problems and the Purpose

This review of past and current research in the area of management control and M&As suggests that more focus is needed on the work practices of key management control actors, the social structures that support and lend shape to such practices, and the ideologies and meanings behind managerial control systems. Furthermore, this review demonstrates that management control researchers should be more concerned with changes in practice, specifically the nature of the actions taken and who takes them. Research that focuses primarily on organizational form or structure often downplays, even ignores, work practices. More research attention is needed on the actors involved with management control changes in post-acquisition integration processes. Organizations exist only to the extent that they are enacted by their members. Thus, we need to know more about how the organizational actors, the key management control system designers and users, experience and interpret integration processes

To solve tasks in the best way, individuals (or work groups, divisions, etc.) together must create a shared way of describing that task before they can solve it. From this observation, it follows that the shared experiences of the system designers and users largely determine how post-acquisition integration processes develop. What is needed empirically, I believe, is a deepened sensitivity by researchers to the nature of management control work as it takes place in the acquiring and acquired organizations among those members intimately involved with it, as well as a far greater appreciation of the histories, contexts, and discourses of both organizations and their members. Thus, in order to understand the system-technical nature of management control integration issues involved in post-acquisitions, other less pragmatic and less rational variables should be examined. As noted, such studies with this focus are uncommon in the management control oriented research streams, as Granlund (2003) acknowledges.

Apparently, first- and second-order control issues generate non-routine spin-offs that require interpretation and judgment by managers further up in the hierarchy of organizations. One can therefore also assume that the change of the composition and orientation of first- and second-order control issues, such as surveillance, rules, specialization, and standardization, after acquisitions influence the manner in which third-order control (premise and ideological control) is practiced. This seems most likely when significant parts of the management in the acquired organization are replaced. After acquisitions, control changes at all three different ‘orders’ (first, second, and third) are then also likely to render some previously used management control routines unfeasible or disconnected. The move towards commonality and standardization within the first- and second-order controls will most likely also run the risk that super values, such as the brand value, prestige, or competence, may be endangered. This appears to be the case particularly as a consequence of the natural attitude of superiority that representatives of an acquiring company often assert (Jemison & Sitkin, 1986). For acquiring multinationals and the often ‘newly installed’ management, it is therefore essential to balance the need for integration against the need to maintain and develop the features of the acquired company that make it locally competitive (Nilsson, 1994, 1997).

This review has also illustrated that a normative “how things should be done” approach is the rule in most M&As literature concerned with questions of control. It is similarly the case with the management control literature that has directly focused on the tangible or formal issues of such systems following acquisitions. However, we barely know what the actions and reactions are of management control system designers and users in integration processes. Taking the perspective of the people actually involved, one moves from a relatively rational to a more natural world. In addition, organizations are not stable since they are constantly made and remade by the people in and around them. Consequently, these people view the organizations in different ways, give various reasons for their existence, and attribute special meanings to them. Nor are opinions stable either as people change their minds, especially over longer periods of time, and in accordance with their changing environments. As such, the actors in the organizations in M&As interpret differently the phenomena they experience and, accordingly, behave differently.

Consistent with Ahrens' approach (1996), I argue that it is only when 'the way' of management control is executed in the organizations is perceived as reasonable and intelligible [in Weick's words (1995) 'makes sense'] will organizational members act rationally. However, if the execution of management control is perceived as unreasonable and unintelligible, it will not be acceptable to some, or even most, members of the management control function. For them, 'the way' of management control will seem inadequate to the task of ensuring that organizational strategies and plans are carried out efficiently. Ultimately, dysfunctional behavior in the form of resistance will increase if these members agree to faulty decisions against their better judgment in order to secure a position in the new hierarchy, or if they feel defeated or betrayed by their former company following the acquisition.

It is undeniable, as research has shown, that there may be positive aspects to acquisitions for the users of management control systems. Better ways of handling specific work procedures and issues may arise, costs may reduce with economics of scale, and new professional opportunities may present themselves. Despite such positive developments, people in the acquired company may nevertheless believe the new work ways are worse compared with the old work ways, or are not in harmony with their 'worldviews'. Avoidance, resistance, and defiance are typical negative responses. Members of the acquired organization may even try to thwart or manipulate the acquirer's attempts to achieve common practices (Oliver, 1991). More optimistically, research has shown that different forms of acquiescence or compromise are possible when practitioners give way to institutional pressure (Oliver, 1991).

According to Oliver, *acquiescence* may range from habit (blind adherence to preconscious or taken-for granted rules or values) to imitation (mimetic isomorphism by copying successful practices) to compliance obeying rules and accepted norms). Alternatively, *compromises* may include such tactics as balancing (achieving parity among or between multiple interests), pacifying (conforming to at least the minimum standard) or bargaining (active negotiating with stakeholder or acquirer).

Management control research so far cannot provide clear answers to the following questions: What happens when new ways of management control are introduced that are inconsistent with the former control and business ideology? How are such major differences experienced by key management control system designers and users? What are the consequences of such possible ideology' conflicts and how can they be solved? Which methods are used by acquirers in order to 'export' their management control way and which tactics are used to 'defend' acquired organizations management control ideologies? What are the similarities and differences in these methods and tactics? Is 'exportation' accomplished by convincing other members of the management control community or, as often has been the case in the past, is it simply imposed on them (Jemison & Sitkin, 1986; Jones, 1985a, 1985b, 1986; Kitching, 1967, 1974)? In addition, since the focus of research normally falls on the acquired units only, we may also ask: What happens to the 'original way' of management control in acquiring organizations? In sum, these questions lead to the overall problem formulation of this study:

- *What happens to a particular management control way following an acquisition by a foreign multinational and after an acquisition of foreign multinationals?*

This problem formulation can, on the basis of the above discussion, be developed into a subset of three research questions, all in the context of the cross-border acquisitions of large multinationals:

- *What happens when management control ways are introduced that are inconsistent with the management control already practiced?*
- *What are the consequences of such management control contradictions and what are the different responses of key actors to the pressures towards conformity exerted on them?*
- *How, if at all, are the subsequent conflicts resolved, what are the major elements and forces that thwart or enable the implementation or integration of such management control ideologies, and how strong are they?*

This study is about key management control actors, mostly managers at middle and top-level positions of two multinationals, who were (re-)constructing the management control practices after cross-border acquisitions. Hence, this study is about a particular management control way, in this study called *The Group MC Way*[5] and the purpose therefore is to analyze and explain how key MC designers and users at the organizations in the two case studies, the *V/R/M* case (Case 1) and the *F/VCC* case (Case 2) react when 'new MC ways' are introduced (as illustrated in Figure 1 below). Special emphasis is put on how they describe the differences between the 'old' and 'new' ways of management control and to discover the consequences, as well as resolutions, of 'MC ideology' clashes.

While the over 90 years old brand name of *The Group* and *VCC* today still looks much the same as it did 90 years ago, *The Group* itself has undergone many changes, perhaps none so large and rapid as those of the last eight years. In this period, 1999 – 2007, products and processes, managers, and employees, and indeed the organization structure itself experienced enormous changes. Probably the biggest change occurred in spring 1999 when *The Group* sold its car division, VCC, to the then second largest car manufacturer in the world, Ford. With that purchase, an American company owned 50% of the Swedish trademark and 100%

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[5] In order to meet the agreed-upon confidentiality conditions for both cases, certain limitations were necessary. First of all, brand names are used as sparingly as possible throughout the study. The Volvo Group is in most cases called '*The Group'*, and '*The Group MC Way'* stands for the management control way of the Volvo Group. The '*V/R/M case'* (Case 1) then represents the Volvo Group's acquisition of Renault Trucks *(RT)* and Mack Trucks *(MT)*, and the '*F/VCC case'(Case 2)* stands for the Ford acquisition of VCC. In addition, Volvo Trucks will in most cases be abbreviated as *VT.*

of all the VCC entity. Less than two years later, in January 2001, *The Group* acquired the French truck manufacturer *RT,* and the American truck manufacturer *MT,* that was owned by the French car producer Renault S.A.. With this acquisition, *The Group* became the largest heavy truck manufacturer in Europe and the second largest in the world. Now, two large multinational players, *RT* and *MT,* each with very strong truck brand identities, were associated with the Swedish truck brand *(VT).*

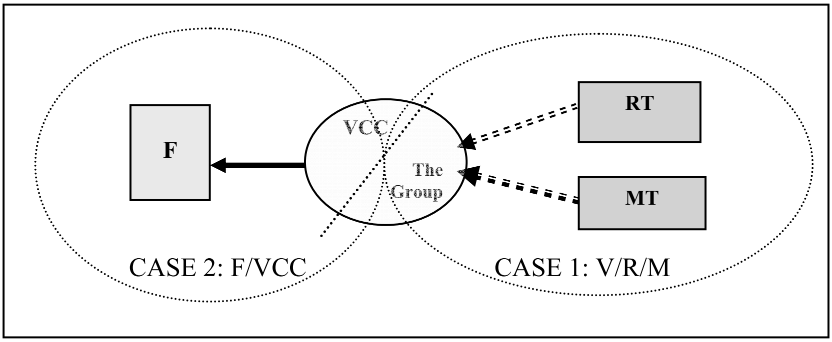

Figure 1: The research area in a simple overview

The Swedish truck and car brand, probably more than any other Swedish brand symbolizes the special Swedish management values and traditions. For decades, *The Group* was a jewel in the Swedish industry, and the products that carried the brand invoked the image of a well-managed company where quality, safety and environmental care were paramount. As recently as October 20, 2006 in a seminar at Göteborg University both the VCC Chairman of the Board and *The Group* Chairman of the Board emphasized the value of the particular brand. They stated that [the brand] and Sweden were like “pieces in a jigsaw puzzle”, a very good fit, where the brand meant more than “producing a good product, since more or less everybody could do this, but a brand that was represented by people, their competency and their relationships”. To these two chairpersons, the [brand] was “more about feelings than rational facts” since it was “people’s fundamental values that make the [particular] brand”. ”Human values are what makes the organization rational”, one of these executives also stated, continuing that when you “get the right people into the organization you also get the right products out of it”. The other executive claimed that with the right people, “culture beats every strategy”, and that is “why it is easier to be a leader in a company with a strong culture than when this is not the case”.

This study concerns, in Case 1, management control norms and practices as they were adapted to the acquired companies by the acquiring company (*The Group*) or vice versa. Case 2, on the other hand, concerns the (re)- constructions of management control norms and practices by actors at the acquired company (VCC) maybe adapting to different demands. This examination is based on the narratives of key management control actors at both acquiring organizations, *The Group* and Ford, and at the three acquired organizations, VCC, *RT* and *MT*.

1.4 Delimitations

As this research focuses on two case studies, its aim is to gain deep management control knowledge of the specific facts and circumstances of the players and organizations involved in acquirer-acquired integration processes in the two cases, rather than a superficial understanding of many integration processes. The choices of the automotive industry and Swedish companies for study allow me to narrow the focus to a particular industry and to a particular setting, thereby concentrating the research. However, the choice of large, multinational organizations for study opens the door to making general conclusions about control issues at the strategic and tactical level of control because it is at those levels where "controlled work creates non-routine spin-offs that require interpretation and judgment" (Weick, 1995, p. 117). These conclusions are supplemented by investigations at lower levels of the integration processes in the subdivisions and particular projects of these large companies.

As in all research of this duration and scope, I had to set various boundaries for the topics investigated, and on the time allowed to study them. In this subsection, I note the research limitations that the reader should be aware of.

The fieldwork of this study covers approximately two years. This timeframe was dictated by the terms of access to the case companies and to the interviewees, as well as by the academic demands of timely research. While my study covers management control change of five years in one case, and seven years in the other, my timeframe for research did not permit me to complete the story. When my fieldwork ceased, the M&As integration processes were ongoing. My study researches the process, not the final resolution of the integration work.

A second limitation concerns the perspective I chose for the study. Throughout, my point of view is *The Group MC Way,* at some cost to the in-depth research of other ways of management control (Ford, *RT*, and *MT*). Of course, in order to understand *The Group MC Way*, I made investigations and analyses of these other ways in order to discover differences and similarities. Nevertheless, my research into these other ways of management control is less exhaustive.

A third limitation concerns the use of actors' narratives. The choice of an interview methodology was made purposefully as the best way to obtain the interviewees' reflections and judgments. Yet it has to be admitted that working from interviews, even supplemented with written materials provided by these interviewees and with annuals reports and other public information, my 'grand' story is a rather one-sided story. It is the interviewees' story, shaped as they saw events, or as they wanted events to be seen. I can make no personal observations on the process or effects of the integration process with the exception of the interview visits to the research site that, in any event, provided only an overview.

A fourth limitation concerns the interview materials, I have translated the interviews, and translation is inevitably, in part, an act of interpretation by the researcher, as will be elaborated on in Chapter 3. Similarly, the selection of interview quotations is a subjective process undertaken by the researcher. As a result, the 'grand' story of this study cannot be an exact 'one to one' comparison with the individual stories told by the interviewees.

With these cautions to the reader, I next turn to presenting the outline of the study, chapter by chapter.

1.5 Outline of the Study

In Chapter 2, in five sections, I present an overview of prior research and theory in the field of management control and M&As. The first section introduces the large field of M&As research, followed by a section in which M&As research is evaluated, using four different streams or perspectives, and is related to management control as far as possible. Next, I present the relatively limited amount of management control research that focuses explicitly on mergers and acquisition. After that, I enlarge the frame of reference by turning my focus to multinationals, their actors, and cross-border issues. This section also provides an update regarding organizational culture, accounting people and experiences and the rhetorical components of management styles. A summary section ends the chapter.

In Chapter 3, in five sections, I describe the methodology applied in this study. The first section opens with an outline of management control with its different rationales, different languages, and different settings, followed by a discussion of how management control links to ideology, action, and decision-making. Next, I provide an overview of how narratives, sense-making, and the pictures of reality are applied in this study. Such methodological issues are necessary for an understanding of the previously discussed rationales. The following section reviews the pragmatic (re-) constructivist approach that guides this study. In the fourth section, I explain how my fieldwork was conducted. In the last section, I conclude with a discussion on issues of validity related to the analysis and the presentation of the interview data.

In Chapter 4, in four sections, I introduce the case companies studied in this research and describe their overall context. In the first section, I begin with a description of the automotive industry, followed by a section that details *The Group's* history and its finance and accounting functions during the 1990s. The third section introduces Ford, followed by an account of the acquisition of VCC in 1999. In the last section, I give an overview of *The Group* prior to its acquisition of *RT* and *MT* in 2001.

In Chapter 5, the first of two empirical chapters, I present the empirical results of my fieldwork investigations in six sections. I describe the *V/R/M* case, including an introduction to *The Group MC Way*. This chapter presents insights into the experiences of the actors and managers who took part in the post-acquisition work in management control. In the first section, I deal with structures, followed by two sections detailing the integration work and confrontations experienced. In the fourth section, I evaluate the process enablers and stoppers, followed by an evaluation. In section five, I consider the future of this integration before taking a closer look at the future of management control and the integration process at *The Group* in section five. A summary section ends the chapter.

In Chapter 6, the second of two empirical chapters, I present the empirical results of my fieldwork investigation in four sections. I present the insights of the actors, through their narratives, at VCC, Ford and related companies. In the first section, I begin with the different management control systems and actor worlds, followed by a description of the various confrontations between the systems. In the third section, I describe the management control change and its impact on VCC. A summary section ends the chapter.

In Chapter 7, the concluding chapter, in five sections, I provide my analysis and conclusions, followed by suggestions for further research. In the first section, I begin by reviewing the empirical findings, focusing on the three major findings. In the second section, the two management control models evident in the case studies are presented and explained. The third section details the ideological contradictions discovered in the research, and the fourth section demonstrates where the real power lies when 'aligning' management control issues during post-acquisition work in large multinationals. In section five, I enlarge the frame of the study with a theoretical summary and with commentary on the study's wider significance. The chapter ends with a brief discussion of possible directions for further research in this area.

2. PRIOR RESEARCH AND THEORY

This chapter provides a review of the prior theoretical knowledge in the substantive topic of management control (MC) and (cross-border) acquisitions. Hence, this chapter discusses specific 'theories' and other 'knowledge' in the domain of MC and acquisitions, with a particular focus on cross-border issues. The chapter begins with the area of Mergers & Acquisitions research before examining more deeply the Management Control issues common to such special business deals.

2.1 The M&A Phenomenon

The M&A phenomenon itself is more than a century old. There have been four waves of this activity, and currently we today seem to be somewhere at the middle or the end of the fifth merger wave (Granlund, 2003; Vaara, 2002). During the first wave, from 1897 to 1904, the industrial revolution was the main driver that resulted in monopolistic industry structures, where horizontal integrations were common. The second wave, from 1916 to 1929, was characterized by mostly vertical transactions after the introduction of new U.S. antitrust laws that normally required vertical integration. In the conglomerate era, 1965 to 1969, the third wave was a time of predominantly lateral integration since organizations often followed the portfolio theory by expanding into dissimilar lines of business. During this era, many conglomerates failed as the high prices paid for the targets, coupled with the increasing leverage of the corporations, made the mergers unsustainable. The fourth wave occurred during the second half of the 1980s and featured many unique characteristics, such as aggressive takeover tactics, leveraged buyouts and junk bond financing (Jansen, 2001). For the first time, foreign firms acquired more in the U.S. than vice versa because of the weak U.S. dollar, certain limiting restrictions, and accounting rules that favored foreign buyers that could write off goodwill in the year in which it occurred. U.S. firms, on the other hand, had to charge the cost of goodwill against earnings over many years (DePamphilis, 2003).

The last merger wave, which we are still 'riding', started during the first half of the 1990s and swelled sharply during the rest of the decade. Explanations are, primarily, the information technology revolution, continued deregulation, reductions in trade barriers, and the global trend towards privatization (DePamphilis, 2003). During this fifth and most recent wave, six trends that have particular integration effects can be identified (Jansen, 2001). The first is the increase in cross-border transactions, which demands a new regional and national based integration competence. The second is industry changes, including particularly the New Economy (telecommunications, media, and technology) and associated market crashes. This involves a new paradigm related to the importance of intellectual, human, and social capital, and hence also new integration activities and focus (Jansen, 2001). An apparent decrease in hostile takeovers is the third trend, according to Jansen (2001). This decrease appears to have had a positive impact on integration matters since strongly negative emotional aspects following such deals seemed to have decreased. The fourth trend is that break-ups, spin-offs and other restructuring activities have occurred more often, resulting in more 'loose-joining' instead of more integration. The fifth trend is that premiums paid for acquisitions have increased (now about 50% compared to about 40% during the fourth merger wave). This increase has had an impact on the newly merged organizations as rationalizing results have to be achieved at least adequate to the premium paid, or otherwise the deal can be seen as a failure. Finally and lastly, according to Jansen (2001), cash is king today as there is a tendency to pay for acquisitions with cash. Hence, post-merger failures can no longer be covered by the positive performance of the share prices.

M&As are irregular, scientific phenomena in that they cut across numerous disciplinary boundaries, which is also the reason why they have been scrutinized from the viewpoint of a multitude of disciplines, finance, economics, law, business, strategy, organization theory, human resource management, and sociology. M&As research therefore covers many different areas and no one particular theory that explains the underlying factors and the problems involved with M&As deals exists today.[6]

From the perspective of management control, there is today no explicit research stream that combines the areas of M&As and 'management accounting' or 'management control' (evaluated and illustrated in Beusch, 2004, 2005), a conclusion that prominent authors in both areas support.[7] Therefore, to be able to present the M&As area from a management control perspective, one has to look at numerous fundamental theories that researchers use to describe organizations and their 'behavior'. As a basic starting point, it may be said that most discussions within M&As research start with the 'organizational theory' that separates the sociological unit of an organization from the individual organism. This theory also provides us with the typical characteristics of an organization, such as "hierarchical authority, shared rules, common conceptions and norms, clear boundaries and identity, common resources, and a division of labor and responsibilities" (Brunsson et al., 1998, p. 24). In this area, ideas such as 'integration versus independency', 'centralization versus de-centralization', 'homogeneity versus heterogeneity' and 'tight control versus loose control' are central.

In association with the study of M&As, the study of organizational change is furthermore an important research area because, as most agree, organizations have to adapt to environmental changes to survive. And nowadays, factors such as increasing globalization, tougher competition, inventions in technology, the improved mobility of information, as well as the increase in M&As per se, have led to a business environment that is changing constantly. Hence, the 'thing' on which an organization is built must be the development of a new skill, which then often is described as organizational learning. This means that organizations need leaders and employees who know how to deal with such changes. And here, both terms are used, leaders and employees, since not all researchers share the same ideas about who is responsible for change.

Many academicians (and probably also most practitioners on a managerial level) describe or look at 'change' from a managerial standpoint, which means that managers plan, organize, direct, and control change. In other words, they simply manage 'change'. This view can be summarized as a modern version of McGregor's (Emmanuel et al., 1997, p. 195) 'Theory X' in which the concept of administration is quite traditional, with ambitious and well-educated people (managers) leading employees who more or less avoid real responsibility and who

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[6] Parvinen (2003), for example, summarizes in his extensive literature study (567 M&As related articles) that at least 28 different theories have been applied to investigate M&As. These range from resource dependence theories to psychological theories.

[7] For example, see Shields' (1998) summary of research in management accounting by the North Americans, Luft and Shields' (2003) graphical mapping of management accounting, Baxter and Chua's (2003) review on alternative management accounting research, and Parvinen's (2003) overview that takes a more holistic approach.

have only moderate ambitions. Another way to look at ‘change´, however, is to focus on individuals who adapt to rules, norms, and routines. Quattrone and Hopper (2001, p. 404) call such a view a ‘people view’ or an ‘institutional view’. From a ‘people view’, employees do not simply follow some sort of strong guidance from managers. Instead, an employee automatically acts in her/his own best interest, which sometimes, often in good cases, is similar to the organization’s best interest. This view then is more like McGregor’s ‘Theory Y’ where “man will exercise self-direction and self-control in the service of objectives to which he is committed” and where man “learns” and “seeks responsibility” (Emmanuel et al., 1997, p.195).

Furthermore, there are a few explicit research studies that combine both areas, dating back to the late 1960s, a time when accounting studies mostly were devoted to developing general prescriptive theories. In this light, Kitching’s (1967, 1974) studies are pioneering. Kitching, followed by Jones (1985a, 1985b, 1986, 1992), applied the contingency theory, and Roberts (1990), using a sociological approach, linked control mechanisms to strategy. From the middle of the 1990s, Nilsson (1994, 1997, 1997, 2000, 2002) followed Roberts’ path of the control-strategy idea with several studies, primarily applying a system view in his empirical research. Granlund (1998, 2003) was the first author to combine the area of management control and M&As in his studies of socio-cultural aspects, using the institutional framework developed by Burns and Scapens (2000).

In addition to this small number of explicit and ‘serious’ academic research (peer reviewed or defended in public), there are numerous studies with a rather normative or ‘consulting-like’ character, some of which have been published in academic journals or textbooks (Bower, 2001; Gaughan, 2002). Often, these consulting studies have been cited in, or adopted by, accounting and/or management control textbooks, giving them more credibility (DePamphilis, 2003; Morris, 2000; Morris & Blackton, 1995; Willson et al., 1999).

In an examination of the literature on M&As, one finds mostly that studies are structured around a particular view (Beusch, 2004, 2005; Parvinen, 2003; Vaara, 2002). The most common studies take the ‘finance view’, the ‘strategic view’, the ‘managerial view’, the ‘process view’, the ‘HR-view’, the ‘culture view’, or the ‘acculturation view’. The ‘finance view’ is the largest of all research streams with about twenty studies, according to Parvinen’s (2003) investigation. The major intent in these studies is to evaluate the M&As deals financially and to find out if the M&As were economically efficient or not. The finance perspective therefore applies econometrics, economics, statistics, and other quantifiable tools in order to determine if the deal was good or not. Most of these studies are consequently of a financial evaluation nature and hence of no real use related to the focus of this study, even though the work of finance and accounting people is central to its investigation. Thus, it is clear that there is a large interest in finding out what kind of post-M&As constructions are efficient. However, researchers in the past were apparently less interested in determining the origin and nature of these constructions. All the other views, identified above, have relevance to this study and are part of the evaluation that follows. In the analysis, the managerial and strategic perspectives are combined as they have many similarities. Following the presentation of these views, the process perspective is described. Thereafter, the Human Resources and the culture views are presented in a combined section followed by the acculturation view, all thematically related.

2.2 M&A Research and the Different Perspectives

2.2.1 A Managerial and Strategic Perspective on M&As

The managerial perspective probably is the most common view taken in articles and studies in the field of M&As research. This is only normal since such a view in general has dominated many academic fields, especially before the open system models arrived, as can be seen in, for example, Scott (1998). Here, the central theme is that success is dependent on what the manager does and should do; hence, all activity more or less can be planned (Vaara, 2001, 2002; Ashkenas & Francis, 2000). Researchers in this stream agree that M&As impose at least systems, people, and cultures, and there is general agreement that you cannot integrate one part without integrating the others in a reasonable way.

Integration therefore takes place on at least two fronts, an operational one and a cultural one (Gancel et al., 2002). The operational aspect of integration is about bringing organizational systems, processes and procedures together. Altogether, the ethical norms of both the strategic research stream and the managerial perspective are therefore the operational view, where operational aspects are put at the forefront, rational models can be used, and strategies can be followed in a quite unproblematic way. Hence, these two perspectives very much contain ideas and elements that support ideas that better fit into a picture of a 'normative' or even 'coercive' learning process than a 'mimetic' one, using DiMaggio and Powell's (1983) framework of institutional isomorphism.

The early study of Kitching (1967) is a well-known and much cited one, and it seems as if it is one of the first studies to focus on factual issues of 'why' mergers fail. Kitching's results illustrate many things although not exactly what he himself expected. He discovers that when organizations are very different in size (large acquirer organization and very small acquired organization), acquisitions frequently fail since corporate headquarters are not interested in the smaller companies, or cannot get the "little entrepreneurs to think like big businessmen" (p. 92). What Kitching furthermore finds is that if there is the right organizational structure and reporting relationship in place, such a mismatch of size can be overcome. Such an organization and relationship can, Kitching states, be built by taking three actions. First, right after the acquisition, a top executive to lead the acquired organization has to be appointed. Second, reporting procedures and relationships must immediately be made clear. Third, a system of control has to be installed, with an emphasis on information reporting rather than on budgets. This third task is also required, according to Kitching, immediately, even though it seems like the most successful acquirer in his study left the control systems in the acquired companies in place, at least in the beginning. What such managers, however, did was to ask for a few additional reports for the corporate headquarters.

Moreover, Kitching (1967) asked himself, after the study, if it is the strategy used that makes the difference between acquisition success and failure, or if it is the way the organization after the deal is managed. By posing this question and recognizing that the post-acquisition process was also important, he was most likely one of the first authors to seriously question whether there is a best and rational way to plan an acquisition. The reason for his lack of confidence in the rational approach was his finding that M&As with the assumed highest synergy potential in the form of shared production and technology achieved the worst financial outcome. Financial mergers, on the other hand, were the best performing, followed by marketing mergers. Kitching's explanation for this is that financial synergies are relatively easy to achieve when compared with economies of scale in the form of production, marketing, and sales. Therefore, integration must be seen as a problem area as well, in addition to the strategy used.

Shrivastava (1986) was, with Kitching (1967), among the first researchers to examine the different integration tasks necessary post-M&As. The ideas of his framework have since been used in many M&As studies with both the managerial and the strategic perspectives. For Shrivastava (1986), the central problems of integrations are three-fold: (1) co-ordinating activities to achieve overall organizational goals; (2) monitoring and controlling individual departmental activities to ensure that they are complementary and are performed at adequate levels of quality and output; and (3) resolving conflicts between the fragmented interests of specialized departments, individuals, and their inconsistent sub goals. For Shrivastava (1986), there are three levels of integration: the procedural level, the physical level, and the managerial and socio-cultural level, as shown in Table 1. The procedural level, that combines systems and procedures, is the first level to be integrated since the homogenization and standardization of work procedures facilitates communication, improves productivity, and reduces costs and information processing.

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

Table 1: The post M&A integration tasks

Source: Shrivastava (1986)

Hence, according to Shrivastava (1986), accounting systems and procedures have to be designed to enable co-ordination. Management control systems, on the other hand, must be planned to ensure control, while contradictory rules and procedures must be eliminated in order to resolve conflicts, and the same is true of rationalizing systems. Shrivastava (1986, p. 68) states that such functional integration is not always simple since the transferring of systems sometimes can be disruptive and therefore may necessitate the collection of "new data, changes in report format, redesign of work procedures, structural adjustments, and even changes in personnel".

At the physical level, Shrivastava (1986) describes the integration of resources and assets (such as product lines, production technologies, R&D projects, plant and equipment, real estate assets, etc.) that usually accompanies the procedural integration. The level that Shrivastava (1986), however, points to as most critical in integration is the managerial and socio-cultural one. This level involves the transfer of managers, the changes in organizational structures, the development of a corporate culture, a frame of reference to guide strategic decision-making, the attainment of commitment and motivation from personnel, and the establishment of new leadership.

Another typology is by Pablo (1994) who identifies three primary sets of issues in M&As situations. These are first, the task objectives, second, the organizational tolerance for cultural diversity, and third, the potential for political action between the combining firms. Pablo (1994) statistically evaluated the answers of 58 top-level officers (CEOs or presidents) to learn which factors determine the level of integration chosen in an acquisition. Pablo finds that task-related criteria were dominant in decision-making about integration. Such criteria were, for example, strategic and organizational tasks to achieve synergy, where the strategy includes the sharing or exchange of critical skills and resources, and the organizational task to preserve the unique characteristics of an acquired firm. Of all explanations, 75% were task-related, of which about two-thirds were assignable to organizational tasks.

However, Pablo (1994) also finds that in integration design decisions, managers may be unable to find a balance between these above-mentioned requirements. In addition, the more multicultural an acquirer is, the lower the level of integration chosen which, according to Pablo, indicates that managers believe that cultural diversity is tackled by an organization's diversity quite easily. A final finding is that the bigger the difference in size between acquirer and acquired company, the less integration is accomplished. Pablo (1994) explains this by noting that when acquiring a small company relative to the acquirer's own size, the acquired organization may not attract a high level of management attention since there is no great potential for gain or loss, a finding that is consistent with Kitching's (1967) contention.[8]

Birkinshaw et al. (2000), on the other hand, separate integration in their study[9] into a task integration process and a human integration process. The first process is about the identification and realization of operational synergies (by transfer of capabilities and resource sharing), and the latter process is about the creation of positive attitudes towards the integration among employees on both sides. These authors argue that only M&As with a high level of completion of both integration areas, task and human, will succeed. Hence, by only emphasizing human integration, satisfied employees may be the result, but organizational synergies will not be achieved. Conversely, by focusing simply on task integration, synergies may be achieved, but employee motivation will decrease. This is only true, however, with some limitations, because Birkinshaw et al. (2000) admit that employee satisfaction is only a 'means' of achieving synergies and/or superior performance, but not an 'end' in itself.

Furthermore, Birkinshaw et al. (2000) emphasize that the move from low human and low task integration, which always is the case at the beginning of every post-M&As integration process, to a high human integration status in a direct way in both areas is possible but very expensive. Hence, they mean that this is the optimal way only in theory, but not in "practice" (p. 420). An acquirer often stops the integration process when operational synergies are achievable only at the expense of employees, an action that is more

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

[9] Birkinshaw et al. (2000) investigated the R&D operations of three large Swedish multinationals (Eka Nobel, Alfa Laval and ABB) and their acquired divisions of the foreign (US or UK) companies in detail during the years 1991 to 1996.

expensive than if the acquirer chooses to complete the human integration before moving on to integrating other tasks as well.

Hitt et al. (2001) provide us with another approach as they describe the synergy can be created by four foundations. For them, it is only possible to increase synergy substantially if one can combine these four foundations. These foundations are strategic fit, organizational fit, managerial actions, and value creation. All fit perfectly into the managerial and strategic perspective as they more or less summarize what other authors within this research stream, such as the ones referenced above, have noted. Hence, for Hitt et al. (2001), strategic fit can have four potential sources, namely, operations synergy, R&D or technology synergies, marketing-based synergies, and management/managerial synergies (p. 89). Organizational fit, however, can be achieved only when the merging organizations have "similar management processes, cultures, systems and structures" (p. 94).

A high degree of compatibility characterizes such synergy creation potential, and Hitt et al. emphasize that as such an organizational compatibility facilitates "resource sharing, enhances the effectiveness of communication patterns, and improves the company's capability to transfer knowledge and skills" (p. 95). Managerial actions, on the other hand, are responsible for how well synergy potentials are transformed into value as such actions must, according to the authors, be initiated to effectively match the strategic capabilities and to gain competitive benefits. The board of directors is then intended to operate as a governance mechanism for overseeing such managerial actions and making sure that the management operates in the best interest of the shareholders. Finally, value creation simply means creating synergy that is worth more than the costs associated with developing and exploiting it.

Traditionally, the managerial perspective on post-M&As integration processes also holds that success is related to the choice of integration design and to careful planning of structural and process changes in the new organization (Kitching, 1967,1974; Pablo, 1994). This perspective provides us moreover with the different integration frameworks for managers and other leaders in special times (which M&As certainly are). It seems to be a relatively straightforward approach, where, for example, savings in the form of synergy effects are seen only positively. This, however, may mean 'job losses' for employees. In addition, the strategic perspective focuses on M&As as a strategy to achieve growth in organizations. This research stream therefore combines the theories about the relationship between strategy, structure, managerial impact on organizational behavior, and the acquisition integration processes. Here, authors often address the problems of M&As implementation by supporting better pre-M&As analysis and post-M&As planning. This has sometimes also implied that the steps in the M&As processes should be better defined, which are looked at more closely below.

2.2.2 A Process Perspective on M&As

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

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

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

Hence, Jemison and Sitkin (1986) claim that when different analyses are made and attention is given to both strategic fit and organizational fit, organizational fit often receives less attention than strategic fit. This problem increases when outside advisors are part of the integration process. However, when line managers have more influence on the integration process, organizational fit will gain in importance. Complexity, on the other hand, increases with outside involvement. The 'escalating of momentum' is about the forces that stimulate speed within the process, which, according to the authors, often becomes too rapid and results in poorly executed integration tasks. Integration often goes faster than necessary because the forces that stimulate speed are stronger than the ones that reduce it. As reasons for this, the authors mention participants' commitment, secrecy, decision makers' isolation, overconfidence, ambiguity, self-interest, and the expected resistance of the target firm.

Different expectations, especially about the purpose of the acquisition, about the subsequent performance, and about the timing of certain actions are the third impediment, leading towards ambiguity in how management systems are dealt with. Concerning the misapplication of the parent firm's managerial systems, Jemison and Sitkin (1986, pp.153-160) list eight reasons for the desire of acquirers to impose their management systems onto the acquired company. These eight reasons are their collected thoughts on earlier studies and therefore provide a good picture of the research on management systems at the time they wrote their article. According to Jemison and Sitkin, management systems are imposed on the acquired firms for these reasons:

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

However, Jemison and Sitkin (1986) do not go deeply into this issue, but conclude that such an imposition is not appropriate immediately as it may lead to misapplications of management systems, and this in turn will reduce the chances of the acquisition's success with the sub-unit of the parent firm. In addition to that, heavy-handed, uncoordinated and too rapid changes can, according to the authors, destroy fundamental competencies and capabilities. This is because there is a certain amount of "defensiveness" exhibited by both entities, the acquirer and the acquired, as they do not know each other's business styles, procedures, and practices. Hence, parent managers, for example, may want to help but do not know how, and sub-unit managers may be afraid to admit what they do not know for fear of punishment. "Managerial arrogance" (p.159) is another main problem, as parent managers often believe that their own managerial, administrative, or operative system is better.

Löwstedt et al. (2003) also use a process perspective when examining the integration of two Swedish subsidiaries of two global professional service firms in the years 1999 until 2001. These authors believe that during the integration stage, one has to focus on two areas at the same time, namely, internal forces and the external environment. Internally, the authors find that there are four ways of dealing with differences and they can be identified in four different phases of the post-merger integration process. Hence, an important ingredient of integration is knowing if you should focus on similarities or on differences at a certain moment or period in the entire integration process. Within the first phase, the 'getting together' phase, merger rationales are created and acceptance gained. The dominant logic of integration is based on differences, which is regarded as positive during that stage.

During the second phase, according to Löwstedt et al. (2003), the 'getting acquainted' phase, structures and processes are aligned and arenas are created. Here, the focus is on similarities. This means that a matrix structure is necessary, first dividing the integration into different business units and then dividing it into different sectors. A positive attitude towards the merger continues even during this phase. The process alignment includes internal policies, procedures, and business processes, which also comprises the configuration of time reports, sales efforts, and recruitment and performance management.

During the ‘getting to work’ phase, beginning about one year after the deal is initiated, realizing synergies is on the managerial agenda. Culture differences are ‘tremendous’ in running the business and determining the role of the consultants. The integration logic here focuses on differences and tries to create value, but this is not easy, resulting in increased frustration and a more negative attitude towards the merger. The fourth phase, the ‘getting the work done’ phase is about delivery and survival and not about integration anymore. Now, differences are considered both positively and negatively and this becomes an accepted aspect of daily life. For Löwstedt et al., the way you manage these differences should have a central role during the integration process after M&As. They also suggest that the context of such a deal has to be taken into account. By this, they mean that the internal dynamics of the merger process and the management of differences must be looked at first.

Löwstedt et al.’s (2003) other contribution that is central to understanding the integration process in M&As is their analysis of the external dynamics of the “ideational and economic environment” (p. 26). They criticize today’s literature for not considering the external environment when describing and analyzing the post-merger integration process. With their study, they attempt to show that context shapes the evolution of such an integration process. Also important are the interpretations of the economic realities in which the merger takes place, dependent on the dominant ideas about strategy at any one time. What is regarded as a ‘strategic fit’ therefore depends on the management fashion. In their case, such realities were the IT boom before the ‘big crash’ of 2000-2001, and the possible synergy effects between IT and strategy consulting services. Such effects, however, soon disappeared when the crash was established fact and organizational members lost their motivation to invest in the integration process. For this reason, and to succeed, management changed the direction and focused on market opportunities and sales instead of integration. This interpretation of economic realities can be seen as an external “de-legimatization” of one of the main merger motives. As such, the consideration of economic realities is a main issue when studying mergers and acquisitions.

Earlier sections provide a short overview of probably the most important reasons for M&As’ popularity. What furthermore is important to look at, however, is the degree of friendliness or hostility associated with M&As deals that, according to some authors, also determine how the integration process will work. Buono and Bowditch (2003), for example, conclude that all forms of strategic organizational combinations are likely to create problems and difficulties, ‘contested combinations’, but the most adversarial form of acquisition, the ‘raid’, is especially characterized by increased resistance. Then losers and winners are created, and the outcome often can only be negative for some individuals involved. Other essential questions are: What is the purpose of the M&As deal? How high will the level of the desired integration be? Hence, the level of integration, the degree of friendliness or hostility, and the strategic purpose provide, according to Buono and Bowditch (2003), an integrated typology containing three dimensions of M&As. It is a typology that helps to conceptualize the dynamics that underlie such business deals, but it fails to capture the true details and difficulties that organizations and their human resources experience.

Hunt (1990) has ideas that are similar to those of Buono and Bowditch. He is a researcher who partly combines a strategic perspective with a process perspective when he uses Kitching’s (1967) seminal work as a starting point to explain the high failure rate of acquisitions. Hunt does this by testing the variables Kitching found against the variables he found in his own study, which includes 40 large UK acquisitions, studied between 1980 and 1985. For Hunt (1990), the explanation of success or failure cannot be found in context of variables singly, but only in the combination of such variables.[10] Success is furthermore attained when the focus is on the behavioral processes that are initiated by targeting and then continued through bidding, negotiating, and implementing. He believes that the tone chosen, from the very beginning, has an impact during the total acquisition process and therefore also the integration; hence, it is important to do it right from the start. Developing that conclusion, Hunt (1990, pp. 74-76) has created three different frameworks for three different mainstream types of acquisitions: "friendly acquisitions of healthy firms", "contested acquisitions of a fairly healthy firm", and the "hostile bid for an unhealthy seller".

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

To this point in this study, integration has been the main element in the discussions. Galpin and Herndon (2000) also emphasize that integration is fundamental. Although only the last step in their model is entitled 'integration', they stress that a holistic approach is necessary. For them, the different steps follow each other in a flow, but the steps are integrated as well since one step without the next is meaningless. To secure this flow, the holistic approach is necessary from the first moment the M&A is planned because you have to integrate what you have chosen to buy or merge with, which in turn is the result of investigations and negotiations. Other key areas to achieve integration success recommended by these authors are the right change management in order to organize the proper integration task force, honest communication, and the retention of the key people. Of utmost importance, however, is the necessity of establishing business and growth strategies that define criteria and implementation strategies.

Therefore, integration is only the last step in a long process of activities that may have been completed in an unsatisfactory or erroneous way. Galpin and Herndon (2000, p. 9) provide a close-up of the "Watson Wyatt Deal Flow Model"[11] that seems to be one of the newest frameworks combining older and modern ideas in a process perspective. In this

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

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

model, key activities and issues/risks belonging to these activities are listed, and one can clearly see that the authors, although focusing on merely the integration part, emphasize a more holistic view by linking the other steps (formulating, locating, investigating, and negotiating) to the last task, namely, integration. This model looks very much like a checklist, which it is because different frameworks from prominent authors are adapted into this master table, as the authors' references show. Hence, the model is about Jemison and Sitkin's (1986) ideas but with a larger frame since Galpin and Herndon involve the entire M&As process and look at a wider variety of issues.

The message, however, is the same: integration should be customized to each organization and adapted to each specific deal, which is then the result of the actual process of planning and implementing. Moreover, to make sure there is no misunderstanding, Galpin and Herndon reassure us that the theoretical process they present as a linear one in their model, in practice is interlinked and almost always parallel. In fact, a special feature of the 'Watson Wyatt Deal Flow Model' is that it is "interdependent and concurrently engineered to provide the right input and the right decision at the right time" (p. 18). Hence, for these authors, timing is an important issue during the entire M&As process, but there can be no universal timeline provided as each M&As deal is unique. Galpin and Herndon summarize nine 'sets of responsibility' critical to the success of any merger integration. All sets are strongly interdependent and continuous, since, according to the authors, merger integration should be concurrent rather than sequential. These sets of responsibility contain a focus on leadership, communication, and HR issues (staffing, re-recruiting, and cultural and HR integration). Furthermore, integration efforts and tasks have to be measured and feedback must be provided in order to achieve good integration results. Concerning the time factor, the authors make clear that much planning should take place before the deal's closure, which is particularly true for specific responsibilities.

To Galpin and Herndon (2000), M&As with much pre-planning have better chances of success than others. Therefore, in their framework, they provide several timelines where they recommend certain time periods for certain tasks. Their main message is not to provide a simple solution to when a task has to be done, but rather to give examples how one can plan and execute integration by deciding on a timeline. It seems to be important to recognize that integration in practice is not the same as in theory, and so Galpin and Herndon (2000, pp. 24–26) have found "due diligence and integration risk factors" that have to be considered. They emphasize that you have to be aware of a long list of factors that are most common. This again is a valuable checklist as it reinforces the authors' opinion that every organization should develop its own list highlighting its own potential problems. Developing such a checklist, however, can be a quite difficult thing in practice, as you do not really know in advance what the problems will be.

Altogether, Galpin and Herndon's (2000) ideas can be used as a summary of the three perspectives since they more or less combine all the different elements in their checklist toolbox where presumably certain tools can be pulled from the box when needed. Therefore, these ideas seem to be the best example of a relatively normative but also functional approach to M&As post-acquisition work. Since human activities and issues have also been integrated into these authors' models, there is no real distinction made between high-level structures and low-level action. Management control as such is then understood with reference to its supposed functional properties, and not as part of the shaping of its own context.

2.2.3 A Human Resource and Culture Perspective on M&As

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

'Culture' is a term that can have many meanings, but there is a general consensus among organizational researchers that, despite these different interpretations, culture refers to patterns of beliefs and values that are manifested in practices, behaviors and various artifacts shared by members of an organization (Schein, 1989) or a nation (Hofstede, 1980). However, these beliefs and values are not something stable, but rather are an ongoing interpretation process because cultures are created and recreated. This is the point of view of a 'mild version' of the 'social constructivist's view'. Applying a more 'radical' version of social constructivism, cultural differences actually only exist when people become conscious of them in social interaction (Vaara, 2002). Moreover, the term 'organizational culture' is a misleading one. While national cultures differ, in regard to values mostly, organizational cultures within a country differ more with respect to shared perceptions of daily practices. This is what Hofstede (1997) found when comparing different organizations within different countries. He therefore concludes that 'cultural differences', less so for values, are found mostly in practices at the organizational level. Hence, 'organizational culture', within given national cultures, differs very little with respect to values but distinguishes itself from others more with respect to shared perceptions of daily practice.

In considering the human resource and cultural area, we have to deal with people or actors. Our focus is then, more often than not, on the actors and their actions and less on systems and operations. We then, for example, look at the actors who provide and use accounting information and at how they describe M&As integration processes. Such a perspective often sees reality as a social construction, derived from, and rising out of, social interaction. Here, people act towards things based on the meanings these things have to them. Social actors attach meaning to situations, others, and themselves through a process of interpretation (see Blumer, 1969). As M&As affect everybody in the involved companies in some way, from the CEO to the lowest level employee, HR researchers in particular emphasize the importance of understanding the broader human relations issues in order to manage such changes effectively.

The list of such researchers has grown, especially during the last twenty years. Also the listing of human related and psychosomatic phenomena that are mentioned in the M&As literature is extensive, ranging from the 'shock and disbelief' of the individual to total culture clashes of collective groups. Here we find authors such as Schuler and Jackson (2001) who claim that a substantial part of the explanation for the large failure rate of all M&As can be explained by the neglect of human resource issues and activities. They believe the main reasons for such problems are “culture clashes, gaps, or incompatibility and losses of key talent” (p. 241). Slowinski (2002) follows the same path when he argues that the announcement of mergers has the effect that employees fall to the bottom of their pyramid of needs, expressed in the form of Maslow’s (1971) self-esteem and self-actualization model. Basic needs (for example, air, water, and shelter) are then situated at the lower end, because employees become worried about their pay checks and other social supports.

Bower (2001), moreover, warns that if a strong culture is in place, you have to introduce new values with extreme care. He advises us to “use carrots, not sticks” since differing company values are harder to pin down than processes, although they are just as important. For Bower (2001, p. 95), values include “shared assumptions about what the company owes its employees and vice versa, which kind of behaviors are rewarded, and what the company stands for”. Buono and Bowditch (2003) reach the same conclusions when it comes to how people experience M&As. Hence, such combinations can result in uncertainty, ambiguity, and anxiety, which then can cause “decreased organizational satisfaction and commitment, increased turnover and absenteeism, power struggles among those managers who stay, and poorer job related attitudes and performance for a significant proportion of the new firm’s work force” (p. 108).

Hudson and Barnfield (2001) also attribute many M&As’ failures to shortcomings in dealing with the human resources, especially the fall-out from redundancies, which can seriously weaken “operational capabilities and the morale of employees”. They also state that the workforce that survives the restructuring will experience “reduced job security, increased workloads, anxiety and stress” (p. 37). As far as cultural integration, Slowinski (2002) believes it is very important that senior management is committed, continual training is executed, and values and norms are communicated. But he also finds that organizational culture often is blamed for integration problems that in fact have nothing to do with culture.

It seems as if many researchers (and probably also practitioners) recognize culture as a problem area (as shown in earlier parts of this study), but most of them simply look at it from a typical ‘managerial’ perspective. Slowinski (2002), for example, interviewed a large number of company leaders and found out that most of them considered the need to integrate cultures as central to a successful merger. However, when these managers were asked how to manage this challenge, none had a clear vision of how to actually accomplish it, which demonstrates that ‘soft’ issues within organizations often are left out because they appear too complex to deal with rationally. Cartwright and Cooper (1992) also point out that the correct management of the total integration process is important and suggest a simple culture typology containing four different culture types. These are power culture (distinct centralization of power where management makes the decisions); role culture (bureaucracy with logic, rationality, efficiency, where function is more important than people, rules are many, and a formalized hierarchy); task culture (the actual task is the center of attention, often very flexible, autonomous and creative work groups); and person culture (egalitarian with minimal structures, the individual at the center). Overall, these authors believe that if employees experience their freedom being increased, the integration will usually go well. On the contrary, a reduction in the individual’s freedom creates problems. Cartwright and Cooper believe as well that adjoining culture types are better to combine than others, as both companies normally want to retain their own culture.

Larsson (1989, 1990), on the other hand, deals with the integration after M&As, especially in combination with the issue of how to achieve synergy effects, and combines a rather rational managerial and strategic perspective with a cultural focus. In his conceptual framework, there are four drivers that have an impact on the realization of synergy. The first one is the 'synergy potential' which is positively correlated with production similarity and market similarity, and this in turn is dependent on the initial business relationship but also on the initial cultural relationship. The 'firm's interaction' is the second driver, which is dependent on, above all, the integration mechanisms used (how to structure the M&As deal in accumulating, stabilizing, combining, and timing). This driver, however, is also dependent on the previously selected combination mechanisms, such as pre-planning, negotiating, and combination posture. The third driver is the 'co-ordinative efforts' taken, which includes the formal planning (inclusive of standardization), management information systems, integrators and transition teams, and socialization (common orientation, training, joint activities). The last driver is the reaction of employees, which Larsson summarizes using the term 'employee resistance'. It is in this driver that the rational meets the irrational, it seems.

According to Larsson (1990), such resistance correlates negatively with the realization of synergy[12] and it is the result of four main elements. The first element is the way in which the acculturation process is presented. The acculturation process depends on the socialization mechanisms chosen, which is a component of the co-ordinative efforts and therefore also part of other integration mechanisms, such as formal planning (budgeting and product costing), management information systems, etc. Imposed control is the second element that Larsson considers the trigger for employee resistance. The third element is the attributed hostility, the result of the utilization of mutual considerations. Such considerations can be the communality of interests, equal influences, or the maintenance of others' integrity. Career implications are, according to Larsson, the fourth element with an impact on how employees react and how great their resistance is after M&As. Much depends with this element on the capabilities of the human resource systems in the two organizations. Relevant factors are how jobs are designed, how reward systems work, how personnel policies are conducted, and how career planning is administered.

The H&R stream of research mostly examines how human resources are treated during the integration stage. Leadership is therefore a much-echoed issue that is part of a perspective, probably best called the 'new managerial' perspective, since modern versions of the 'managerial' perspective have accepted such a view, more or less. Pablo and Sitkin (2004) and also Ashkenas and Francis (2000) argue that leadership is fundamental as an organizational mechanism for achieving efficiency and control as well as building commitment, understanding, and determination.[13] Whereas such leadership roles traditionally (Haspeslagh & Jemison, 1991) were a type of institutional role responsible for communicating vision and purpose, Pablo and Sitkin (2004) emphasize new dimensions of effective leadership. For them, real leaders understand at least six essential scopes of

[12] My view is that if employees or managers, for example, resist bad decisions, it may not be the case that this really correlates negatively with the realization of synergies.

[13] Both authors, Pablo and Sitkin (2004), have contributed with material in earlier sections within other research streams and they therefore exemplify what appears to be the case overall, namely, that there has been a tendency towards including more and more 'soft' issues in M&As research in general in recent decades.

leadership. Personal leadership fosters loyalty; relational leadership engenders a sense of trust and justice; contextual leadership helps to build community; inspirational leadership encourages higher aspirations; supportive leadership forges an internalized sense of self-discipline; and stewardship raises an internalized sense of responsibility.

Whereas personal, relational, and contextual leaderships are mostly relevant at the operational level, as in Anthony's (1965) planning and control system, inspirational and supportive leadership are tactical, with stewardship on a strategic level. Ashkenas and Francis' (2000) leadership style, on the other hand, is still an old-fashioned 'managerial' type since such leaders are described as 'integration managers' who should "inject speed, engineer success, create structures, and make social connections". This is a quite straightforward and top-down approach and therefore not really identical with Pablo and Sitkin's (2004) leader types, in which there seems to exist an interaction of bottom up and top down processes.

Actors experience M&As most often as executed in a 'managerial way'. The identification with a certain culture, with a certain role, or the individual identification with her/himself are three other means by which an actor can portray her/his actions (Vaara, 2002). Seen from this perspective, an important variable during the integration process in M&As is the 'legitimacy or illegitimacy' of specific actions but also the 'claims' regarding the accountability of particular actors. Narratives of such actors can then, transformed by the different discourses, determine if certain accounts are described as successful or not (Vaara, 2000). How top decision makers 'make sense' of what is going on is another important variable since sense-making can be rational, emotional, as well as socio-politically manipulative, depending in large degree on whether the activities or actions are experienced as problematic or not (Bijlsma-Frankema, 2001).

Mutual 'trust' is another factor that is emphasized in the M&As literature. Trust can be achieved by exchanging information and experience, but above all by experiencing shared norms and shared goals, giving the actors a clear sense of what is right and what is wrong (Calori et al., 1994). But the reaction of actors and cultural issues are also related to more rational issues such as, for example, performance because actors of poorly performing companies normally welcome an acquisition. On the other hand, acquired organizations that are performing well do not like to be changed as they feel that they already have a winning concept (Blasko, et al., 2000; Calori, et al., 1994; Hopkins, 1999; Lundbäck, 2004).

The studies, summarized here, are only some of probably hundreds of studies that concern the issue of human resources related to M&As. Culture has been recognized as an important variable particularly in cross-border M&As. Research here shows that culture clashes often increase the greater the cultural distance. However, it is especially the way such differences are treated by management that makes the difference as far as integration success. Key determinants of success are decision-making styles, communication styles, and co-operation styles. Of special interest is that the focus of these studies is quite different compared to earlier work. Now we are focusing on Shrivastava's (1986) third level, namely, the managerial and socio-cultural level, from a new perspective, namely, a bottom-up perspective, compared with the managerial one that permeates most research streams described earlier. Remembering Shrivastava's (1986) framework, co-ordination at the socio-cultural level is attained by establishing integrator roles and changing the organizational structure. Control is achieved by designing compensation and reward systems and allocating authority and responsibility. Conflicts are solved by stabilizing power sharing tools and other mechanisms. The human resource perspective, however, looks particularly at the second part of Birkinshaw et al.'s (2000) framework, namely, the integration of the human factor, since, as these authors believe, the integration of tasks always requires the integration of human beings as well.

However, one cannot ignore the issues mentioned earlier since the HR literature on M&As also assumes many such 'task related' factors to be the causes of psychological and behavioral effects. These factors include the motive for the merger (growth versus survival), the type of merger (friendly or hostile), the relative organizational size, the relative organizational success, and cultural compatibility (Buono & Bowditch, 2003; Cartwright & Cooper, 1996). Additional factors also include various managerial practices that were employed during the M&As integration process, with special emphasis on 'communication' with employees.

2.2.4 The 'Acculturation Perspective' on M&As

Previous sections in this study have shown that following M&As, the consensus viewpoint is that sets of different elements will be integrated, such as processes, systems, norms, and more. Such integration assumes, in the best cases when the focus is not one of coercion, organizational learning. A term that has been used to refer to this "readaptive and reciprocal" organizational learning during M&As is *acculturation.* McEntire and Bentley (1996, p. 156) describe acculturation as "the process of intercultural borrowing through the continuous transmission of traits and elements between different peoples, which results in new and blended patterns". For Larsson and Lubatkin (2001, p. 1574), acculturation in mergers and acquisitions is "the outcome of a co-operative process whereby the beliefs, assumptions and values of two previously independent work forces form a jointly determined culture".

Acculturation is a term adapted from anthropology, and one can see it more or less as the process of change that takes place when two different cultures come into direct contact. And acculturation can be applied on different levels of an organization and its environment, for example, with individuals, work groups, departments, entire organizational cultures, different national cultures, or in some combination (Nahavandi & Malekzadeh, 1988). Integration after M&As is the heart of this study, but integration is, according to Berry (1983, in Nahavandi & Malekzadeh, 1988, p. 82) only one of four potential acculturation modes possible after such deals. The characteristics of the acquired and the acquiring companies determine, according to Berry, which mode of acculturation will be triggered. The four modes are "integration, assimilation, separation, and deculturation" and can be seen in Figure 2 below (1983, in Nahavandi & Malekzadeh, 1988, p. 82).

'Integration' is, according to Berry, activated when members of the acquired firm wish to preserve their own culture and identity and want to remain autonomous and independent. They therefore try to maintain many of the basic assumptions, beliefs, cultural elements, and organizational practices, and systems that make them unique. At the same time, they are willing to be integrated into the acquirer's structure. However, integration can take place only if the acquirer is willing to allow such independence. '*Assimilation'*, on the other hand, is described by Berry as a unilateral process in which one group gladly adopts the identity and culture of the other, and this may occur when an acquired firm has been unsuccessful and where employees and managers perceive that their culture and practices are dysfunctional and disruptive of organizational performance. The acquired firm will be absorbed into the acquirer, and it will cease to exist as a cultural entity. '*Separation',* on the other hand, is somewhat the opposite of acculturation since the acquired company attempts to preserve its culture and practices by remaining separate and independent from the

acquirer. If allowed to do so, it will function as a separate unit under the umbrella of the parent company.

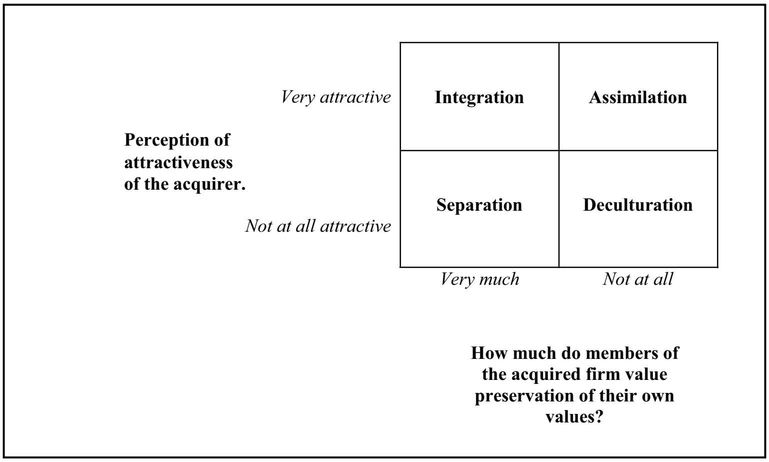

Figure 2: The acquired firm's modes of acculturation

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

Berry regards the fourth mode of acculturation as the real opposite of acculturation, namely, '*deculturation'*. This mode means that the acquired company loses cultural and psychological contact, both with itself and with the acquiring group. Here, the acquired company does not value its own culture and organizational practices and systems, and does not want to be assimilated into the acquiring firm. This shows that, even though most researchers and probably also most practitioners talk about integration after M&As, it is not at all obvious that this is the best way to proceed.

Nahavandi and Malekzadeh (1988) applied Berry's framework in studying which factors in particular determine the course of acculturation. They investigated related and unrelated acquisitions as described in other authors' literature. Moreover, they included multiculturalism in their own framework, whereas the term 'multicultural' refers to the degree to which an organization values cultural diversity and is willing to tolerate and encourage it. If an organization simply contains many different cultural groups, it is considered to be a plural organization; if, in addition, the organization values this diversity, it is considered to be multicultural. A multicultural acquirer is more likely to consider diversity as an asset and will therefore allow the acquired firm to retain its own culture and practices. The second variable that verifies the course of acculturation for the acquirer is, according to these authors, the "diversification strategy regarding the type of merger – the degree of relatedness between the acquirer and the acquired firms" (p. 84).

Nahavandi and Malekzadeh believe that the more related the firms are, the more likely it is that the acquirer will impose some of its culture and practices in an attempt to achieve operating synergies, which can be seen in Figure 3 below. They furthermore state that when two organizations do not have the same preferences regarding a mode of acculturation, many problems associated with post-merger integration of the two firms can arise. The authors call this "acculturative stress" that can be avoided or managed better if the companies involved agree on such an acculturation mode. They further emphasize that acculturation over time changes its modes. Therefore, the degree of similarity between each side's preferences may change over time as well. However, the authors do not illustrate how such an agreement is attained or how acquiring and acquired organizations have to deal with, for example, the communication of acculturation modes.[14]

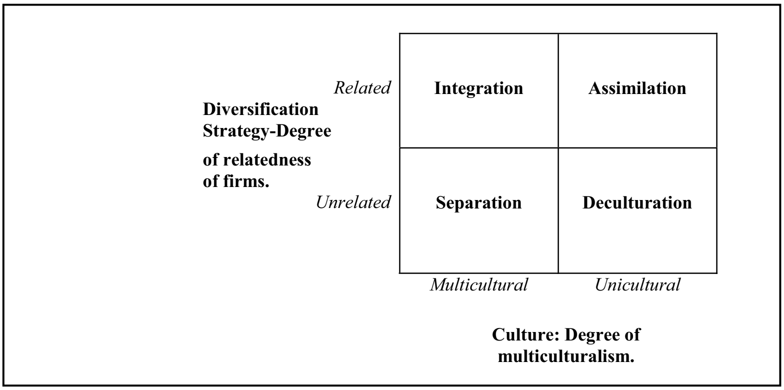

Figure 3: An acquirer's modes of acculturation

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

Haspeslagh and Jemison (1991), agreeing with Nahavandi and Malekzadeh (1988), also state that the nature of interdependence between two firms is one of the key integration determinants. This is because this interdependency determines if a successful integration facilitates value-creating possibilities, for example, by resource sharing, the transfer of functional skills, the transfer of general management capabilities, or any combination of these. However, in the light of the strategic approach, Haspeslagh and Jemison explain the need for strategic interdependence and organizational autonomy in distinguishing between four different integration approaches, instead of using the acculturation approach of Nahavandi and Malekzadeh.

If the need for organizational autonomy is low, '*absorption*' is chosen for integration when the need for strategic interdependence is high. This mode means fully consolidating the two organizations' operations, structures, and cultures over time. When Volkswagen, for example, acquired the Czech Republic car producer, Skoda, such a dismantling of boundaries was chosen, and Volkswagen implemented both its organizational structures and strategic intentions into the acquired firm (Lundbäck, 2004). '*Holding*', however, is recommended by Haspeslagh and Jemison when a process of capacity transfer is not expected to generate any further value. Hence, either eliminating boundaries or maintaining interdependence between the firms will be pointless. Value creation seems possible by financial transfers, by risk sharing, or by sharing common management capabilities.

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

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

In a "symbiosis" relationship, organizational autonomy is needed to preserve the acquired firm's value-creating potential at the same time as larger parts of the firm, for example, the organizational structure or other interdependence mechanisms, are combined. As a result, this often means that the acquired company's structure is changed towards the acquiring company's structure. This form of integration was chosen by Ford when they acquired Jaguar in the mid-1980s and the same is true for the acquisition made by Ford in 1999, when they acquired Volvo Cars. Lundbäck (2004) emphasizes this relationship when he says that, for example, all the joint development projects in the Ford-Volvo Car construct required interdependence, but at the same time, the Ford managers were aware that Volvo Cars' brand identity was at risk when autonomy was denied. Therefore, some functions within Volvo Cars had to be synchronized and integrated. Other areas, however, such as R&D, the area Lundbäck was investigating, have their own particular goals and interests.

Haspeslagh and Jemison's four perspectives seem to be separable smoothly at the macro level. We can, for example, say that, on the whole, Volvo Cars followed a symbiosis integration strategy. In looking at different functions, such as R&D, marketing and sales, etc., one will probably have a different picture since each function has certain roles that are important in relation to the organization as a whole (such as R&D in the case of Volvo Cars, specifically the brand name). This is in consistent with what Nahavandi and Malekzadeh (1988) say about acculturation: the acquirer has to address and manage each sub group in an organization separately in a process of finding which acculturation mode is most appropriate.

Larsson and Lubatkin (2001), in addition to Lundbäck (2004), are Swedish researchers who provide Swedish evidence on acculturation. In their investigation of 50 M&As – 23 US domestic, 15 Swedish domestic, and 12 Swedish cross-border – they found that acculturation is best achieved when the acquiring firms rely on social controls. By social control, they mean participation in activities such as introduction programs, training, cross-visits, retreats, celebrations and similar socialization rituals. They emphasize that the employees want to create a joint organizational culture, and this is true in spite of expectations of synergies, the relative organizational size, and differences in nationalities and culture. This, on the other hand, is only possible as long as the acquirer allows the acquired organization autonomy because when autonomy is restricted, additional social control mechanisms are required. This would then, according to Larsson and Lubatkin (2001, p. 1594), include more informal co-ordination efforts such as "transition teams, senior management involvement and temporary personnel exchange/rotation".

Moreover, the two authors find that Swedish acquirers seem to use more social controls than U.S. acquirers, a strategy that probably has its roots in the different cultural backgrounds of managers. Another important conclusion by Larsson and Lubatkin (2001) is that the removal of autonomy cannot always be seen as a barrier to achieving acculturation. They propose that such a removal can actually contribute to the formation of a jointly determined culture, but only as long as it is attached to a higher level of informal control.

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

2.2.5 Summary

Above, six different perspectives were presented and explained in a grouping of four sub-sections. The main assumptions of these perspectives are summarized in Figure 4. The figure primarily shows that the perspective a particular author chooses also determines the focus (fit, process, actors and actions, acculturation process), which in turn determines the main variables the author identifies. These variables, however, are sometimes (or, often) quite abstract and only visible as fundamental ideas (probably by practitioners in studies) or as theories (by academicians performing the studies). In my opinion, such ideas or theories about how integration takes place consequently determine the way MC systems and tasks are experienced (mostly by practitioners) and described (mostly by academicians), or how they are related in general.

Probably the most important impression one has of the managerial perspective, and partly of the strategic perspective, is the streams' underlying idea, that is, 'the assumption' that integration (or the entire M&A) can be 'planned and led' to a great extent. This is seldom a variable found in the different authors' articles, but it is the statement that is often hidden between the lines of most literature within these two research streams. It is the assumption that managers are able to manage integration tasks and activities either in the right or wrong way, and that most outcomes are dependent on such managerial actions.

This assumption is therefore perhaps one of the most commonly used 'abstract' variables. It is a variable that lies behind most frameworks and typologies as authors try to connect contingent variables to the integration process. This can be seen most clearly in the different approaches within the managerial or strategic perspectives. The motives for the M&As are significant ingredients of such a 'planned' and 'managed' approach, and we can see quite significant differences between the approaches of older studies and newer ones. Synergy and integration are closely related and strategic fit serves especially well within the strategic research stream as a foundation that leads to synergy creation.

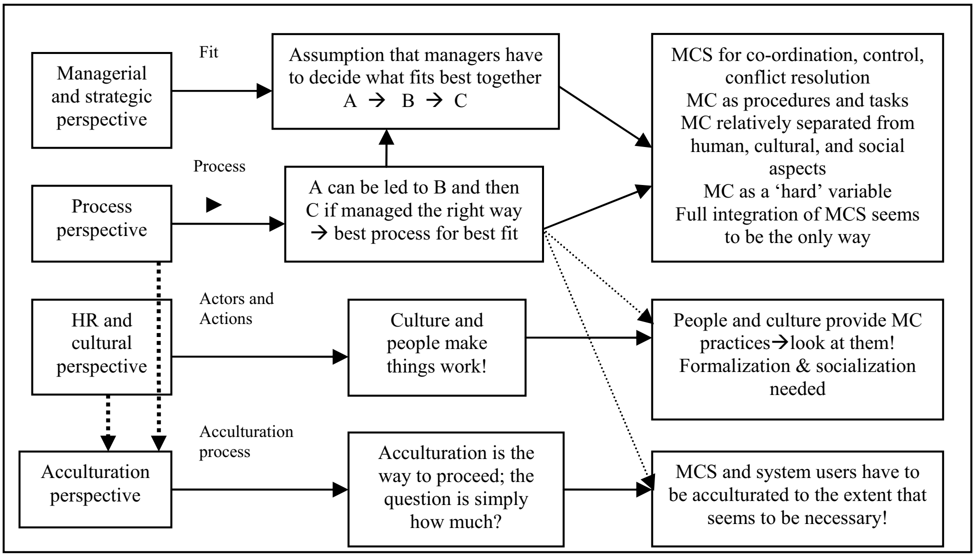

Figure 4: M&A research perspectives, their focus, and MC/MCS in general

From the diverse motives described and the integration typologies referred to above, different conclusions can be drawn that have to do with the role and function of management control. Hence, management control is generally perceived as 'systems' that have to be 'designed' for co-ordination, control, and conflict resolution. Such systems operate at the 'procedural' or 'task related' level, then moderately separated from human, cultural, and social aspects. That way, such systems seem more often than not to be a 'hard' variable and as such the foundation of rational and functional actions. Task integration is therefore, in most cases, more important than human integration, especially in older versions within the literature, and so should be considered first. Full integration of management control systems is then the ultimate goal.

The process perspective offers several contributions that are similar to the managerial and strategic perspective of the integration processes in M&As. Authors within this stream, however, offer additional variables and factors as they look more closely at the process itself, and not primarily at 'before and after the deal'. Hence, the planning and the timing of the process are, in combination with strategic and organizational fit, the variables that are important to secure more positive M&As results. Therefore, managers and others who have a great deal to say about how the process should look are key people. They have an effect on whether the organizational fit is in focus (when line managers decide) or whether the strategic fit is in focus (when CEOs, corporate staff or outside advisors decide). This perspective also specifies that how information about the process is communicated is essential if one is to 'manage' it in the right way. Steps are then described, tasks explained, and relations and correlations are outlined (as in contingency study) that, in most cases, fill in the details about the integration process. A clear difference can be seen, however, between 'old-fashioned' and more 'modern' views, as more 'modern' authors' try to include the human factor in a more trustworthy way than earlier studies have done. Full integration is also here the normal goal, in a way that is understandable as a process. The status quo is not a good option then.

Most ‘managerial’ and ‘strategic’ researchers as well as practitioners recognize culture as a problem area in the integration after M&As. Yet the HR and culture perspective shows that culture often is used as a ‘punching bag’ or ‘alibi’ when there actually are other problems involved. However, this perspective cannot determine with certainty if ‘culture difference’ is a variable that can be seen as an advantage or as a disadvantage during the integration processes in M&As. Evidence points in both directions. Within the cultural and HR perspective, relationships between the merging entities are important as only motivated employees add extra value. Thus, socialization, combined with more formal integration mechanisms, is a necessary tool to achieve success in M&As. The right dimension of leadership at the right time and place is another essential ingredient, but here also one can see a clear difference between more ‘old- fashioned’ and the more ‘modern’ leadership styles.

Finally, the acculturation perspective appears to be a combination of the process perspective and the HR and cultural perspective. As such, it combines human and cultural ideas strongly and explicitly with a process perspective that, in turn, enriches the descriptions and often facilitates finding solutions that the other streams, on their own, cannot.

2.3 Management Control Research

2.3.1 Only a Few Straightforward MC/M&A Studies

Previous sections of this study have shown that M&As have become an important research area. Nonetheless, today there exists no particular research stream that combines management accounting and control directly and explicitly with M&As. Moreover, the most explicit, most genuine, and most straightforward empirical evidence on the subject comes from the middle of the 1980s. Jones’ (1985a) “An empirical study of the role of management accounting systems following takeover or merger” is a seminal article in which he points out very clearly that management accounting and control systems are an important area for study in the research on the impact of M&As. Jones considered it strange that the literature had not addressed the “accounting-type controls and those revealed disparate views concerning the adaptation of such controls in acquired companies” (p. 197), which was also the reason for his study. He believed the idea that “order and discipline could be instilled in the acquired company by the somewhat mechanical first extension of the parent company” was a “naive” view. His findings support his opinion that such a situation may not exist.

Jones’ first article, reviewed here, is over twenty years old now, and yet various studies and reports provide evidence that investigation into events within M&As and management accounting and control presented in a straightforward manner are still rare. The following sections will, however, summarize the combined knowledge, such as it is, within this field, beginning with a deeper analysis of this original Jones study followed by analysis of two other studies he also made in the mid-1980s (1985b, 1986) where he used some of the same data as in his first study. Jones’ fourth article (1992) is of interest since it looks at M&As from yet another angle. Thereafter, three more studies on M&As and the strategic functioning of management accounting and control systems (Roberts, 1990; Nilsson, 1994, 1997) are discussed. In addition, probably the newest and therefore most relevant study for the purpose of this thesis is Granlund’s (2003) case study that is also examined here.

Granlund's research appears to be the only 'fresh' and 'straightforward' evidence that combines general M&As research with a wide range of management accounting and control system issues by focusing particularly on human and social aspects in association with system-technical aspects.

Jones' (1985a) first empirical study of relevance to this study (interviews with 41 financial executives or accountants in managerial positions in 30 firms) provides insights into the integration process after M&As where the focus is on the role of management accounting systems (MAS) during the first two post-acquisition years. Using a quantitative approach, he looks at the importance and conformity of individual management accounting techniques (MATs) before and after the acquisitions. The MATs evaluated were in three different categories: First, long-range and strategic planning, formalized capital expenditure appraisal, and control techniques; second, operational control techniques including delegation, budgeting, monthly reporting, weekly profit reports, variance reports, cost/profit center control, and marginal costing for decision-making; and third, remote administrative techniques such as cash flow reports, internal auditing, and centralized funds control.

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

Jones (1985a) also finds that MATs become much more important after the acquisition. According to him, monthly accounts and reports, budgeting in operating companies, and formalized capital expenditure appraisal and control become very important. The only areas where there is a decrease in importance are long-range corporate planning, budgeting, cost center control, and the authorization for capital expenditure. Even in these areas, the decrease is typical only for larger acquired companies with well-developed MAS either acquired by smaller companies or companies that downplayed the importance of such techniques. However, even if all information increased in importance, monthly accounting information was paramount while information for the daily operations of the acquired company was secondary. This suggests a change in emphasis from controls for internal use by companies towards accounting systems that are capable of exerting possible control over acquired companies.

Moreover, Jones' research revealed that the different styles of acquisition (horizontal, vertical, etc.) did not have an impact on changes made in MATs. The size of the acquired organization, on the other hand, was found to be the main driver of such differences, which Jones (1985a) interprets in two ways. First, managers are incapable of using MATs to fulfill certain post-acquisition needs of organizations, and second, such MATs cannot be used to fulfill such organizational needs. Hence, Jones (1985a) cannot decide on a definite role of MATs for certain styles of acquisitions, for example, for integration, for motivation, or for control, as such needs were very similar in all types. What Jones finds (1985a), however, is that report frequencies increased significantly (to increase motivation and decision-making) and that a high level of control conformity was introduced after the acquisitions. The relative importance of certain MATs was evident by their priority in the implementation process; the most important MATs were introduced first. This only underscores the idea that control had to be installed, and that acquired companies could not be 'trusted'. Thus, the acquirer exercised total centralized control over funds, requiring conformity in the subsidiary companies.

In total, Jones' findings, as reported in his first article, suggest that when acquiring companies were inclined to extend their MAS in a bureaucratic and mechanical way to acquired companies, the predominant trend was towards reduced freedom and increased control. Uncertainty and other undesired outcomes were also results. Jones concludes that political processes, rather than structural logic, might have determined the MAS that were adopted. Changes in long-range and strategic planning caused the greatest technical difficulties and the least willingness to co-operate, resulting in resistance. Moreover, Jones (1985a) shows that rapid changes in MAT resulted in better performance than a 'hands-off' policy used for a longer time of about one year did. However, as power was removed from the acquired firm's senior executives, procedures became over-formulized, the rhythm of reporting changed, and the quality of information normally was reduced. All these effects were considered dysfunctional and the result of the changes in MAS.

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

Jones (1985b) concludes that the design of MAS can be "subject to political processes which reflect ideological values rather than being purely mechanical devices" (p. 305), a situation that may not match the needs of the organization overall. This is a conclusion he had drawn in his first study, but only in passing. MAS did not change significantly in acquiring companies, but MAS in acquired firms changed extensively. Such changes (with a few exceptions) normally moved towards the acquiring firm's own system, within a short time (about one year). Jones (1985b) also presents evidence that non-financial information gained somewhat in importance after the acquisitions and that there was an increased emphasis placed upon forecasting information.

In summary, Jones (1985b) concludes from the empirical correlation tests that post-acquisition MAS are treated more in accordance with the universalistic theory of MAS (conformity and carry-over) than with the contingency views of MAS. Thus, apart from a few cases, contingent variables were not significant factors of effective MAS, and any correlation between the variables and MAS was coincidental. When comparing success or failure associated with the adaptation of MAS, Jones (1985b) concludes that even though the overall levels of conformity were quite high, the four companies with the greatest post-acquisition success[15] displayed very close consistency with the theoretical expectations of MAS conformity.

In Jones' (1986) third study, two acquisitions made by the same company are analyzed, drawing upon the organizational and contingency theory of accounting and control systems (ACS). Here, Jones (1986) focuses on the changes in ACS and their effects during the first two post-acquisition years. The acquirer is a large public company (19,000 employees) whereas both acquired organizations are small, each employing only a few hundred people. In this study, Jones (1986) examines 18 organizational variables (7 environmental variables and 11 internal variables)[16] in combination with 11 features of accounting and control systems.[17] Subdivision A (the first acquired firm) did not match exactly any of the 18 subdivisions of these organizational variables. Subdivision B (the second acquired firm), on the other hand, matched about a fourth of all variables. Hence, Jones (1986) expects to see fewer problems arise during the integration of Subdivision B.

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

These radical changes once more underline Jones (1985a) initial findings that management accounting and control systems (ACS in his case) seem to accord with the spirit of the universalistic theory. These comprehensive changes furthermore had an impact on the people in the organizations. Senior managers in the acquired companies, for example, were not highly motivated, and, as performance declined, control became even tighter, resulting in

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[15] Jones (1985b) was aware of the problem the term 'success' would have in such a context and he therefore used a special measurement that combined the economic outcome of the companies with the opinions of the interviewees in terms of optimism or pessimism on the long-term prospect of the firms.

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

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

conflicts and power games that in turn resulted in further delays and reduced employee morale. Only the replacement of senior managers by 'professional' managers and supportive education for middle managers helped solve the problems that resulted from these radical changes. The end of the story, however, was evident only about three years later when Subdivision A, still not meeting expectations, was divested to an overseas conglomerate. Within Subdivision B, a new 'professional' finance director would replace the former one, also about three years later, when expectations were not met. But when results turned out to be still worse, Subdivision B was sold as well.

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

Roberts' (1990) results come from a case study he made of only one large corporate acquisition, an in-depth analysis of general control mechanisms and strategy issues in a corporate merger. He explores the connection between the use of accounting information for performance reporting and control and the formulation and implementation of business and corporate strategy. His case study focuses on a large, British international with a relatively poor economy before the acquisition that became part of a larger British organization about twice its size. In his study, Roberts presents two pictures of the success/failure of the integration and the relationship after the acquisition. The first picture shows the great autonomy given to the different divisions of the acquired organization. Here, the process of socialization and the simple conferences are used to control and supervise as well as build mutual knowledge and trust. The outcome of this increased autonomy is high productivity gains and high returns on capital invested. The other picture, however, shows a less positive image of the integration process. Here, Roberts looks at the process in terms of volume produced and people employed. The negative outcome is that production declined by several hundred per cent and about four out of five employees had to leave the acquired organization during the first four years after the acquisition.

Depending on the picture painted, this entire integration process was either a huge success story or a catastrophic failure. In the case, externally, accounting information was used to convey the image of a 'success story', but that story did not reveal the internal organizational processes by which this 'success' was realized. Furthermore, Roberts' case shows that corporate financial concerns, addressed through corporate financial strategy, are often the dominant ones compared with long-term market concerns. In his case, Roberts notes that conferences between groups were used as an alternative form of accountability, reducing the potentially possible tension between accounting and strategy. Roberts illustrates that power is removed from the acquired firm's management even though the earlier MAS remained intact after the acquisition. The subsidiary in Roberts' study then develops new cost accounting systems (out of fear), but new practices within the parent company restrict the subsidiary's capital investments. Here, Roberts shows how new organizational rules, norms, and values are established during the post-merger era. He raises the strategy of how conferences are used to spread new strategies and practices to the acquired unit.

In both his licentiate thesis (1994) and his doctoral thesis (1997) Nilsson investigated the relationship between the group strategy and the business strategy of acquired companies and acquiring companies. As his licentiate thesis (pilot study) findings are included in his doctoral thesis, I therefore reference directly only his doctoral thesis.[18] Nilsson's results come from his qualitative and quantitative analyses (applying standardized interviews and three-point Likert-type scales) of three case companies (four cases, including the pilot study), each acquired by a larger enterprise. The aim of his study is to develop a conceptual framework (model) that describes and explains how management control systems (MCS) are designed and used after an acquisition. Nilsson distinguishes between the role of MCS in operational integration and the role of MCS in business development. He finds that the implementation direction of the corporate strategy and the business strategy takes place in two parallel but mutually dependent, largely linear, and sequential processes. Due to this, companies must know in which direction they should strive.

According to Nilsson (1997), the corporate strategy of the acquiring company mainly affects the need for integration and synergies. This requires integration and a more co-ordinated MCS, especially since comparable information is vital. The business strategy of the acquired company (here summarized as differentiation versus cost leadership strategy, a typology developed by Porter, 1987), requires co-ordination of such a business strategy and an operative implementation of MCS that adapts to circumstances. The term "potential misfit" (1997, p. 243) is used by Nilsson (1997) to summarize the situation when decision makers (group management versus the business unit's management) have different requirements of the MCS at the acquired company. The possible combinations of such "potential misfits" are depicted in Figure 5 below. Such problems can, however, according to Nilsson, be solved by using the right control philosophies, which, in short, means the right combination of the different possibilities.

Nilsson emphasizes that whereas some co-ordination of management control systems is always necessary, the minimum demand is at least for a common construct of terms and ideas (in Swedish, *begreppsapparat*) that aim at formalizing communication between headquarters and management of the new divisions (1997, p. 214).

Hence, communicating in a way that everyone in the group understands is essential, and therefore a common construct of terms and ideas is an important variable of the integration processes in M&As. Another of Nilsson's (1997) conclusions is that a large demand for functional integration also results in a high degree of co-ordination. He finds that the least co-ordination is necessary in 'financial acquisitions', as only small operative synergies can be realized in such acquisitions.

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

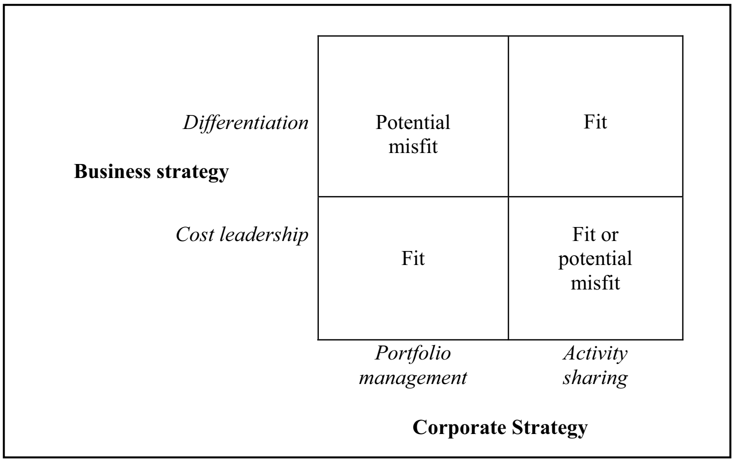

Figure 5: Connection between corporate and business strategy

Source: Nilsson (1997, p. 244)

In these cases, the organizations simply try to harmonize the divisions' strategies with the group's strategies. Such harmonization, according to Nilsson, is accomplished with the help of strategic planning tools and the budgeting process. However, for organizations sharing activities to a large extent, the management accounting and control system is one of the mechanisms used to integrate to achieve synergies. Nilsson finds budgeting to be the most useful tool in this integration process, but some other division systems may be partly co-ordinated as well. The co-ordination of budgeting is mostly necessary to give the integration work a clear structure and direction. However, Nilsson could not find evidence that co-ordination and integration were mechanically executed, simply to control. Instead, there was a discussion about how to make changes and how to best match the different systems. Co-ordination and integration was therefore a supplementary goal compared to the divisions' situational adjustment in all four acquisitions, as Nilsson observed. Hence, the need to integrate, and thus to become more centralized, was not as important as the need to adjust to the situational characteristics of the new divisions, independent of the form of the acquisition chosen.

In reading Nilsson's two studies, one can draw the conclusions that the contact between the corporate headquarters and sub-units in Swedish multinationals appears a success story. He makes the same argument in another study (Nilsson, 2000) in which he presents similar findings on this issue, mainly including the same evidence presented above. In sum, his findings show that the parenting styles of the investigated Swedish companies were relatively soft and de-centralized, where management was by objective and where the emphasis was less on conformity and co-ordination and more on the "benefits of adapting organizational structures to local needs" (p. 110). Nilsson argues this point, but we have to consider his evidence was collected in the context of Swedish management styles that may explain his findings that such a soft, de-centralized approach leads to good performance.

The most recent research, and the most relevant to this study, is Granlund's case study (2003). Here we can find answers to how management accounting and control systems work in M&As with culture differences because Granlund looks at the integration of management accounting systems in corporate mergers of equal size but with different cultures and different management accounting systems.[19] The object under study (a longitudinal case study) was a large, Finnish food producer (Proco) that had acquired another large, food producer (Unico) in 1993. Information was collected from 1993 to 1996 with help of interviews, document analysis, participative observation, and informal conversations. In comparison to the earlier studies described above, Granlund tries to deepen our understanding of the role of management accounting and M&As by describing the integration process of such systems but also by explaining the role corporate culture plays during such processes.

Granlund (2003) identifies four main factors that play a crucial role in such an integration process. These factors are "goal ambiguity, cultural conflicts, unintended consequences, and dominant individuals" (p. 208). According to Granlund, a major problem in the food producer's acquisition was that the goals, very different and sometimes too numerous, at certain times were non-existent. As a result, often there were unintended consequences. Culture conflicts could best be observed in management since the acquisition was quite sudden, even shocking to some employees at the acquired organization. Different management styles obstructed the work and frustrated the employees, resulting in delays in implementing group wide control systems and uncertainty. Since there was no commonality in the leadership tone, cultural conflicts in the group were troublesome. About two years after the acquisition, the real management accounting system implementation was finally started.

Because the two firms in the Granlund study involved were of equal size, a simple replacement of one management accounting systems did not seem possible. This was something the former CFO of the acquirer company believed was the main reason for the failure of the integration, since in previous integrations, when smaller firms were acquired, the integration had been easier. Dominant individuals in the investigated organizations played a key role. One such player was the group Controller who, surprisingly enough, came from the acquired organization. He had considerable authority and acted very autocratically. However, he delayed too long in starting the integration, and when he finally had evaluated and selected the best management accounting practice from each company, he made all decisions himself. This management style probably speeded up the integration after the slow start, but at the same time it was very values laden and therefore resisted.

In sum, Granlund's (2003) findings generally support most of the findings of Jones (1985a, 1985b, 1986, 1992) and of Roberts (1990). There are, however, differences that mostly have to do with the fact that Granlund's study concerns organizations of equal size. In comparison with the acquiring company's earlier acquisitions, where the two organizations were of dissimilar size, most of Granlund's (2003) results support earlier research. Still, Granlund finds some dissimilarity. In comparison with Jones' (1985a) first study, Granlund does not find that management accounting techniques became more important after the acquisition; indeed, the opposite was true, as the frequency of reports diminished. The

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

biggest difference, compared with Jones' (1992) fourth study, is that in Granlund's study informal cultural control tasks were used by the acquirer company to facilitate change in organizational structures and the attitudes of participants. Jones (1992), in contrast, reported that the new owner/managers used the accounting and control system for that purpose. Compared to Roberts (1990), Granlund (2003) does not find that the acquirer let the acquired company use its former management accounting systems; however, the acquired unit's capital investments were not restricted.

2.3.2 Mainstream Management Control Research and the Contingencies Found

'Contingency theory', probably more than any other theory, has helped to illustrate the different variables of decision-making and control by combining them with structural factors such as the environment, size, technology, competition, etc. (Covaleski et al., 2003). In such frameworks, external and internal contingencies are then often linked to internal organizational variables (Jones, 1985a, 1985b, 1986) where the main objective is to determine if such rules are applicable universally, and, if so, in which different environments of the newly merged entities. However, during the last century, M&As integration has had different meanings as the different M&As waves have brought with them different integration focuses (mainly horizontal mergers in the first wave, vertical mergers especially in the second wave, conglomerate mergers in the third wave, a great mixture of merger types in the fourth wave, and strategic mergers in the fifth wave (Porter, 1987)).

Another main issue with M&As integration seems to be the corporate governance problem where the interests of managers and owners have not been aligned, and where the different parties have different definitions of M&As integration success. For example, the influence of shareholder value propositions on such matters in recent decades has only increased the richness of the discussion of 'the boundaries of the firm' (Parvinen, 2003), where terms such as 'strategic fit' and 'inter-firm synergies' have become important again.

Moreover, each M&As event is unique as such arrangements involve particular organizations situated in particular environments. Hence, the context in which management control can be studied, or has been studied, is different from case to case. This reality certainly is the principal explanation for the dissimilar results of the various M&As studies, warning us against making generalizations too easily. This observation is consistent with the conventional ideas of the contingency theory, where epistemology has been the guiding motto that "the appropriate design (s) of MCS will be influenced by the context within which they operate" (Chenhall, 2003, p. 128). Therefore, it seems legitimate to determine the design as well as the role and function of management control in M&As integration processes not worrying that generalizations may be impossible simply because each M&Aa event is unique.

When talking of the environment or context of organizations involved in M&As, one must consider at least three topics at once, namely, the environment, the structure, and the strategy of the acquiring/acquired organizations. It is almost impossible to separate these topics if one wants a true picture of integration issues after M&As deals. And such a separation is not even desirable since the main argument for each rests on its connection to the other two. Hence, the right fit between the structure, the strategy and the environment of the involved organizations is a fundamental pre-requisite of good performance, primarily according to contingency theorists (Jones, 1985a, 1985b, 1986, 1992) and to other researchers as well (Kitching, 1967; Nilsson, 1994, 1997). It therefore seems only logical that the more different the two environments of the involved organizations are (geographically, structurally, strategically, and socio-culturally?), the more difficult it appears to achieve a fit when integrating them.

Additionally, according to the theories of economies of scope and scale, which often are the reasons advanced for M&As in the first place, comprehensive organizational integration is necessary. This means there are principally two main forces to struggle with when dealing with M&A integration issues. The first force relates to the environmental fit of the old entity (according to the contingency theory), and the second force relates to the organizational fit of the two entities in accordance with theories of economies of scale and scope. These two elementary forces probably have an impact on most other variables that are part of management control integration after M&As deals. In one way or another, the two oppositional forces influence how 'fit' is achieved, whether organizational fit or environmental fit.

Perhaps the biggest issue with this 'fit' problem is that it is difficult to describe. One can only look at certain parts of the problem as contingency theorists have done. However, by doing so, the holistic design of the problem is lost. This also has an impact on the different variables of management control integration, since, for example, the precise structure of the organizations involved is not an isolated variable in organization studies. Organizations' structures, as variables, only make sense when they are considered in conjunction with the other important variables that comprise the entity, for example, the environment and the strategy of the organizations.

Researchers who primarily focus on the issue of organizational culture moreover emphasize that the link between structure and culture in the organization is essential to adapt externally. External forces can 'falsify' these parts of an organization, and so such cultural adaptation also requires the right fit between the structure, the strategy, and the external environment to enable efficiency (Bijlsma-Frankema, 2001). In a multinational context, structure furthermore has been categorized and enterprises have been sorted into such categories. Here, above all, Ghoshal and Nohria (1993) have shown that some organizations use normative control mechanisms to a much larger extent than others to integrate their different sub-units spread over the world. Such mechanisms, however, do not explain how organizations deal with the uncertainty that comes from different environments. Here, it seems like the old rules still apply, namely, that the more dynamic, complex, diverse, and hostile the environment is, the more uncertainty organizations have. Because of such uncertainty, lower levels of formalization and centralization are necessary (Baliga & Jaeger, 1984).

Despite the multinational context of many large organizations, much research exists that shows that there are national differences in structuring an organization. An example is the typical Swedish organization that is relatively de-centralized in comparison with the organizations of many other Western countries. For a Swedish company, this national characteristic in business, its context, means there is an impact on how much emphasis is placed on conformity and the co-ordination tasks selected after M&As (Nilsson, 2000). In using the word, "context" for the environment of organizations, the intention here is to emphasize that organizations never exist in a vacuum, but are always embedded in a certain time and a certain place (or, mostly two places). This is the organization's particular context. The five merger waves that have occurred since the industrial age appear, for example, to show that during each wave, certain integration focuses (horizontal, vertical, etc.) were part of organizational members' mental focus. During those particular times, people tended to believe a particular integration process was better than another, possibly owing to 'fashion', but also because of particular economic characteristics. However, the nature of these context variables and their effect on other variables are not clear at all. Research mostly has ignored this area.

The past/current performance, size, and age of the organizations in acquisitions are other typical ‘contingency variables’ in such studies, probably because these are values that are easy to operationalize. Here, research shows, for example, that the performance of the acquired organization very strongly determines how much autonomy it normally receives. Good performers, referring to acquired organizations, are invited to participate in integration work, but bad performers receive ‘hands-on’ treatment in the form of supervision, power centralization, system standardization, and also by preaching liberation (Baliga & Jaeger, 1984; Hunt, 1990). However, the lower the performance of the acquired company, the higher the possibility for improvement, and this relationship affects ‘attitudinal performance’ among employees in the acquired organizations (Calori et al., 1994). There is probably then, in such situations, more informal communication, co-operation, and personal efforts by the managers of the acquiring firm, and fewer formalized control activities. It is possibly related to this more informal structure that often actors at poorly performing acquired organizations welcome a new management. They generally find M&As integration tasks easier than actors at acquired organizations with more successful performance records.

However, a provocative question is then: How do poorly performing acquirers ‘legitimate’ changes at more successful acquired entities? To my knowledge, there is no research into this question.

Returning to the poorly performing acquired organization, some studies show that even tougher control is exercised when performance in such organizations declines further (Jones, 1985a, 1985b, 1986), often leading to even more conflicts and resistance, lower moral and reduced integration support. This looks like a vicious circle and the acquirer-acquired relationship can continue to deteriorate for quite some time. Finally, it can also be concluded that the general trend is that the poorer the contribution of the newly acquired entity to the entire group, the less delegation it receives. The same is true when the sub-unit serves mostly as a host market (Baliga & Jaeger, 1984).

The difference in size between the acquirer and the acquired organization is a variable that has been a consideration in several studies, not least because it is a typical ‘contingency variable’. The results of these studies, however, do not point in the same direction. Kitching (1967) and Pablo (1994) find that a big difference in size usually leads to overall integration failure as little or no attention is paid the small, acquired company since its contribution to group is relatively minor. Jones (1985a) reports that such a size difference is the main driver for the changes in management control. Jemison and Sitkin (1986) believe that management systems are more often imposed on acquired companies when the difference in size is significant. Granlund (2003) believes that management accounting implementation task problems increase when the organizations are about the same size. Hence, for Granlund, equal size appears to influence the M&A integration process negatively, when, using the jargon of the business press, there is ‘a merger of equals’. The main driver of confusion is the relatively equal power within the two organizations owing to their similar size. The questions then mostly are: Which of the same size organizations has to give up a part of itself in order to be able to achieve economies of scale and scope? Whose systems have to be replaced?

Concerning the age of organizations involved in M&As, little is known about this factor. It can be stated that older organizations generally tend to increase their activities in a routinizing, bureaucratizing, and centralizing manner, even independently of the uncertainty of their environments (Baliga & Jaeger, 1984). This growth in such activities in turn seems to have an impact on the integration processes as older organizations probably experience more difficulties in changing their business structures and practices. Furthermore, if both organizations involved, the acquirer and the acquired, are old enterprises, change problems are likely more difficult than if one organization, or both, is a young entity. More research into this area could provide insight into how long established MC traditions and routines are reconstructed after M&As and what this means to the MC users and designers. In addition, we do not know what might be the likely MC outcome if an old, large organization were acquired by a young, small one.

Many different motives lie behind M&As and they are not easily categorized. It is readily understandable, however, that the real motives of the acquiring and acquired organizations are very often relatively unclear. Granlund (2003) asserts that the stated motives given for M&As are often either too many or too few. An issue related to motives is the issue of acquirer-acquired expectations that may be quite different (Jemison & Sitkin, 1986; Bijlsma-Frankema, 2001; Granlund, 2003). It is, however, not only that such expectations are unclear or ill matched, but also very often they are set too high. The HR and cultural perspective researchers have most often made this claim that is also consistent with the streams of more rational perspectives, such as in the strategic or managerial approaches.

M&As motives and expectations during the 1960s and 1970s were topics of studies in which researchers, such as, for example, Kitching (1967) tried to find certain patterns. Thus, M&As motives and expectations as such have long been used as contingency variables, as is obvious with Jones' different contingency studies. But those who expect to see clear conclusions that point in a certain direction when it comes to the connection between M&As motives as related to MC systems will be disappointed. Jones, for example, has found little evidence in support of the theory that certain types of acquisitions lead to certain management accounting techniques. As far as specific motives or expectations, it is even more difficult to describe the link between them and management accounting and control issues. This area has been little researched and the evidence, such as it is, is ambiguous.

Another main idea in the M&As literature is that the rationale given for integration is very often to achieve a strategic fit rather than an organizational fit (Jemison & Sitkin, 1986). As operations in the acquired organization tend to be oriented towards an organizational fit, this is a logic that automatically leads to several goals with the M&As deal and also to its integration. A focus on the integration process instead of on either a strategic fit or an organizational fit can be the compromise solution, but this then only reduces the conflict as the integration process normally also is oriented towards strategic goals.

Furthermore, several authors argue that shared goals are the best way to achieve integration (Bijlsma-Frankema, 2001; Galpin & Herndon, 2000). The problem for organizations is, of course, agreeing on such goals. One solution may be establishing more limited goals in the smaller entities, particularly those that may be used to motivate people and to bring them together. Such goals require sharing and exchanging of information as well as the co-operation and socialization among members of the different organizations. Such shared goals then build trust that can be very important in reducing misinterpretations of expectations (Bijlsma-Frankema, 2001). Hence, trust is then the control mechanism that can also make many other supervision tasks unnecessary.

2.3.3 Do Certain M&A Types Require Certain MC Integration Tasks?

Contingency studies have focused on finding the type of integration that is best for each form of M&As (vertical, horizontal, conglomerate, etc.). The results of these studies, however, are not consistent, even if there is a certain trend that, for example, shows that the more related the two involved organizations are, the more exhaustive will be the integration (Nahavandi & Malekzadeh, 1988; Jones, 1985b). Other studies show that the level of shared activities determines how much co-ordination is necessary, suggesting that financial acquisitions, for example, require less integration in general than acquisitions made primarily to achieve operational synergies (Nilsson, 1997; Thompson, 1967).

Hence, it is normally assumed that the larger the scope of mutual activities, the more the MCS of the acquired company will change, or has to change, towards the acquirer since there is great confidence in the idea that the parents can run the 'subsidiary' in the same manner as they run their 'home office' (Jemison & Sitkin, 1986). If this issue is looked at from an international perspective, the situation appears a little different, however. Integration can then be different even at the macro-level of a multinational organization as some industries are more responsive to local pressures, while others are more globally oriented (Ghoshal & Nohria, 1993). The biggest problems seem to arise in organizations that have strong pressures, both locally and globally, such as, for example, the automobile industry. Generally, however, there is evidence that the more multicultural the acquirer is, the lower the integration level chosen (Pablo, 1994).

Furthermore, many earlier studies have investigated whether there is a difference in the integration level chosen for friendly versus hostile acquisitions (Kitching, 1967; Shrivastava, 1986; Hunt, 1990). The results of these studies are fairly consistent. The more hostile the acquisition is, the more integration since the resistance has to be overcome, usually accomplished by taking away the autonomy of the acquired organization. However, hostile takeovers often have resulted in the worst results financially, leading to their steady decrease in recent years.

Mainstream M&As literature and textbook authors in the area of management control and management accounting typically present 'M&As integration' as one of some ten steps that have to be executed, as if it were a simple, rather unproblematic step on the M&As checklist (Jones, 1985b). It is the pre-M&As steps that seem to be the essential ones for accountants and managers, probably because the pre-M&As steps can be planned better than post-M&As steps; this is mostly a 'normative' approach. Many M&As frameworks furthermore see integration very much as a straightforward task for rational decision makers, essentially to the exclusion of the participation by decision receivers.

However, when looking at such frameworks from the perspective of achieving acculturation and people integration, social control mechanisms appear to be the best tool (Larsson & Lubatkin, 2001) because most of the people involved want to create a joint organizational culture. This is a 'Theory Y' perspective on integration compared to the more rational managerial 'Theory X' perspective, using McGregor's framework. However, the 'Theory Y' approach automatically requires that the acquired organization be given more autonomy as evidenced by the cases where Swedish acquirers, who more than, for example, U.S. acquirers, generally have used more social control mechanism to integrate their new sub-units (Larsson & Risberg, 1997).

M&As integration process planning and execution are important tasks that are determining factors in the success or failure of the acquisition. Of course, integration is inevitable following an acquisition, but the results of the acquisition are still very much dependent on how the integration process is managed. The most essential idea to remember is that every acquisition deal is unique. Most 'one-size-fits-all' integration frameworks, while not guaranteeing success, can, however, provide some useful tools. Typical integration advice, for example, says that you must admit differences exist, such as national and structural differences, within the organizations. By recognizing and dealing with such differences, the result will be a higher degree of acculturation and lower employee resistance and therefore a higher synergy potential (Larsson & Risberg, 1997). Furthermore, accounting experts have to be part of the deal from the very beginning. The tone of the integration process, which may vary from time to time, also makes a difference. It is also important to know if you have to focus on similarities or on differences at various moments or phases in the integration process because different stages require different logics (Löwstedt et al., 2003). The external environment must also be taken into account during the internal integration. Consideration should also be given to the different integration mechanisms necessary for the different functions at the acquired organizations.

Most frameworks have a tendency to focus more on 'strategic fit' than on 'organizational fit'. I believe a main reason for this tendency is that this logic is easier to model or describe. That outside advisers, who often follow certain frameworks, normally focus more on strategic fit than on organizational fit (Jemison & Sitkin, 1986) only confirms my belief. The 'timing' of the integration process moreover has been discussed extensively in the literature of both research fields, and, as a result, quite different recommendations exist on this topic. The main conclusion is that the perspective chosen by the researcher most influences how integration process timing determines M&As integration outcomes and MCS activities during the integration process. In earlier studies, for example, Kitching (1967) or Shrivastava (1986), the view was that such systems have to be changed rather quickly after the deal is agreed on. More recent studies where 'rational views' are applied (Galpin & Herndon, 2000) make the same point. Other authors, however, complain that the speed of integration in general often is too rapid, often leading to major failure (Jemison & Sitkin, 1986).

Since each M&As acquisition is unique, Galpin and Herndon (2000) therefore believe there is no universally applicable framework to guide the post-acquisition process, even though they themselves offer many 'normative' examples of what to do. Their examples also show that a timeline of up to two years is about what is required to integrate more or less all areas. For most HR and culture researchers, such a timeline is far too short; they claim integration of two cultures takes considerably more time. This issue of the speed of integration seems to have more importance in consulting type studies than in other literature, and it also seems that there is a difference on the issue between American-British sources versus Scandinavian-Continental European sources. As many 'explicit' studies measure integration outcomes by their performance and changes only one or two years after the deal is officially concluded, one can imagine that this rush to judgment is one of the major reasons so many M&As are rated failures.

The focus of this study is on the experience of the MC designers and users during the integration step after acquisitions. The review of the literature, however, has shown that one cannot ignore the pre-M&As steps totally when talking about M&As integration and MCS involvement. In fact, traditionally oriented textbooks, for accountants and managers, largely discuss only the pre-M&As steps and provide very limited commentary on post-M&As issues (DePamphilis, 2003; Morris, 2000; Morris & Blackton, 1995; Willson, et al., 1999). The most important message from such works is to investigate the MCS before you buy the organization to make sure that you are buying something of value. Financial topics are here the main focus and the advice of 'Do not trust what they say, investigate it yourself' is king. The second most important message relates to the operational checklist: plan a transition team, make priority lists of the most critical areas that immediately should be under control, guarantee the flow of the ongoing transactions, prepare formats for consolidated statements, set up procedures, assign responsibilities, prepare lists of information the new management wants to have immediately, look for compatibilities in policies and procedures, and finally, transfer supervisors. For all this, you need a competent accounting staff involved from the very beginning of the integration process. The third most important message is that, having completed these tasks, the integration problems can be avoided to a large extent because the organizations acquired now have 'adequate' and 'accurate' accounting and control systems.

These ideas, in a rather straightforward way, describe what 'normative' frameworks for M&As are supposed to be. The execution of the integration process then follows a 'logic' of how it is assumed events have to happen. In my view, confirmed by the literature, the execution of MCS' integration processes more often than not follows some sort of automatic logic rather than the real needs of the acquirer. This logic then almost looks like the 'law of MCS integration after M&As', as described next. The less trust between the acquirer and the acquired company, the greater the possibility that MCS in the acquired company will be replaced with the ones of the acquirer (Jemison & Sitkin, 1986). The stronger the relationship between the involved organizations, the more parts of the MCS of the acquired organization change towards the acquiring firm's MCS, and the less use is made of the acquiring firm's skills and resources, Parent companies, furthermore, have a tendency to believe that they have a better MCS, no matter what. Moreover, power is often removed from the acquired organization's senior executives and the quality of the information produced in the acquired organization often is reduced (Jones, 1985a). Finally, the management accounting techniques that are most important to the acquiring organization are changed/introduced first at the acquired organization (Jones, 1985a).

The 'textbook' logic (Morris, 1995, 2000; Willson et al., 1999) shows that the execution of MCS integration requires a rather straightforward approach that is simply about tasks that can be planned and executed in a functional way, where one immediately understands the competency of the acquired organization. In their approach, full integration is seen as the only alternative. There is also no question that this approach moves in the direction of less autonomy in the acquired organization's accounting and finance department, as such rational approaches normally ignore the investigative process of determining whether change is needed. Supervision and control, not trust, is key in this approach since trust cannot be built into organizations after the acquisition. This logic persists, even though many studies have shown that the mechanical extension of the acquirer's control systems alone does not create order (Kitching, 1967; Jones, 1985, 1985b; Granlund, 2003).

In the Swedish context, some studies show that there is a somewhat different kind of MCS integration logic. Here, it seems more that the shared activities determine how much co-ordination is necessary (financial acquisitions less so than others, for example). The more co-ordination that is needed, the more MCS are used to achieve it (Nilsson, 1997). The mechanical extension logic described above is much less evident in the Swedish context. In fact, Nilsson (1997) shows how integration decisions followed structured discussions, in which the pros and cons of situational adjustments versus centralization were talked through. Hence, contingency theory has been applied more in Swedish enterprises than in, for example, British ones. The conclusion is that different nations generally react differently in matters concerning the level of operational control necessary after acquisitions, as shown by Calori et al. (1994).

In a perfect world, MCS in acquired organizations would achieve internal control (within the acquired organization itself) as well as external control (control executed by the acquirer). Most studies to this point, however, show that achieving both goals is no easy task since co-ordination simply is the opposite of situational fit. In most rational studies, such a 'balance problem' is not discussed, probably because there is no recognition that such a problem exists. Some of the studies, discussed above, however, show that MCS changes can result in dysfunctional behavior. Other studies show MCS changes reduce the quality of information produced, and destroy informal and less formal control mechanisms. Additionally, long-range and strategic planning techniques in general can still be difficult to change, regardless of the desire for change.

However, only a very few studies offer solutions to this 'balance-problem'. Minimum requirements provided by such studies are the recommendation of a common construct of terms and ideas that facilitate communication between headquarters and the new division (Nilsson, 1994, 1997, 2002). Through this communication, jointly formulated strategies and constructed control philosophies, activities that help build mutual trust, can be implemented. Beyond this, however, not much advice is available except the recommendation that following consulting type frameworks makes undertaking management integration tasks rather easy.

2.3.4 Summary

In the sections above, I have summarized what researchers have found important in studying MCS in the integration process of M&As. In identifying the key ideas in these studies, I have also given information about the impact they have on MCS. This section will summarize the most essential issues/problems by illustrating how MCS apparently are involved in M&As integration processes. From the literature study, a very complex picture of the relationship between the role and function (involvement) of MCS and M&As integration processes emerges. In sum, one can find a large number of different frameworks in which the M&As integration process is subdivided into its different activities, issues, authority levels, and various recommendations regarding management accounting and control adoption /adaptation. Due to this wide diversity of opinion and interests in the M&As research, it is difficult to acquire either a deep knowledge of integration matters regarding 'MCS issues' and certainly not a consensus viewpoint on how best to effect integration. It is an unclear picture as answers to the questions posed point in different directions. Moreover, it is a picture that still lacks details and evidence.

One such missing part relates to the fact that MCS' involvement in M&As integration processes has been studied, by investigating, almost exclusively, the acquired company. The acquirer's systems are overlooked in almost all cases. Undoubtedly the logic behind this omission in the research may be the fact that changes mostly occur within the acquired organizations, as the few studies examining both sides reveal. However, as the acquirer's MCS have rarely been part of investigations, we do not really know what happens with them. Furthermore, performance is often a legitimizing element when it comes to the evaluation of actions, and within the field of management control changes due to M&As integration processes there are contradictory conclusions. We can find research that argues that rapid MCS changes result in better performance, as well as research that argues just the reverse (typically, claims by HR researchers).

Even as far as the acquirer's involvement in management control issues in the acquired organization, the results of the studies point in different directions. Whereas some studies indicate that the management accounting techniques in the acquired organization become more important after the acquisition, others provide evidence of the opposite conclusion. As far as the report frequency post-acquisition, the evidence is only from the side of the acquired organization. Or in studies such as those of Granlund (2003) and Roberts (1990), the findings are the exception. They conclude that formal control mechanisms increase after M&As, suggesting senior management's tendency to increase the use of formal control mechanisms out of fear of losing control.

The most explicit difference found in management control's role and function in the acquired organizations has to do with how the systems are aligned. It seems that a few studies show that such systems are changed more towards the goals of the whole corporate group than towards the goals of the individual business units. This is a particularly persuasive argument because the corporate strategy, combined with political and ideological elements, provides a stronger force to legitimate system changes that are oriented towards the headquarters than toward the sub-units. Hence, such systems are used more in accordance with the principle of conformity than with the principle of organizational fit. However, studies that focus on Swedish organizations in this matter (Nilsson, 1994, 1997, 2002) did not find the same results. Here, almost the opposite was true as systems were aligned to meet the goals of the sub-unit first, and thereafter to be consistent with corporate strategies. Different 'parenting styles' seem to explain such discrepancies as Swedish leadership styles more strongly emphasize de-centralization than leadership styles in many other countries (Nilsson, 2000).

The sections above have provided a rather condensed summary of the variables that determine how MC is viewed, how it functions in M&As integration processes in general, and what impact such variables have on MCS. In this study, I have investigated the problem in a very large context, which has led to a variety of issues. Hence, I have relied on the description of different perspectives using primarily the main two perspectives of the systems and the system users. I believe these two perspectives form an entity and cannot be looked at separately, the way many functionalists, for example, have done. Each organization is different, and this is also true for each M&As when it combines two separate entities. Hence, each M&As deal is unique. Thus, this explains why the picture of MCS' involvement in such arrangements is not a clear one, and also why it is difficult to generalize about that involvement.

We can say that the analysis above shows that MCS' involvement in M&As integration processes is more like a framework that has two poles, as Figure 6 below summarizes (the majority opinion in bold print). The MCS involvement has, for example, been illustrated as either mechanical or functional, the two extremes. The position in the framework of the MCS' involvement apparently depends on the influence of the different variables (environment, financial situation, culture, etc.). Therefore, the topic most studies so far have investigated is the correlation and the causality between these different variables and factors within the organization, the environment, and the particular management control systems. Many of studies are snapshots of the post-acquisition, and do not follow the process. As a result, the different contexts are rarely a subject of investigation. Cultural issues are ignored to a large extent in many studies since most issues examined concern systems rather than practices, technologies rather than people, and activities rather than completed actions.

MCS' involvement in M&A integration processes

Mechanical integration ←	→ Functional integration
Group strategy in focus ←	→ Unit strategy in focus
Uniformity important ←	→ Uniformity not important
Centralizers ←	→ De-centralizers
Fast changes important ←	→ Slower changes accepted
MCS importance increases ←	→ MCS importance decreases
Report frequency goes up ←	→ Report frequency goes down
Formal control increases ←	→ Formal control diminishes
Short range goals in focus ←	→ Long range goals in focus
MCS as rational control device ←	→ MCS as socialization mechanism
Technical nature ←	→ Socio-cultural/political-ideological nature of systems

Figure 6: A rational way to look at MC's involvement during M&A integration

2.4 Multinationals, Actors, and Cross-border Issues

2.4.1 National Culture and Cross-border M&A Integration Processes

Earlier sections have introduced the concept of M&As. This section will examine more deeply a particular type of M&As, namely, M&As between firms of different national origin or home countries, called cross-border M&As. During the last decade, this form of organizational growth has become very popular as a response to increasing market pressure and globalization (Hopkins, 1999). Earlier sections have also illustrated that, despite the advantages of cross-border acquisitions, culture clashes are likely even more obvious when M&As activities involve firms of different nations. Such evidence, for example, is provided by Blasko et al. (2000) who studied the largest business deal in the automobile industry, the 1998 merger between the German car, producer Daimler-Benz, and the American car producer, Chrysler. In their study, they concluded that one of the biggest challenges for the new company, post-merger, was aligning the different corporate cultures.

They studied the question of whether a company can be truly 'global' since their case company provided them with evidence of "major roadblocks" to such an objective. As we know today, the Daimler-Chrysler post-merger period was very difficult, and is now coming to an end. Many people believe the chief obstacle was the clash of the two company cultures that were characterized by organizational and national differences. The question is: How can two companies become one if they retain separate headquarters and more or less completely separate business operations? Such was the situation with Daimler and Chrysler.

Hopkins (1999) addresses cross-border M&As topics in particular since the primary purpose of his study is to examine the important issues surrounding this area. For him, there exists, besides the usual motives, a specific one for cross-border deals, namely, speed. M&As are even more important in an international setting since growth with M&As is much faster than organic growth. Hopkins is one of the few authors who highlights the positive sides of the meeting of different national cultures, and even notes, for example, that the advantages due to national differences in cross-border mergers probably increase in proportion to the differences between the two country cultures. Thus, each party learns what is best from the other party's practices and strengths. To support this opinion, Hopkins uses the Ford-Volvo Car (U.S.-Sweden) deal as an example of such positive learning. For him, Volvo Car's feminine culture of open communication and teamwork is a good complement to Ford's rather more masculine culture of hierarchy and top-down decision-making. Hopkins does not, however, describe in detail what such a positive integration of cultures looks like or how it can best be achieved.

However, one researcher, Lundbäck (2004), has closely analyzed the differences in decision-making in the R&D integration of Volvo Cars with Ford. He finds that there is much dissimilarity between the two cultures. At Ford, for example, the collection and processing of information was done in a highly formal and professional way; at Volvo Cars, this was more flexible and informal. Whereas Ford engineers were not allowed to make decisions (only managers have that authority), Volvo Car engineers are empowered to make decisions. As a result, decisions are therefore clear when they are made at Ford, but often are somewhat vague when made at Volvo Cars. However, the decisions are made more quickly at Volvo Cars than at Ford. Ford's decision style is rather consultative, with managers making the decisions while at Volvo Cars decisions are group-based, with the engineering team making the decisions. What Lundbäck furthermore finds is that Ford has a more developed documentation culture than Volvo Cars. Apparently, Ford and Volvo Cars were able to manage such differences, because, as Lundbäck shows, most members involved were satisfied, post-acquisition, with how decisions were made.

National culture was also the main focus of Calori et al. (1994) when they analyzed its influence on the integration mechanisms in 75 international acquisitions in Europe (France and the U.K). They emphasize the importance of control mechanisms in the relationship between the acquirer and the acquired firm, an importance, they argue, that is not well reflected in research as only a few studies have focused on this area. These authors' aim was to discover the integration mechanisms in international acquisitions. They compare acquisitions in France (U.S. buyers versus British buyers) with acquisitions in Britain (U.S. buyers versus French buyers) because of the major management differences among the three countries. They build their hypotheses on these national differences. As the dependent variables, Calori et al. chose 'attitudinal performance' and economic performance'; as the independent variables, they chose the twelve dimensions of formal and informal control.

Calori et al. (1994) find that the worse the prior performance of the acquired firm, the more the improvements in attitudes. These improvements are positively correlated with informal communication and co-operation (teamwork) and informal personal efforts by the managers of the acquiring firm, but not with formal ones. Only 30% of the economic performance variance could be explained by the control variables. The time that had passed since the acquisition and the level of shared resources and transfers are positively related with economic performance improvements. Hence, synergy effects improve only after a certain time. They also find that the higher the informal personal efforts of the acquirer's managers, the higher the economic performance of the acquired firm. However, the level of control of operations exercised by the acquirer over the acquired firm is negatively correlated with economic performance. These authors therefore conclude that operational decisions should not be centralized in international acquisitions. Moreover, they identify differences between the ways in which French and U.S. firms deal with the level of operational control, the level of the informal communication that they develop in foreign acquisitions, and the level of personal involvement.

Multinationals' organizational 'tendencies' in combination with the environment in general also play an important role in how management accounting and control systems are designed and integrated after acquisitions. Baliga and Jaeger (1984), for example, summarize that the more unstable the environment, the less formalization and centralization chosen. Moreover, the older the organization, the more routinization, bureaucratization, and centralization in general applied. The greater the quest for power at headquarters, the more formal the control chosen. Furthermore, the worse the economic situation of the subsidiary, the more the subsequent bureaucratization and centralization. Finally, the greater the role of the subsidiary in the entire organization, the less its autonomy is restricted.

Concerning control post-acquisitions, there are two methods of monitoring and evaluating processes in organizations, namely, monitoring and evaluating behavior, or monitoring and evaluating output (Mintzberg, 1979). Hence, when output measures are voluntarily available and valid, then output is monitored and controlled by performance control. In this case, headquarters focuses on 'ends', leaving organizational members' flexibility in choosing the 'means'. If output measures, however, are not readily available or their validity is questionable, "action planning" control is normally necessary (Ouchi, 1977). Action planning control is more restrictive than performance control regarding the means by which actions and decisions are carried out or are specified. Mintzberg (1979) also has emphasized that if behavior or output cannot be specified, monitored, or controlled, organizations may not have any other choice than to indoctrinate their members with the organizational values and mission, hoping that their members' actions are consistent with organizational goals. Baliga and Jaeger (1984) have developed a framework that combines bureaucratic and cultural control mechanisms with the object of control. Figure 7 below shows that if there is purely bureaucratic or formalized control, output is controlled by formal performance reports.

In a purely cultural control context, such output is then controlled by means of shared norms of performance. When behavior is the object of control, company manuals serve as controls in purely bureaucratic/formalized control organizations, whereas the shared philosophy of management serves as a control in a purely cultural control organization. For Baliga and Jaeger (1984), cultural control contains the essential "training" and "socialization" (p.28).[20] 'Centralization' furthermore means in this context transferring decisions to rather senior levels in the hierarchy, which reduces complicated systems of procedures and paperwork, typical of decision-making at lower levels. Hence, such control is personal and direct. 'Bureaucratization', on the other hand, allows some local discretion, however, by maintaining overall co-ordination and control.

[20] By expressing this, Baliga and Jaeger (1984) include the ideas of Edström and Galbraith (1977) who, about thirty years ago, argued that the transfer of managers is used by some multinationals to develop a process of control derived from socialization. For Edström and Galbraith, the transfer of managers can be seen as "a substitute for total immersion in a culture" as one "speaks the local language, eats the local food, and is paid the local wage" (p. 257). They reject the earlier frameworks that were the result of the prominent Aston studies (research concerning the connection between technology and structure) that found principally two types of control used in multinationals, namely, control through centralization and control through bureaucratic strategy.

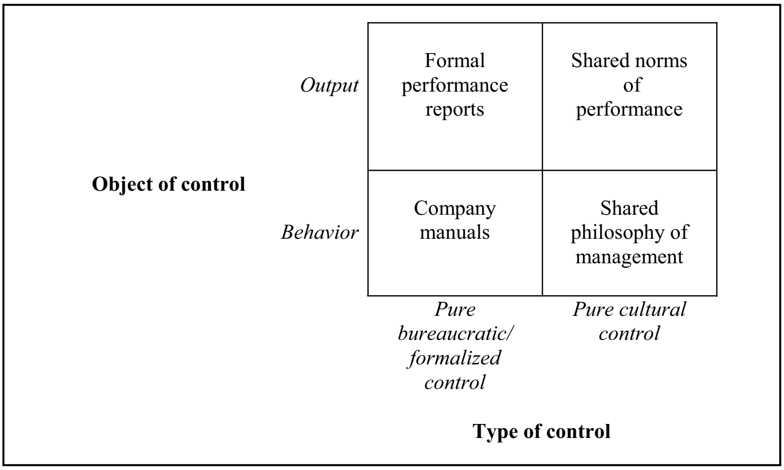

Figure 7: Type and object of control

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

Global integration seems possible only by the use of an organizational mechanism for co-ordination and control. In multinationals, strategies and structures differ, very often depending on the particular industry but even more depending on the environmental characteristic of each industry. Moreover, research shows that people-based and information-based modes of co-ordination and control are more efficient than, for example, formalization-based and centralization-based modes (Kim, et al., 2003). People-based integration involves especially the transfer of managers, meetings, teams, training, committees, and integrators (Kim et al., 2003). This is then the ‘personal’ type of control or the ‘socialization or cultural’ control, similar to the type described by Edström and Galbraith (1977), however, and not the type observed by Lubatkin et al. (1998) who assumed such a managerial transfer to be a measure of centralization. The information-based integration occurs with help of information systems, information flows, communication, and data management. Formalization-based integration includes standardized work procedures, rules, policies, and manuals, which is consistent with the idea of standardization and bureaucratic control. Finally, the centralization-based integration means that decision-making authority lies in the business head office, which is identical with the centralizing strategy of control.

However, these same authors also state that managers should use certain integration modes for certain functions within multinational corporations. For R&D integration, they argue, people-based and information-based modes are, for example, more effective than the other two modes. For manufacturing, on the other hand, people-, information-, and formalization-based modes, in combination with need for marketing information, are more effective than centralization.

2.4.2 The Organizational Culture and Management Styles

Culture, whether organizational culture or national culture, is a topic that can be discussed endlessly with no clear answers reached, it seems. Culture can with all certainty be seen as a main issue when investigating M&As integration processes. Apart from that, however, clear conclusions are rare, as illustrated in earlier sections. It is sometimes not even obvious which cultures one is talking about in M&As. And if we are looking at M&As with organizations in the same country, national culture problems may not be the issue to focus on. With international M&As, on the other hand, most researchers believe that problems will increase as cultural differences increase (Blasko et al., 2000; Cartwright & Cooper, 1992). There are, however, some researchers who believe in the positive effects of greater cultural differences since each side may choose the best practice of each culture in a complementary process (Hopkins, 1999; Larsson, 1989). Yet the actual implementation of such a process is rarely discussed in the literature. .

In general, one can say that most researchers in this area agree that the neglected attention to cultural issues is a principal cause of integration problems and M&As failure (Schuler & Jackson, 2001; Slowinski, 2002; Bower, 2001; Buono & Bowditch, 2003; Hudson & Barnfield, 2001). It is argued that a positive cultural relationship increases the synergy potential (Larsson, 1989, 1990). The main questions, however, are: Can a positive cultural relationship be built during the integration process after M&As when differences are large? Is such cultural change management a waste of time? Based on the evidence to date, it is impossible to conclude that organizations with large cultural differences have less chance of M&As success. What is noteworthy, however, is that the multicultural acquirers, with many different cultures, more often consider diversity an asset and therefore allow the acquired firm to retain its own culture and practices (Nahavandi & Malekzadeh, 1988). Moreover, cultural integration can be promoted by mutual trust that in turn can be built by shared goals, by dialogue, and by looking for shared norms (Bijlsma-Frankema, 2001).

Another issue that is important as far as culture in organizations is that it takes time to change cultures, usually far more time than is needed for changes in simple procedures and systems. However, culture is to a large extent part of procedures and of systems. Thus many planned changes or implementations of new systems and procedures in fact are not really complete or integrated until people have become accustomed to them and have accepted them. The important lesson here is that it is essential to look at people's experienced change, not solely at the status of the integration as reported on paper (Buono & Bowditch, 2003). And because cultural adaptation goes at a slower pace than the structural adaptation (Schein, 1989), it is impossible to evaluate integration processes in M&As after only a few months or even after one or two years. It is not at all certain that the entire range of cultural issues is part of the new integrated environment after only short time periods.

Shared perceptions of daily practices in organizations are part of the culture of the organization (Bower, 2001; Vaara, 2000), and it seems normal that adjoining culture types are easier to integrate than others since everyone normally wants to retain her/his own culture (Cartwright & Cooper, 1992). Organizational actors, however, do not experience culture only at one level. Such actors, in organizations involved in M&As, view culture in many different ways, for example, in association with their former, separate organizations, in association with their national identity (if from different countries), or in association with cultural sub groups in the form of different work teams and job categories, or even different educational groups (Vaara, 2001, 2002). Therefore, culture integration occurs on several levels in the organization. This is important to keep in mind as one can achieve integration with bottom-up integration as well as with top-down integration. Today, it seems that this kind of bottom-up integration is more frequent as companies arrange socialization programs, training sessions, and other culture exchange activities. Finally, culture itself is often held responsible for integration problems, even though the real reason for difficulties is often something different (Vaara, 1992, 1999, 2001, 2002).

The management style of the organizations involved in M&As is a variable that in about the same way as 'culture' may affect the integration process. Management styles are very much the result of the socio-cultural environment of organizations. As MCS are a part of the entire management spectrum in organizations, different management styles have therefore a great impact on how such systems are developed and used. Management styles are sometimes described as leadership styles, parenting styles, or management control styles. It is difficult to keep these terms separate as they sometimes mean the same but at other times not, often depending on the intention of a particular author. In general, however, based on this literature study, it appears that when management styles (however identified) are different in different organizations, the M&As integration processes often follow the logic of the management style of the acquiring organization.

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

In an international context, one can say that the further away (in a socio-cultural sense) the organizations involved in M&As are situated, the greater is the possibility of differences, primarily with financial accounting systems but also with management accounting systems. Accounting practices differ in organizations as they are the mirror of the economic development of the nation, of the business complexity, of the political persuasion, and also of the legal system (Riahi-Belkaoui, 2000). Cultural typologies such as Hofstede's typology (1980, 1984, 1997) furthermore show that there are quite large value differences between the countries, including between Sweden and the U.S.[21] Hofstede's framework has been applied

[21] For a comparison of the two countries Sweden and the U.S., I will briefly describe these five dimensions of Hofstede's famous investigation. Hofstede's 'Individualism' relates to individuals' emphasis on self-interest versus the interests of the group (Collectivism). The U.S., with five other countries (Australia, UK, the Netherlands, Canada, and Italy) ranks 'Individualism' as the highest dimension with a score of 91. This indicates that it is a society with a very individualistic attitude and relatively loose bonds with others. The population is more self-reliant and looks out for themselves and their close family members. Sweden, with a score of 71, is also above the world average of 43 but with at some distance from the U.S. 'Power Distance' is the extent to which the members of a society accept that power in institutions and organizations is vertically distributed unequally. Sweden's score is 31 and the score for the U.S. is 40. Hence, both countries are ranked low compared with Hofstede's world average of 55. This is indicative of a greater equality between societal levels, including government, organizations, and even families. This also reinforces a co-operative interaction across power levels. 'Uncertainty Avoidance' is the degree to which members of a society feel uncomfortable with uncertainty and ambiguity. Hofstede's world average is 64, the U.S. scores 46

in many MC studies and the results show generally that there are differences in the ways of organizing, planning, evaluating and rewarding, depending on the location of the organization. Therefore, one can assume that such systems in general are different as well. This is probably undoubtedly the case with ‘financial accounting practices’, although it is not as evident in ‘management accounting practices’. Management accounting practices do not automatically differ simply because of country location. With management accounting practices, you need to look at the different levels of activities, such as behavioral patterns and styles of information that can differ from country to country, as discussed by Granlund and Lukka (1998). However, ideas, concepts, and techniques used may still be the same.

Moreover, many studies provide evidence that MC issues are dealt with differently in different organizations, even if they are located very near each other geographically (Jones, 1985a, 1985b, 1986;, 1992; Roberts, 1990; Granlund, 2003). Unfortunately, there are only a very few studies that look at Swedish MC issues from a national perspective, and then compare them with other countries. Most such studies come from ‘overseas’ and compare the systems of U.S. organizations with foreign systems, particularly those of Asian organizations. Finally, most studies that in a more explicit way look at MCS and M&As integration processes have stated that the types of systems of the organizations they investigated were different, in both a national setting (Jones, 1985a, 1985b, 1986; Roberts, 1990; Nilsson, 1997) and in an international setting (Scapens & Roberts, 1993).[22]

Related to the role and skills of accounting and finance people, the situation is similar. There is little research that looks at the role and skills of accounting and finance people in different countries, apart from those from ‘overseas’, of course. It is therefore risky to say that such roles generally differ from country to country or even from organization to organization. However, most international studies that have examined M&As and MC issues conclude that the work is done differently in different organizations (Jones, 1985a, 1985b; Granlund, 2003). It furthermore seems that such differences increase when the socio-cultural distance increases (Ghoshal & Nohria, 1993). Some studies state that the role of accountants or controllers is not the same everywhere (Ahrens, 1996, 1997; Lukka & Granlund, 2002; Lukka & Kasanen, 1996) even though the skills and education are about the same. The explanation is that such professionals work in different ways and interpret events differently.

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

[22] On the other hand, it seems rather common that researchers investigate organizations with different systems look for system changes after M&As deals.

How such differences affect MC issues during M&A integrations, however, is not well documented. The descriptions in the 'explicit' literature on this issue mostly provide indications of such differences, but as the main perspective chosen by these researchers has been the functionality of the systems involved, from the technical perspective rather than the more behavioral perspective of system users, such evidence is rare.

2.4.3 Actors' Roles and Reactions in Management Control Changes

In looking at the research on accounting people's reactions and their role in MCS changes during M&As integration processes, one thing is obvious: there is little research that evaluates these issues. Most findings that are presented here come from M&As research and only a few hints can be derived from the 'explicit' MCS' literature dealing with M&As integration. The reason is once more that the majority of these studies have chosen rather system-technical perspectives and hence put the system at center stage. Nonetheless, some conclusions are possible. The most commonly used word to describe people's reaction is 'resistance' and such resistance is generally seen as more negative than positive. However, all researchers do not acknowledge the importance of people during such changes to the same extent. To Shields (1995), it is human behavior that determines implementation success, whereas other researchers simply mention that the retention of 'key talent' is essential to achieving smooth M&As integration (Morris, 1995, 2000). Other studies show that if the integration speed is too rapid, resistance will increase (Jemison & Sitkin, 1986), and if personal freedom is decreased, the result is the same (Cartwright & Cooper, 1992). Tougher control by the acquirer often also reduces the motivation of senior level managers in the acquired organizations as this reduces their freedom (Jones, 1986).

Moreover, when performance in the acquired organizations declines, control normally becomes even tougher, leading to even more conflicts and resistance, lower moral and reduced support for integration matters (Jones, 1986). Whereas Scapens and Roberts (1993) believe that resistance is the result of real concerns and fear, others have shown that resistance often arises as soon as a new system is substituted for the old system, and a commitment to the new system is expected. Hence, the reason for resistance is more the result of the 'emotional attachment' to their former system rather than the result of real fear (Jermias, 2001). But people's resistance can be overcome and for this task, different approaches exist. For Larsson (1989, 1990) it is the acculturation process that helps avoid employee resistance, especially when resistance occurs due to cultural differences. Such an acculturation however, may be accomplished with the help of the right adjustment of the HR systems in the two organizations (how jobs are designed, how reward systems work, how personnel policies are conducted, and how career planning is administered). Hence, the total management style is again important even though one is looking only at resistance that may be the result of MCS changes. Traditional textbook authors often seem to forget about the softer change issues such as education, sponsorship, the creation of internal commitment, the distribution of power, and securing the legitimacy of the new systems. They recognize, however, that it is important to look at dominant employee groups' preferences, goals, strategies, agendas, skills, and resources when implementing new MCS.

With reference to the general problem of the human element in M&As, there are many other issues to consider. For example, it is important to understand the roles of actors in M&As integration processes as conflicts can be the result of a misinterpretation of these roles (Vaara, 2002). The same is true with the languages spoken in the different organizations where the history of the company and its activities determine the language spoken (Scapens & Roberts, 1993). Moreover, literature underlines the fact that systems go hand in hand with routines, and routines give the people working with these systems the feeling of security. Most people are uncomfortable with changes that threaten this stability (Granlund, 2001). It follow, then, that people are very influential in a consideration of how MCS are involved in M&As integration processes since people are the ones who react to changes and to management decisions. Hence, the human factor is an important variable when investigating integration processes, probably the most important one.

"Narratives" of human actors are by some researchers considered critical to an understanding of the social construction of organizational phenomena. A study that concentrates on the discursive construction of such narratives related to success and failure stories in M&As is Vaara's (2002) report that describes eight Finnish-Swedish mergers and acquisitions.[23] Vaara finds four distinctive discourse types used in these accounts. The first type is a 'rationalistic' one as this type uses a framework with rational decision makers leading a business enterprise. The characteristic objective here is "success from the perspective of management" where the principal subjects are managerial change agents. This discourse is the dominant one in the interviews, and the 'personnel' or the 'organization' is the principal adversary, often, however, only in an implicit way. The 'environment' is then the objectified adversary as I have described previously in the discussion on the managerial perspective.

Vaara's second discourse type is the 'cultural' one, which includes three different frameworks. The organizational identity of the previous separate organization is the first, the national identity the second, and the sub-cultural identity the third. In this discourse type, interviewees describe success from the perspective of a particular organizational side, nationality, sub-culture, or group. Actors in this group represent therefore previously separate organizations, different nationalities, sub-cultures, or groups. Here the principal opponent is seen as 'the other side' (organization, nation, or sub-group). Vaara's third discourse type is 'role-bound' where the role identity in a corporation is the institutional framework, and success is described from the perspective of a particular area of responsibility or position. Here, the principal rivals are actors in other roles or actors not behaving according to their role-identities. 'Role-bound' discourses focus more on the appropriateness of the actions taken than on their effectiveness, and this can best be seen when success stories are used to legitimize one's own actions, but also vice versa. Narratives of failure accounts are then used to "limit their own causal role or portray the actions taken as being legitimate and justifiable" (Vaara, 2002, p. 233).

Vaara calls his last group of discourse 'individualistic' and includes here all individualistic identities in complex and fragmented institutional structures, where success depends on one's self perspective. Personified actors are the principal subjects and specific persons the opponents. Hence, from the perspective of actors, M&As are experienced in different ways. While some actors are managers, many are not.

In another paper, Vaara (2000) provides an analysis of the same eight Swedish-Finnish M&As, this time with respect to how much sense the deal made to top decision makers, and if there were different perspectives in the integration processes. Vaara highlights here that cultural conceptions not only are reflections of real cultural differences, but are also products of complex cognitive, emotional and political processes. He finds three distinctive ways of

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

cultural sense-making during the post-merger context in his eight mergers. The first is sense-making that is necessary to be able to understand rationales, as occurs often when integration projects are problematic. Due to this, one supposes that culture is the problem, whereas less problematic experiences are less clearly associated with cultural conceptions. The second way of sense-making is emotional. Negative emotions tend then to produce cultural alienation and awareness of cultural differences, while positive emotions lead to cultural connections. The socio-political manipulation is Vaara's third cultural sense-making way and is visible when change promotions produce conceptions of cultural similarities and compatibility. Change resistance, on the other hand, leads to conceptions of cultural differences and incompatibility. In this analysis, Vaara concludes that top decision makers have difficulties in being objective towards cultural differences. Vaara's managers, for example, suffer historically from an "inferiority-superiority relation" problem where the Swedes see themselves as "big brothers", while the Finns have a "little brother" complex.

The preceding section dealt with actors and their experiences. Another variable that has to do with such actors is 'trust' and what this means to them. Bijlsma-Frankema (2001) argues in her study, which is based on empirical findings and on a literature study, that cultural integration is promoted by mutual trust, which can be built by shared goals, by dialogue, by looking for shared norms, and by monitoring and handling deviance. She cites Schein's (1989) three distinctive functions that culture has in organizations, namely, 1) external adaptation, 2) internal integration, and 3) reduction of feelings of fear and uncertainty that organizational members experience (p. 195).[24] External adaptation can fail when there is an imbalance between the culture and the structure within organizations, whereas external forces 'falsify' the structure and the culture of the organization. Such distinctions can arise at different levels in the organization, at the individual level, at the group level, between different internal relationships of groups and departments, and within organization and environment relations.

According to Bijlsma-Frankema (2001) mutual trust is the first element essential for integrating different cultures after M&As. Such trust can best be achieved by sharing and exchanging information and experiences and by co-operating, so that all parties become acquainted. Shared norms furthermore increase trust because "they diminish the chance of people misinterpreting mutual expectations" and they "bring about clear boundaries between intentions to do harm and intentions not to" (Bijlsma-Frankema, 2001, p. 200). She emphasizes that when sharing the same norms, everyone who harms another person in this 'norm system' has done so intentionally and is therefore reasonably thought untrustworthy. Regular dialogue is the procedure to best increase the sharing of norms, involving "the exchange of thinking and reasoning that have brought about conclusions people draw on each other's behavior".

Learning about other people's way of reasoning even increases mutual trust and understanding and makes judgments possible in a positive way. Bijlsma-Frankema furthermore stresses the importance of shared goals in achieving trust since such shared goals can only be realized by co-operating. Hence, the two groups (acquirer and acquired) have to rely on each other; in damaging the other's interests, one automatically damages one's own interests as well. Necessary changes must, however, be made in a legitimate environment where the need to change must be emphasized and explained so that nothing is left to the imagination of organizational members.

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

2.4.4 Actors' Experiences During Accounting Change

Many of the earlier sections confirmed that a systematic and relatively rational way of integrating organizations after M&As is very often believed possible. Some sections have furthermore shown that such beliefs even exist relative to accounting and control tasks in the organizations involved in such business combinations. However, several authors show individuals, not organizational factors, create the resistance to new management accounting practices. Jermias (2001), for example, criticizes the research that solely focuses on organizational factors when investigating this topic. He claims that few researchers have looked at the individual level where it is evident people do not want to change the systems. He finds that people's judgment about the usefulness of costing systems is influenced by their commitment to their favored system. Therefore, they consider only a subset of their knowledge when supporting their desired conclusion. The consequences are that people who are committed refuse to change their chosen system even in the face of negative feedback. In addition, people normatively know that their judgment should be objective yet they unconsciously make prejudiced judgments that are influenced by their devotion to a course of action. Therefore, the 'emotional attachment' to the former system in use, such as ABC or a general management accounting and control systems, is a variable that should not be neglected.

For Granlund (2001), on the other hand, people fundamentally resist changes in management accounting practices because they feel comfortable with established routines that enhance their feelings of security. Thus Granlund lists three main factors that are very intertwined in management accounting system change projects: an economic or functional factor, an institutional factor, and an individual factor (p. 153). To illustrate the functional factor, Granlund describes the severe financial situation of a large, international food producer and how this crisis affected the development of management accounting change projects. Improved cost information was needed, overhead allocation procedures had to be changed, and advanced IT was already being used by competitors. A mimetic process, using DiMaggio and Powell's (1983) terminology, was necessary. The lack of financial resources was a barrier to making these changes, and the already complex structure of existing systems further delayed change.

Regarding the institutional factors, Granlund (2001) identifies the ones related to old corporate cultures: institutionalized practices, normative pressures in the model of institutional isomorphism, and the general "routinization of organizational practices". The accounting profession and its changes are also institutional forces that made the system "shake" but not "change". Finally, the individual factors Granlund (2001) identifies are the people who were responsible for, and were also essential to, the explanation of the observed phenomena. In conclusion, Granlund (2001, p. 155) believes management accounting systems are "inherent[ly]" stable and that much of this has to do with the "poorly understood human factor". This includes issues such as the lack of managerial support and the expectations of an increased work overload.

Accounting change and barriers to such changes are also the topic of Kasurinen (2002) in his study of the implementation of a Balanced Scorecard. He argues that a more general understanding of the change context needs to be created instead of a focus on detailed strategies and normative change programs. The conclusion Kasurinen draws from earlier literature is that actors have to be studied. He undertakes this kind of study at a large Finnish-based metals group and its divisions. For Kasurinen, the actors involved in accounting change projects are the *motivators* (the market, the environment, the product-life cycle stage, and the financial situation), the *facilitators* (earlier BSC introduction, a well-structured situation), and the *catalysts* (special experience). They provide, together with leaders, the potential for change. Opposing these actors are the actors who are barriers to change. The *confusers* do not understand topics such as the levels of change needed, the ownership of the changes, and the goals of the changes. They are therefore a barrier group as they slow down a change process.

Another group is the '*frustrators'*, the people who may lose something, whether power, influence, wages, position, or the job itself. The final barrier group consists of '*delayers'* who slow the progress of management change. With this group, Kasurinen emphasizes that the rather technical nature and the lack of clear-cut strategies in relation to information system implementation cause the main problem.

This conclusion is a response to earlier studies in the area of accounting and change that in general have found the following reasons (Table 2) that explain barriers to change (p. 327):

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

Table 2: Change barriers during accounting change

Source: Kasurinen (2002, p.327)

These three authors whose research is reviewed above (Jermias, Granlund and Kasurinen) all elaborate on the field of organizational change, or resistance to such change, known as 'organizational learning'. I have earlier given examples of problems with definitions, but here the problem seems to be that the concept of 'organizational learning' has been applied to different domains, which probably accounts for its ambiguity. Simon (1979) has also used organizational learning together with the phenomenon of bounded rationality in his research that found insightful and innovative ideas occur to individuals and not to organizations. Jermias (2001) has made the same point. Therefore, we can also see that organizational learning occurs at different levels and is a construction that provides an instrument for analyzing more or less all levels of an organization. See Crossan et al.'s (1999) organizational learning framework where these authors declare that organizational learning occurs on three levels: the individual, the group (several people, not several organizations), and the organizational.

Using these three levels, Crossan et al. (1999) define the structure by which organizational learning takes place and identify the four processes of learning. At the individual level, the process of “intuition” and “interpreting” can take place. Intuition occurs within an individual, as organizations have no intuitive powers. Individuals, however, “have an intuitive insight and begin to make sense of it through the internal conversational process” (p. 525), first by talking to themselves, and next by “interpreting”, which is a much richer and more robust process as other group members are brought into the action. Individuals’ experienced images and their employed metaphors are now spread throughout groups as conversations unfold and language develops. This is, according to Crossan et al. (1999), when the second process begins, namely, the interpreting, and this is what ultimately results in great differences for the company.

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

2.4.5 Rhetoric Components of Management Styles: The Swedish versus U.S. Context

In the early 1990s, Barley and Kunda (1992) presented a framework that separates the management styles into two extremes on the basis of their rhetorical components. These authors found that management styles, in an American context, historically have oscillated between a rational rhetoric and a normative rhetoric, depending on the economic situation. During times of stagnation (1870 – 1900, 1923 – 1955, and 1980 – until their article’s publication in 1992, at least) Barley and Kunda found that management rhetoric was mainly normative in the sense that organizations were seen as institutions with collective and common values with engaged organizational members. Cultural metaphors were therefore frequently used, and solidarity and loyalties were central factors in a system where hierarchical forms were rather defused.

During times of economic expansion (during 1900 – 1923 and 1955 – 1980), on the other hand, Barley and Kunda found the management rhetoric was rational. This rhetoric emphasized precisely designed working methods and systems. The organizational metaphor used in this rhetoric was the machine that could be broken down into its different parts and optimized for certain purposes. It is the manager who, as an expert, manages the organization through supervising the working methods and management systems (thus optimizing the machines). Meanwhile, the employees are instrumental in maximizing their own best interests by adapting to the changes made by the manager.

Nilsson (2005) paralleled Barley and Kunda's (1992) research in a Swedish environment in order to find out what happened in Sweden during the same time spans, but also to study the developments after the publication of Barley and Kunda's findings. Nilsson (2005) was rather sceptical of Barley and Kunda's (1992) conclusions about the correlation between a stagnating society and normative management rhetoric, and the application of rational management rhetoric during times of expansion. He could find no evidence for their conclusion in a Swedish setting, nor was he sure that the arguments given by Barley and Kunda (1992) made sense in a Swedish context. Nilsson's (2005) counter-arguments also appear to be more logical, and in my view, he found some very interesting issues.[25]

First, Nilsson concluded that the normative period in Sweden and other parts of Europe probably began during the 1970s, before North America, a time that was characterized by strong socio-technical influences. He furthermore found that organizational culture and also quality were the dominating rhetoric in Sweden until about 1997. The normative model was most visible during that time period as there was strong emphasis placed on immaterial (intangible) assets, employees were seen as reflective human beings, and a holistic view was applied to the organization and its parts. Nilsson (2005) furthermore stressed that the de-centralized and typical Scandinavian way of taking a more balanced view of managing organizations was more normative than was the case in American organizations.

Nilsson (2005) also noted a shift after 1997 when the rational management rhetoric became dominant again in Sweden, and in the West in general. He explained the causes of this latest shift as three-fold. First, quality work such as Just in Time, TQM, Lean Production, etc. had in recent years started to become more and more an issue of documenting and certifying processes and work ways. This in turn increased rationalized management rhetoric as emphasis again was put on increasing standardization and systematization as well as bureaucratization. Second, since the mid-1990s, society has become an "audit society" with an ever growing group of auditors and audit bodies whose task is to evaluate and judge organizations and their performance, efficiency, and quality, etc. A central aspect in all this, according to Nilsson (2005), has been the necessity for organizations to appear more efficient, rather than to be more efficient. Third and finally, the great demand from auditors and others for performance measures, useful in quickly and reliably evaluating organizations and their work ways, has led to the construction of new management concepts. Such concepts, with names such as "Shareholder Value", "Value Based Management", and Economic Value Added" have achieved great popularity in recent years, according to Nilsson (2005). All these concepts have clear features of the rational management rhetoric since employee factors such as feelings of solidarity, loyalty, values, or leadership are essentially irrelevant.

A further important management concept that Nilsson (2005) found in this third category is the new balanced scorecard model introduced by Kaplan and Norton (1996) in the 1990s. However, whereas Kaplan and Norton's earlier versions of the model focused, at least to some extent, on diverse interest groups (a somewhat normative rhetoric), later

[25] From my point of view, the major problem mostly lies in the different categorizations made and perspectives used by the two author groups and not the lack of reliability related to the conclusions. Moreover, different contexts have been looked at and Nilsson (2005) has, in my point of view, put much emphasis on management literature that actually has an Anglo-Saxon background. The 'real' empirical material, on the other hand, is situated in a Swedish context. Hence, in my opinion, the real reason for the difference is that these authors are not talking about exactly the same things regarding this correlation.

versions, such as the one from 1996, were back on the old track with a clear focus on shareholders only. Hence, this model then uses the metaphor of an airplane, where exactly defined planning and follow-up systems are in place in order to achieve the set goals, in this case to satisfy shareholders, ideas that according to Nilsson (2005) are very similar to the rational management model.

2.5 Summary and Concluding Discussion

The four previous sections have provided an overview of the research in the field of management control and M&As, with the third section expanding the frame by applying an even more holistic view. As shown here, most merger and acquisition research of today has a very normative character and can be characterized as 'how to do M&As', supported by the jargon associated with consultants. The research also shows the studies generally can be separated and classified along a scale with a rational/positivistic view at one end and a more structural or institutional view at the other. System theorists and contingency advocates are rather often positioned at one end, opposed by the social construction school at the other end.

In this respect, the two research areas have several contact points as the strategic and managerial view of M&As, for example, is the one most often found in the rational and positivistic management control studies, The process view is more like the view of structuralists and institutionalists. The HR view, the culture view, and the acculturation view moreover, hold a research perspective that often is like the structural and institutional view, which is mostly absent in the more positivistic and rational research streams within management control. Yet there are many exceptions to these generalizations, as cross-theoretical approaches exist as well.

The literature review provided above summarizes many theories and perspectives, as well as various researchers' worldviews, and hence their ways of describing the MC/M&As phenomena. Their worldviews range from a 'rational and positivistic' perspective at one extreme to a 'human and social' perspective at the other. This 'human and social' perspective in some studies corresponds to a 'constructivist view' and also to a 'hermeneutic approach'; in others, the perspective shows a clear touch of structuralism using the ideas of system theories. The closer a study is to the rational and positivistic perspective, the more its author looks at the phenomena in accordance with natural science, using Darwin's theory of ecological and biological evolution, where organizations develop their particular strength and position in order to survive (the survival of the fittest). Organizations then adapt to the environment in the best possible way. Closest to this 'extreme' view are the ideas of several contingency theorists in the 'explicit' field of MC/M&As as well as several system theorists who have applied ideas that look at the fit between "environment, structure, and strategy", although not labeling themselves 'contingency advocates'. On this side of the framework, studies mostly provide "snapshots" as the research normally does not look at processes but only at particular moments like "before and after" or "right now".

At the other 'extreme', we have authors who prefer to look more closely at human beings and how they construct their reality. These authors believe that organizations are the result of all human actions, and not vice versa. On this side, we are often dealing at the micro-level, namely, with the actions of human beings, and so ethnographical studies are recommended as the best means to evaluate how mechanisms in organizations are broken down.

Somewhere in between these two extremes, the structurational and institutional approaches have their places. They focus on the ongoing processes at the macro-level of organizations and the environment mostly, and rarely appear interested in individuals' real constructions of structure.

In sum, this chapter has shown that management control in combination with M&As is an area that needs to be studied further because, in my opinion, 'management control' automatically suggests a stability, quite likely because the word 'control' is essentially the opposite of 'change'. After acquisitions, in most cases there are changes. Such an environment of change may explain why there has been little focus on this particular phenomenon of management control that is a research area typically described as 'constant,' as containing structures that are stable rather than variable. In addition, the management control literature normally has its starting point in organically growing organizations rather than in newly created organizations following acquisitions. This, I believe, is the reason that rational and positivistic research streams have made a larger contribution than any other streams in this field. Combining the areas, particularly from the point of view of practitioners, is the focus of this study.

3. METHODOLOGY

Chapters 1 and 2 set the scene for this chapter as they discussed "the domain theory" in the fields of management accounting and management control systems. This chapter presents a methodological alternative theory in order to shed light on management control issues that have not been deeply researched in cross-border acquisitions of multinationals. First, the chapter describes some different management control concepts, explaining in detail the link between ideology and management control, and then examines "method theory". Second, the chapter offers a different conceptual system and lens for use in analyzing the issues under scrutiny. The chapter concludes with a narrative of how the research for this study was conducted, with consideration given to the issue of validity.

3.1 Management Control and Different Rationalities

3.1.1 The Management Control Concept in Different Languages and Settings

I have given a broad definition of the term 'management control' in Chapter 1 of this study in order to orient the reader from the beginning. Yet I have some doubts about my definition of this research area. Principally, my hesitation stems from my most fundamental purpose in this study, to let the actors in the case companies provide their own understanding of management control. My definition thus risks prejudicing the reader against other definitions. Moreover, the historical development of 'internal accounting' has resulted in two terms that today are used more or less synonymously, namely, 'management accounting' and 'management control'. While I believe there is a difference between 'management accounting' and 'management control', the distinction is sometimes rather vague, with the result that the two terms have been (and still are) used interchangeably. To avoid confusion, I restrict myself to the use of 'management control' since it encompasses everything implied by 'management accounting' as well all phenomena an organization deals with in order to 'control in the large'. This interpretation of 'management control' is consistent with the understanding of authors such as Chenhall (2003) and Macintosh (1994).[26]

A further problem is the language problem. A majority of the interviewees (38 of 50 actors) spoke Swedish, and their narratives have been translated to English. In addition to the inevitable language translation difficulties posed by idioms and business slang, sometimes there are no 'word for word' translations between Swedish and English. The terms, 'management accounting' and 'management control' in English may, in Swedish, be represented by a collection of terms, for example, '*ekonomisk styrning', 'ekonomistyrning'*

[26] Macintosh (1994), for example, adds the term control to 'management accounting'. He argues that organizations also use related administrative devices other than management accounting to control their managers and employees. He gives examples such as "strategic planning systems, standard operating rules and procedures, as well as informal controls" and explains that this is "control in the large" (p. 2). Chenhall (2003, p. 129) expresses a similar viewpoint when he states that management control systems (MCS) "is a broader term that encompasses MAS [management accounting systems] and also includes other controls such as personal or clan controls".

or 'ekonomiska styrsystem' that imply both concepts. Moreover, because historically internal accounting or cost accounting developed concurrently with standardization proposals on terminology (full costing method, for example) and the charts of accounts, the Swedish manufacturing industry today apparently retains much of its traditional accounting language (Carlsson, 2001). However, the most troublesome dilemma is the gap between what we define in our theoretical world (theory) and what people in the organizations (practice) think. A label, like 'management control', may mean something to one person, and something quite different to another person, particularly, as in this study, when historical backgrounds differ (Swedish versus American or French heritages). Therefore I believe, and my study will confirm this belief, that language, so sensitive to nuance and so easily mistranslated, adds a layer of risk in multinational acquisitions.

Despite this ambiguity in the definition and interpretation of 'management control', and regardless of my personal view, past research in this area has been presented in a particular way. Historically, management control research has dealt in great depth with the so-called rational issues whereas the so-called irrational issues have been treated as 'leftovers'. Control issues in organizations are, for example, primarily classified in frameworks with polar opposites. Merchant's (1998) popular framework, for example, distinguishes between "action control" and "result control", "tight control" and "loose control" as well as "direct control" and "indirect control". In his typology, and in others as well, issues and problems that do not lend themselves to rational analysis are 'leftovers'. These are the "personnel and cultural controls", a category that exists because the other control types "cannot be made perfect", or it would be "too expensive to make them perfect" (p.121).[27] This last category of controls dictates that "employees will control their own behaviors" or "each other's behaviors", and in such a way "help to fill in the gaps" (Merchant, 1998, p. 121).

This 'leftovers' attitude towards less rational control issues is typical among mainstream researchers. Most literature, particularly textbooks with an Anglo-Saxon origin, gives the impression that social order and control in organizations could more easily be maintained if all issues could be reduced to purely formal rationality terms. Such a perspective rather parallels the bureaucratic structure of organizations, as Weber (1946, 1968) famously described. Formal rationality, to Weber, is a condition in which situations and decisions are translated into numeric calculations or classified by technical rules. Such is the 'general' way control in organizations is thought of, specifically as 'control as regulation', an interpretation supported by most English language business dictionaries and by Emmanuel and Otley (1995), for example, who define control in enterprises with dictionary precision:

[27] Management control frameworks often also differentiate between "normative controls" and "regulative controls", where the regulative controls include, e.g., standing policies, bureaucratic controls, financial controls, and quality controls. Normative controls, on the other hand, are then summarized as the generally accepted patterns of action. Such patterns include decisions on what is appropriate (or not), what is good (or bad), which norms are applied in teams (responsibility given to the team), and which organizational culture norms (shared values, beliefs and rituals) are matched with organizational goals. This is probably as reasonable a way of classifying the entire range of control issues possible in organizations as any.

> "…application of policies and procedures for directing, regulating and coordinating production, administration and other business activities in a way to achieve the objectives of the enterprise." (p. 7)

'Control', they argue, is "concerned with the processes by which a system adapts itself to its environment" (Emmanuel & Otley, p. 8) and therefore four conditions must be satisfied: (1) objectives for the process must exist; (2) the process must be measurable; (3) there must be a predictive model of the process under control; and (4) there must be a capability for taking action, which is the connection between control and a process. This and similar ways of describing organizational activity have had great influence on management control research over the years. This methodology is probably best known as the "cybernetic system models" as described by Emmanuel et al. (1990), Emmanuel and Otley (1995), and Broadbent et al. (1998).

The previous sections on M&As research have shown that the positivistic research streams try to explain different phenomena mostly by producing knowledge about different relationships, correlations, and associations. To do so, they often have used quantitative methods. Also, management control researchers in general have traditionally focused on this kind of research, as is evident in the overviews that have been presented (Chenhall, 2003). The system-view perspective, for example, assumes organizations behave fairly rationally although it mostly ignores the system users since practices often are seen as the outcomes of system behavior rather than of human behavior. The underlying fundamental ideas of contingency theory also appear similar to the system theory. MCS from this perspective are assumed to play essentially a technical role in guaranteeing conformity between organizations and a set of contingency factors as Chenhall and Langfield-Smith (1998) and Chenhall (2003) argue.

Earlier discussion in this study also demonstrated that the technical dimension of management control is a focal point for both contingency researchers and system-view researchers in the study of MC/M&As phenomena. Hence, in such studies, variables are contextual and rather controllable, yet also static. The theoretical discussion in Chapter 2 of this study has furthermore shown that much research in the field of management control and M&As has a normative character. Such research prescribes how processes and systems should be designed and used in order to support co-ordination and control after acquisitions. In this view, organizations are instruments designed for achieving specific objectives, an idea promoted by the rational system school (Scott, 1998). Rationality is understood to mean that actions are planned and carried out so as to achieve predetermined goals as efficiently as possible. How such goals are determined, by whom, and why, are not, however, major issues.

This thinking is consistent with mainstream literature in the area of management control where control is predominantly about the linkage between strategy and structure, first developed by Chandler (1962) and extended by Anthony (1965), Merchant (1985), and Simons (1990, 1995). Hence, full rationality leads to high performance and managers therefore should act in a fully rational manner. Moreover, the normative decision-making school does not consider that the decision-making process has intrinsic real value since they exhort us only to behave as rationally as possible in order to make the best decision as quickly as possible (Brunsson, 1985). Real value therefore lies only in the decision itself, with its consequent actions. Hence, complete rationality is the key argument in this description of decision-making, at least in its idealized version (Brunsson, 1985). In this argument, we hear echoes of the scientific management school of Henri Fayol and Frederick Taylor with its "conventional theory" of the "economic man" who views decision-making as a process of seeking optimal solutions, using technical expertise and a perfect knowledge of alternatives.

Simon (1957), by contrast, some fifty years ago, described the process by which managers and others work in organizations more realistically when he proposed the "administrative man". This administrative man pursues his self-interests, even if he often is unaware of what these self-interests are, has a limited idea of the possible decision alternatives, and is content with a merely adequate solution versus an optimal one. Thus, the administrative man in fact represents bounded rationality (Simon, 1976).

Today, Simon's (1957, 1976) 'administrative man' is considered by many as rather old-fashioned, and some organizational theorists still classify these ideas as a rational thought-model. Scott (1998, p. 110), for example, recognizes that the bounded rationality models can be classified as being part of the open systems model because they encounter "the variable nature of the challenges posed by tasks and environment". Scott (1998) believes that the ideas of the bounded rationality model are founded on ideas that include a rather system-technical functioning of the structures within companies. In the area of management control, this model is evident mostly in cybernetic systems, the system theory in general, and the contingency and transaction theories. Hence, Scott and certainly many others described Simon's ideas as "rational" because people are reduced to being rather passive receivers of organizational and environmental structures, while losing the power of real actors and organizers.

Overall, in previous research, the 'hardware' of management control has been central, very likely because it was easier to grasp and seemed more important in the past (see Chenhall, 2003; Luft & Shields, 2003; Shields, 1998). Most data available for research has been in the form of quantifiable information, that is, accumulated and classified data and, as such, is attractive to researchers and managers alike. However, system-technical issues are only one part of the entire management control area. It also includes the first two levels of management control, or in Perrow et al.'s (1986) words, the first-order control (direct supervision) and second-order control (programs and routines) that deal with normal 'rational' management accounting tasks. In the modern frameworks used in today's management accounting textbooks, the 'hardware' includes the scorekeeping questions and the attention-directing questions (see, for example, Horngren, et al., 1996) concerned with regularly recurring routine work. However, such mainstream literature rarely deals with finding solutions to problems and with choosing the optimal solutions. For such solutions, one has to look more closely at the linkage between soft and hard issues, that is, at management control, ideology and actions. This is the subject of the next sub-section.

3.1.2 Management Control, Ideology, and Actions

As described above, in the past management control research has primarily applied rational-positivistic research methods and theories, and this still seems true today. Especially in the 1960s and 1970s, several prominent researchers elaborated on the linkage between management control and ideology in organizations (Bendix, 1970; Cyert & March, 1963; Geertz, 1964; Perrow, 1972), but in recent years the influence of this thinking seems to have weakened, compared to the frameworks built on 'formal rationality instruments'. One explanation may be that such frameworks are easier to grasp than the more value-laden ones.

Another explanation may be that Anglo-Saxon influences have become increasingly stronger in this (as well as other) research area.

Recently, more and more mainstream researchers have begun to recognize that organizations are not natural phenomena, but are constructed, and constantly re-constructed, by the people in and near them. Puxty who reproduces the ideas of Weick (1979) and March and Olsen (1979) in his popular book, *The Social and Organizational Context of Management Accounting* (1993), has many followers, particularly in Sweden. In this book, Puxty (p. 42) defines organizations as follows:

> "…organizations are contexts into which people pour problems, solutions, participants and choice opportunities. The system is not a "rational" one that follows a logical progression of (find problem → seek solution→ find solution → implement solution)."

Puxty does not mean that the systems approach is irrelevant or unnecessary. However, he suggests that one also has to understand human behavior in order to complete the picture of organizations. This is a suggestion that in recent years has proven fruitful since the behavioral aspects of finance and accounting functions of organizations have popped up in a number of studies, as documented by Baxter and Chua (2003). These new studies furthermore emphasize that in looking at the 'attention-directing' and 'problem-solving' function of accounting in organizations, one cannot ignore taking a closer look at human beings and their interpretations of this function.

Researchers who advocate the open, natural system model also support this way of studying organizations since they regard organizations as communities that are attempting to adapt to and survive the difficulties encountered (Scott, 1998). Yet there is one main difference between the two major schools, the rational versus the natural. The natural approach sees conflicts as only minor deviations from goals. The rational approach, as described in an earlier chapter, regards such conflicts as negative because they are the result of errors or a lack of knowledge (Scott, 1998). Moreover, people, ideas, cultures, and ideologies, probably because they are considered 'intangible' or 'unquantifiable', rarely fit into the above-mentioned theoretical models. The systems and the contingency approaches, as presented earlier, mostly ignore the framework of social institutions in which management control unfolds or emerges since, in their understanding, reality is independent of the observer in the organization. The researcher can, from such a view, see this reality in a relatively straightforward manner.

Max Weber (1921, 1968) is often thought of as 'the father of bureaucracy' as his treatment of this subject made him famous in the West. However, Weber did not limit his discussion to 'formal rationality', but also elaborated strongly on the term 'substantive rationality', which is similar to 'value rationality'.[28] This part of his famous work, however,

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[28] Interestingly, the Anglo-Saxon influence, especially from the U.S., on today's management accounting and control in the West seems to be, at least to some extent, the result of a typical example of how reality construction, that is, the re-construction of reality, takes place in life, specifically in two ways, and as a result, making Weber famous. First, Talcott Parsons's English translation focused on certain parts of Weber's methodology and 'changed' them to become fundamental ideas behind the 'grand theory' in the stream of structural functionalism, namely, 'systems theory' (Tribe, 2007; Eliaeson, 2002). Second, Alfred Schutz, a sociologist who probably more than any other person helped to construct the research stream of hermeneutics, which is radically different from structural

has mostly been ignored by Anglo-Saxon translators and textbook authors, probably because it did not seem 'rational' enough. Weber's (1968) work has therefore been classified as part of the "closed-rational system models" (Scott, 1998, p. 106). This is about the oldest and most conservative way, in my view, of describing organizations and their behavior. It is a description that had its peak at the beginning of the last century in association with Taylorism and the ideas on scientific management (Nelson, 1980).

Organizational theorists, as famous as Scott (1998), have learned relatively late that there was another side to Weber, one that particularly Anglo-Saxon literature has ignored.[29] It is apparently true that Weber had a tendency to think in terms of causality in the field of sociology because sociology was to him a discipline concerned with learning how social phenomena were constructed and connected (Eliaeson, 2002). To Weber, it was always important, however, to "understand" (in German, '*verstehen*') phenomena versus merely to outline structures, as physicians do. It is Weber's (1968, pp. 85-86) "substantive rationality" that involves "elements of social justice and equality" and "the criteria of status distinctions, or of the capacity for power". These points of views are then, according to Weber, significant as bases by which to judge the outcome of economic action. 'Formal rationality' is typified by the specialized roles and technical rules that make up bureaucratic structures of organizations. This means that there is specialization of activities and roles so that attention is automatically directed to "…a particular restricted set of values" (Weber, 1968, pp. 85-86). In this way, Weber connects rationality with irrationality, denying that they exist separately.

Perrow (1970, 1972) and Perrow et al. (1986) built on Weber's ideas in the framework that was described briefly in Chapter 1. In the framework, these authors summarize various controls used by organizations and present three orders of control: first-order control (direct supervision), second-order control (programs and routines), and third-order control (assumptions and definitions taken-for-granted). Perrow (1970) calls the third-order controls "premise-controls" because these control mechanisms influence the premises people have when analyzing situations and making decisions in organizations. Premise-controls are thus the deep assumptions that are the foundations of, for example, culture in Schein's (2001) conceptualization. Perrow's (1970) classification has been applied in management control studies, mostly to examine the effectiveness of non-accounting controls in a statistical and rational way. See, for example, Abernethy and Brownell (1997).

The prominent behaviorist and psychologist K.E. Weick (1995) used Perrow et al.'s (1986) third-order control approach when illustrating decision-making in organizations. To Weick, people make premises early in the sense-making process so that they can get on with the process of decision-making. Because of its early influence in the process, 'premise-control' is very powerful. Hence, Weick's (1995) ideas are essentially the opposite of Simon

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functionalism, elaborated freely on Weber's ideas. Schutz took many of his ideas from Weber (Eliaeson, 2002), and later combined them with more philosophical work from Berger and Luckmann (1967). Hence, Weber's work was in actuality independent of the different interpretations that followed him. Today, researchers still argue about what Weber really meant and why his ideas have been so variously interpreted. Apparently, Weber's reality was lost as soon as others took it up, elaborated on it, tried to understand it, and communicated it to a larger audience.

[29] Scott, in his 1998 edition, admits his mistake in classifying Weber as a closed system theorist (p. 107). He vaguely apologizes, but at the same time he underscores that, even though his classification was wrong, Weber's work on bureaucracy had a great influence on organization theory. The influence, however, was probably not exactly the way Weber would have thought about it himself as it was made through selective choices of other organizational theorists and textbook authors.

(1957) who discussed 'premise controls' in his early and famous work, *Models of Man, Social and Rational*. Commenting on Simon's approach, Weick wrote, "facts give way to values, computation gives way to judgment, and sensation is displaced by ideology, all without the member necessarily being any the wiser to these shifts" (1995, pp. 114-115). Hence, for Simon, 'premise-controls' take place at a late stage in the decision-making process, and, as in most of the above-mentioned frameworks, are the important steps taken, as Merchant's (1998) textbook charge, when everything else is no longer good enough.

I believe a fundamental difference exists between Weick's (1995) and Simon's (1957) approaches since Simon's interpretation more or less assumes that facts and calculations are equal with reality. Reality is achieved with help of number crunchers and Excel spreadsheets where the only problem is that people have to judge this reality using less calculable and rational methods, namely, values, judgments and ideology. The opposite view is that reality is not simply calculable and rational, but is rather "an ongoing accomplishment that takes form when people make retrospective sense of the situations in which they find themselves and their creations" (Weick, 1995, p. 15). In this view, reality consists of values, judgments and ideology, at least in all situations where sense-making is involved and where there is no absolute truth, likely the situation in the study of organizations.

Perrow (1986) found premise-controls to be "unobtrusive" because choices of ambiguous factual premises, the meaning of those ambiguous premises, and their ends in terms of how they are assembled are all influenced by "indirect" organization mechanisms such as "organizational vocabularies, patterns of uncertainty absorption, communication channels, procedural programs, selection criteria for personnel", and so on (pp. 127-128). For Weick (1995), it is "because the truth of these premises is not known that their choice is made on other grounds such as ideology" (p. 114).

In dictionary definitions, ideologies represent "a relatively coherent system of values, beliefs, or ideas shared by some social group and often are taken for granted as natural or inherently true" or, "a philosophical stance, adopted by an individual, organization or country, which has direct implications on the way of doing business".[30] Ideology, values, and culture are closely connected and sometimes used together although it is far beyond the scope of this study to evaluate the similarities and differences of these terms. Schein (1992, p. 90), for instance, describes the complex relationship between an organization's ideology, values and culture in the following way:

> "An organization's ideology in this context can be any of several things. Sometimes it is the conscious component of the total set of assumptions that make up the culture. Sometimes it is a set of rationalizations for essentially unexplained or superstitious behavior. Sometimes ideology reflects ideals and future aspirations as well as current realities and thereby functions as guide and incentive system to members. Ideologies often involve statements about the core mission, the goals, the preferred means for accomplishing them, and the preferred set of relationships among organizational members. … They are likely to be embodied in company charters, annual reports, and orientation and training materials, but in this form they are often merely a list of

[30] 'Ideology' is a word or construction that, to me, perfectly illustrates the value of definitions. I believe that, no matter what the dictionaries say, most people think of 'ideology' in a certain (personal) way. That is probably the reason why there are so many different definitions of 'ideology' (see, e.g., define: ideology at www.google.com).

> espoused values and may not even make up a coherent ideology. Only where there are stories supporting the values and when the underlying assumptions behind the values are articulated can one determine what the substance of the ideology really is."

Schein's (1992) description of an organization's ideology seems to be a perfect starting point also for the purpose of this study as he depicts the interrelationship between ideology, culture, and values. He emphasizes the impossibility of grasping this connection 'elementarily'. Moreover, Schein's comments, abstract though they are, can be used to rationalize and concretize concepts we do not well understand since they provide some sort of frame of reference. In helping us bridge between the present and the future, Schein's comments are a guide when there is nothing else at hand. Most importantly, ideologies may be conveyed in some explicit way, to an external audience by means of organizations' statements and other documentation, and to an internal audience by means of rules and training materials. Schein (1992) identifies ideologies so conveyed by organizations as their "espoused values".

Therefore, ideologies in organizations appear in many roles: ideas, shared knowledge, perspectives and other attributes that persist over time. Czarniawska (1988, pp. 115-116) describes this relationship by relating ideology to action:

> "Ideologies facilitate collective action, and therefore organizational action. This is possible by the separate or joint fulfilment of the functions of motivation, legitimation, and control. These functions can be fulfilled when an ideology is well anchored in broader contexts; cultural, psychological, and social reality. The most powerful ideologies are those which possess anchorages in all contexts, but in organizational life we usually have to deal with some defective ideologies. Hence, it is useful to examine the relationships between functions and anchorages in some detail."

In Perrow et al.'s (1986) previously described control framework, for example, covering the entire range of control issues in organizations, ideology is used in several ways. Looking at organizations, control has an ideological function. Czarniawska (1988, p. 116) adds "motivation function" and the "legitimating function" as two other important ideological functions in organizations. An ideology's motivation function, consisting of "arousing enthusiasm and encouraging social commitment of organizational members", is most commonly seen when an organization's members perceive the visionary aspect of ideology as valuable and agree the actions proposed to reach this vision may be successful. In this way, the motivation function of ideologies is directly tied to people's desires and needs.

The "legitimation function" of an ideology, on the other hand, reveals to people, externally and internally, what the organization stands for and what is "considered desirable and acceptable by a given society or community" (Czarniawska, 1988, p. 116). In order to fulfill this function of legitimacy, the ideology has to be legitimate or must acquire legitimate status, which is only possible when ideologies appeal to other symbolic elements already considered legitimate. Czarniawska (1988) stresses that the cultural anchorage is most relevant in satisfying this function, although "motivational anchorage" and "reality anchorage" are important since "the claim of broken promises very soon becomes a challenge to legitimacy" (p. 117).

Finally, there is ideology as a "controlling function", which is the function least emphasized by Czarniawska (1988, p. 117). Ideology has this function when it is used to control the behavior of organizational members, backing up this control with sanctions and rewards. However, these sanctions and rewards are differently applied than the sanctions and rewards associated with other modes of control because it is the ideology itself that is the target of such control. Therefore, Czarniawska (1988, p. 117) believes "controllers aim at replacing ideologies already espoused by organizational members".

Brunsson (1982, p. 38) goes even further when he writes that ideologies describe how things are and how they should be; ideologies define not only what is perceived as fact but also specify which facts are important. Action can then be co-ordinated by "ideological means". A powerful organizational ideology can also reduce the need for making decisions (p. 17).

This discussion of ideologies suggests they usually exist in an implicit form, in the heads of actors and decision makers. Thus organizational members' narratives are needed to ascertain the real assumptions behind the values expressed. It seems, for the purpose of this study, wise to follow the advice of Czarniawska (1988) and Brunsson (1982), that is, to investigate the relationships between functions and those elements that are anchored in particular contexts and thus define what is perceived as fact and specify which facts are important.

It is clear that organizational ideologies relate closely to decisions, in some manner. It is also the case that such ideologies make it easier for people to agree on which objectives to pursue, on which action alternatives hold promise, and which outcomes are probable. Ideologies therefore provide short cuts in decision-making by allowing decision makers to pass over or abbreviate some steps and by filtering out some alternatives and consequences. This also means that many organizational actions do not follow decision-making processes as they are thought of in general (as described by Puxty) or as they appear in many textbooks. Agreement and co-ordination may arise even without the process of decision-making because the actors' ideologies are alike; they perceive situations similarly and share expectations and general values.

Hence, 'ideologies' and 'premise-controls' are similar to fundamental concepts or frameworks that drive the plot within organizations. They give structure to the ideas in the heads of the organizational members and can, as such, almost be considered a theoretical frame of reference, or a norm. This framework guides the organization, whether the task is making decisions or generating opinions. For example, the aims and functions of the organization are now structured as an idea that has achieved near universal acceptance. The idea of the purpose of organizations has become a 'meta-concept' that has a taken-for-granted reality today, as evidenced by the following statement:

> "The idea that organizations are instruments of governance and that an organizational arrangement is, and should be, the result of leadership, rationality and control, is among the most powerful contemporary norms"(Salaman & Thompson, 1980 p. 233).

Organizational ideologies have moreover been broken down into different types and applied to particular kinds of people within organizations. One such group consists of managers. Bendix (2001, p. 529) defines managerial ideologies as "all ideas that are espoused by or for those who exercise authority in economic enterprises, and which seek to explain and justify that authority". Metaphors are often used to illustrate managerial and business ideologies in different parts of the world. A relatively prominent one is the British comparison of the organization to a social organism "where all have their fixed functions, appropriate statuses and just rewards". American business ideology often uses "the rags-to-riches" or "log-cabin-to-President" metaphor (Salaman & Thompson, 1980, p. 233). It is very interesting that, in this respect, different cultural traditions probably favor different metaphors in their ideologies.

In today's globalized world, where economic and technological developments appear to determine other cultural and societal issues as well, and where the English language has become the business language de facto (English is sometimes identified as the first "true world language"), managerial ideologies appear more fundamentally alike as well. Managerial ideologies have the potential to override political and cultural differences. Hence, managerial and business ideologies in general may change more rapidly than cultural and political processes do. This is an idea this study considers.

3.1.3 Management Control, Decision-making, Actions, and Action Rationality

Normative decision theories generally posit that there is a logical stream that views action as the result of decisions that have been taken after rational, purposeful discussion and consideration. Sometimes this stream is divided between "thought and ideas", also called the mental and communicative way, and the "system of actions", or the material way (Brunsson, 1985, p. 168). The relationship between these two systems can have different forms. Using Brunsson's (1985, p. 169) typology, the forms range from 1) unrelated, 2) both compensate for each other, or 3) ideas control actions and vice versa, 4) to action control ideas. Some researchers, myself among them, and probably typical structuralists even more so, describe this relationship as essentially non-existent when applying categorizing frameworks such as strategic tasks versus operational tasks, thinkers versus doers, managers versus employees, and ideas versus action. Most management finance, and accounting textbooks concur, as we have seen in the theoretical framework of this study in Chapter 2. Because of the nearly invisible and vague linkage between ideas and action, researchers often use normative theories in order to explain behavior in organizations, or to prescribe certain behavior.

That 'thought' controls 'action' is, according to Brunsson (1985), a common view not only among academics but also among practitioners. Hence, to think first and to act thereafter is a popular idea that is fundamental to the construct of organizational charts, where the management is at the top and the operational units are at the bottom. This model therefore moves from the "abstract to the concrete" (Brunsson, 1985, p. 170) as ideas control actions. In looking at this relationship between ideas, decision-making and action, Brunsson (1985) recommends applying a "consistent, conclusive, and complex ideology" in order to produce effective co-ordination. However, if the ideas and actions cannot be made to agree, there is a control problem. As Brunsson (1985, p. 170) states, "There are problems of implementation; the ideas cannot be realized in action".

This relationship between ideas and action is sometimes extended by (social) constructivists to include the building of new institutions (Czarniawska & Joerges, 1995; Scapens & Burns, 2000). In this understanding, ideas travel through time and space, starting from local and contextualized ideas (or knowledge, using a more scientific word) and become objectified by "externalization", namely, when "tacit knowledge" is translated into "explicit concepts". It is during this externalization process that we have to relate the new with the familiar. Translation theory makes its strongest argument in this area by arguing that ideas are selected and then, in order to make them available to a larger public, turned into (translated into) almost objective, physical attributes. This is the first step in the translation process. In relationship to the language of ideology, one can say that co-ordination is achieved because the actors think in the same way and use the same ideology. Therefore, they require only small translations in order to understand the different ideas. However, if actors do not share ideologies, they have greater difficulty in receiving this new knowledge.

Conversely, it can be argued that actions control ideas, or that the process is from the more concrete to the more abstract. Brunsson (1985) takes this position in order to illustrate that ideas and thoughts are the reaction to something; they are not just the beginning of everything. Hence, for Brunsson, ideology has a different role and function in organizations when one applies this framework. Ideology and talk are then "used to describe, understand, interpret, evaluate and explain the actions which the organization has already performed" (Brunsson, 1985, p. 171). When compared, the ideas of the normative decision theories and Brunsson's (1985) reverse model need not be contradictory since one thing must follow another, in spiral fashion, whether it is action following idea, or idea following action. Figure 8 below illustrates this point.

The relationship between action and ideas therefore looks like an endless spiral, moving from the abstract, the world of thoughts and ideas where events are contemplated, to the concrete, the world of action, where events occur. There is no specific beginning or end to this spiral where thoughts and ideas, talk, decisions, and actions travel through time and space. Moreover, ideas and action, or talk and decision, exist in worlds, the abstract and the concrete. Together, their output appears everywhere in the form of new decisions, new actions, new ideas, new thoughts, and new talk. Action is the major source of new knowledge. Repeated action leads to changes, both consciously and unconsciously.

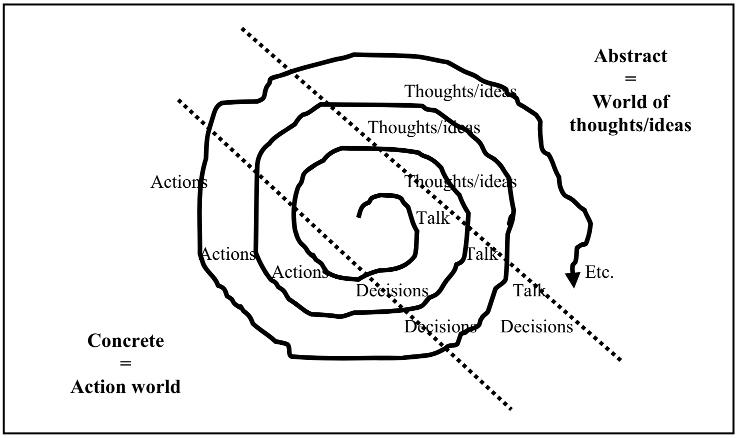

Figure 8: The 'abstract-concrete' circle or from thoughts to action and vice versa

3.2 This Study, Narratives, Sense-making, and the Picture of Reality

To this point, I have described some of the mystery of methodological issues related to research in organizations in general and to research in management control in particular. The mystery is the result of studying human actors, not simply their physical world, especially if the study is made from the 'extreme' social constructivist perspective, where everything actually is socially constructed (Norreklit et al., 2006).

In my own research journey, my perspective on reality had been shaped by the literature, mostly the views of 'rationalists' and 'positivists'. My first interviews, however, exposed me to a more fragmented world than the rational, logical world theory had described. This new insight came from practitioners in the field. My eyes were opened to this new view of 'reality' as well as of 'validity'. It appeared to me that different people in the case organizations applied different concepts in order to explain what they saw and experienced in their organizations. Today, having gathered and analyzed my empirical material, I am convinced that the 'personality' and the 'worldview' of the interviewees shape their realities.

'Cultural and ideological' differences have not disappeared in management accounting and control issues. Thus, the major challenge for qualitative studies is determining how the interviewees looked at the world of human life and at reality. If it is by the use of language that individuals understand their worldviews and the subjective formation (Weick, 1995), the same is true for contemporary organizational research, which recently has taken a strong interest in actors' narratives. Hence, what individuals say shows how they construct their reality (Czarniawska, 1997). Collecting people's construction of reality by interpreting what "makes sense" to them is therefore relevant for a researcher.

A number of sociologists also claim that in post-M&As integration processes, 'narratives' of actors and organizational members' interpretations give us an understanding of exactly what makes sense to actors (Koenig & Meier, 2001; Risberg, 1999; Torp, et al., 1998; Vaara, 2000, 2001, 2002, 2003). In several studies, it is asserted that language has a central place in the narratives that play an important role in understanding the social construction of organizational phenomena (Czarniawska, 2004). As such, narratives are sometimes seen as the main source of knowledge in organizations (Czarniawska, 1997). It therefore seems quite appropriate to use narratives as a vehicle for representing actions and events in organizations engaged in M&As. Narratives or stories conveying myths are powerful tools that make the irrational rational (Llewelyn, 1999), but they are also a form of discourse that is used to deal with organizational complexity (Weick, 1995) and to study organizational identity (Czarniawska, 1997).

Weick (1995, pp.17-61), in his popular and influential work, *Sensemaking in Organizations,* summarized and conceptualized key elements required to make sense in organizations. He identifies seven distinguishing characteristics of these elements where sense-making is understood as a process that is:

1) **Grounded in identity construction:** The notion of self is constantly redefined by how we act and how we interpret our environment. Thus sense-making is an iterative process that continually redesigns our image of ourselves.
2) **Retrospective:** We continually look back at our experience to make sense of what took place then, in the context of what we know and perceive now.
3) **Enactive of sensible environments:** People or organizations produce or construct the environment they face. "They act and in doing so create the materials that become the constraints and opportunities they face" (Weick, 1995, p. 31). This is then the active part of sense-making, the construction of reality.
4) **Social:** Sense-making is a social activity because what one person does is contingent on others. Narrative, discourse and conversation are the primary media of sense-making and organizations are sense-making systems that contain a network of shared meanings.
5) **Ongoing**: It never starts because it never stops, you are always in the middle of sense-making and your map is constantly updating.
6) **Focused on and by extracted cues:** People make sense by extrapolating from familiar points of reference, or simple seeds which trigger a larger sense of what may be happening.
7) **Driven by plausibility rather than accuracy:** The realist ontology suggested by sense-making is misleading. Accuracy is less important than plausibility because the world is not static. Sense-making is about accounts that are socially acceptable, pragmatic and credible rather than accurate.

Concerning "accuracy", Weick (1995, pp. 60-61) states:

> "If accuracy is nice but not necessary in sense-making, then what is necessary? The answer is, something that preserves plausibility and coherence, something that is reasonable and memorable that embodies past experience and expectations, something that resonates with other people, something that can be constructed retrospectively but also can be used prospectively, something that captures both feeling and thought, something that allows for embellishment to fit current oddities, something that is fun to construct. In short, what is necessary in sense-making is a good story."

Weick (1995, p. 61) assumes that the stories told are what actually "energize and guide action" in organizations. Thus, we have to look for plausible, coherent, and reasonable things within organizations that are socially acceptable and credible. While accuracy works in a static world, there is no such world. Therefore, we have to look for plausibility when we want to understand what really is going on. Hence, Weick's main point is that accuracy is laudable, but impossible to achieve or understand. Therefore, it is better to have "filtered information" that is less accurate but "more understandable" (Weick, 1995, p. 61).

Weick's ideas are central to the goals of this study where key actors' sense-making is in the foreground of interest. Therefore, to discover the complex nature of the processes of change through time, I assume the centrality of organizational members' narratives and their stories told. In short, the interviews with organizational members are essential. In addition, however, I believe that one must also look at 'what makes people act' and what guides them when they talk about their actions or when they (re-) construct their actions and the events in the organization.

In sum, we have seen the different ways of looking at reality in the field of MC/M&As. It is only recently that some management control researchers have started to show real interest in solving some of the many questions regarding this matter by combining different concepts in a framework, and by pointing out certain misconceptions. Such misconceptions are that reality is simply a language construction of only facts and figures. Instead, I believe that reality is an integrated construct when applied pragmatically in organizations or other social settings. Reality then combines (at least) four aspects, namely, "facts, logic, values and communication" (Norreklit et al., 2006). The way in which these aspects are integrated is shown in Figure 9. Norreklit et al.'s concept shows that reality contains an integrated set of conditions for action that are necessary in order to address validity in management control topoi. In this context, "Topoi" is a term "used to express the 'repeatable and acceptable themes' that are used to deal with situationally relevant activities, problems, thoughts and actions" (p. 43).

In my opinion, Norreklit et al.'s (2006) description of reality sheds new light on issues of an ontological and epistemological nature as it identifies the 'logic' some major research streams within the area of management control have applied. Agency theorists and other positive accounting researchers, for example, apparently have a tendency to apply a fixed logic, but they suppress human values. According to Norreklit et al. (2006), this leads to "instrumentalism without socially valid explanations of accounting and control phenomena" (p. 43). Social constructivism, on the other hand, at least as historically interpreted in management accounting research, denies that there is a "(socio-) economic logic and individual values". This in turn leads to the assumption that there is no "rational/logical economic calculation" at all in organizations when their members choose between opportunities and control of their own futures. In addition, Norreklit et al. (2006, p. 43) outline the problems of mainstream management accounting research, situated in between facts and logic (see Figure 9). This stream of research "relies on extrinsic common values and lacks communication about intrinsic values to the detriment of a valid workable control".

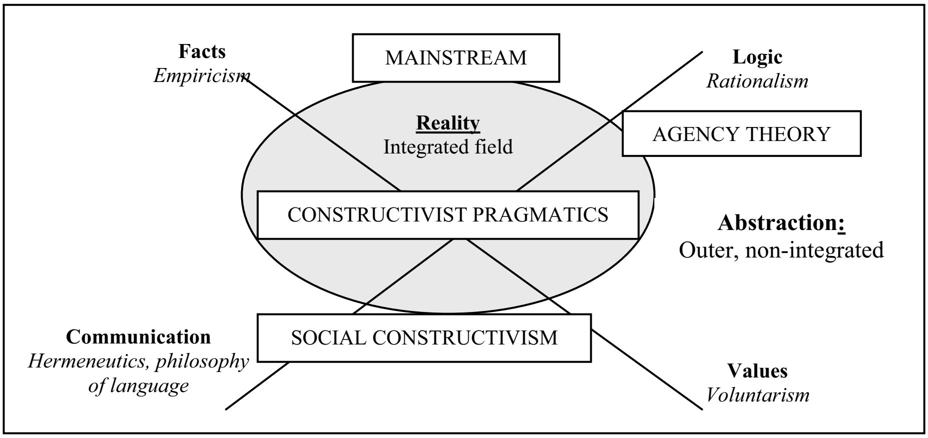

Figure 9: Reality and the theoretical perspectives

Source: Norreklit et al. (2006, p.58)

The above-mentioned mainstream approach has been the predominant one within the area of management control and M&As. For example, Kitching (1967, 1974) and Nilsson (1994, 1997, 2000, 2002) have shown the relationship between strategy and structure in their work in much the same way that Jones (1985a, 1985b, 1986, 1992) did in his empirical investigations of the role of management accounting systems following takeovers, mergers, or management buyouts. These researchers all applied the universal structure of rationality that decide what is good for everybody and hence assumes that managers are rational. Such managers then also respond to the environment with a rational structure and a hierarchy of decision levels, because rationality, for these researchers, leads to high performance. Rewards are linked to such particular performance drivers then. A major problem with this mainstream approach is that everybody's values in an organization are then assumed the same, which is not really the case in real life as goal congruence, for example, is interpreted variously, especially by those who define the congruent goals. Particularly in M&As, issues regarding congruent goals are a never-ending story, as the earlier sections have illustrated.

Due to the deficiencies they perceived in earlier research approaches, Norreklit et al. (2006) developed a "constructivist pragmatism" approach. It is a new way of research, specifically the integration of the four aspects of human life (facts, logic, values and communication) with the aim of coming closer to reality. In fact, these authors position their new approach in the middle of the field of reality, not outside, as all others are located. I believe my study also falls somewhere in the middle of the reality field, or at least close by, then probably somewhere "south", combining particularly values and communication in an aggregated way. I take this point of view because, in my study, I intend to come as close as possible to the experienced personal reality of the key management control designers and users in the case organizations.

In this way, one has the possibility of mapping each individual by defining and describing reality by applying these four aspects of life. Hence, we create our reality (individual and social) by acts that are based on the integration of these four aspects (Norreklit et al., 2006). Actually, some researchers see this perspective as 'ideology' since ideology "structures our thoughts and controls our interpretations of reality" (Eisenberg & Goodall, 1997, p. 153). Ideology shapes our understanding about what exists, what is good, and what is possible, and thus ideology also involves assumptions that are rarely questioned or scrutinized. But ideology also refers to more than one set of attitudes or beliefs, which means that we all use different quantities of each concept or 'substance' in defining 'reality' since each of us has her/his own beliefs of what is 'right' and what is 'true'.

For some, reality is mostly about facts, to others it is primarily about logic, and to a third group it is mainly about language. In these interpretations, reality simply does not exist (in the extreme version of social constructivism particularly). A fourth group argues that values constitute reality because they allow us to choose between alternatives. Various combinations are possible: horizontally (combined as equally important) and vertically (combined in a hierarchical, ranking order, such as facts are more real than values). It is essential that organizational members make sense of organizational life by applying their own constructs and using these constructs to tell their stories.

3.3 A "Pragmatic (Re-) Constructivist" Research Approach

In short, previous sections have explained the differences between the two major schools in management control research and have evaluated their pros and cons to some extent. Moreover, I have introduced the way I believe reality is constructed and also the way I believe others interpret this reality. With this discussion in mind, it follows that a qualitative case study method with an interpretative perspective seems to be the best approach for a study where an essential purpose is to examine people's experiences in the (re-)construction of management control following acquisitions in multinationals. An interpretative approach is promising because it takes into account how organizational participants make sense of their social world. Such interpretive research belongs to the category of the naturalistic research paradigm (Atkinson & Shaffir, 1998; Lee, 1999; Marshall & Rossman, 1999).

Since each of us constructs reality (socially) uniquely, actors in organizations will define their reality in different ways. Therefore, my research approach is a "pragmatic (re-) constructivist" approach where the actors' narratives define their reality, in different terms and with help of different constructs. These actors' (re-) constructions of what they have experienced are at center point of this study. I apply the idea of (re-)constructions in (at least) three ways. First, the actors talk about events and their experiences during the rather pragmatic 'real' construction of common management control norms and practices. Second, these same actors construct their own social reality in their stories by applying different constructs. Third, I try to discover, in my analysis, the different main 'themes' or 'ideas' from the aggregated constructions of the actors.

Interpreting and understanding a social phenomenon – in this instance, how key management control designers and users experience 'new ways management control', how they describe differences between the 'old' and the 'new' ways, and what the consequences of management control ideologies are – requires an approach that facilitates an in-depth analysis of the context and the people under investigation. Moreover, the empirical material required to fulfill the aim of my study, to a large extent, consists of descriptive data such as individuals' spoken narratives, and, to a lesser extent, written narratives (reports, financial statements, etc.). Therefore, the collected data is for purposes of interpretation but not for quantification, the most important justification of qualitative research methodology, in general. The use of qualitative research methodology also is justified by the fact that it allows questions of interviewees in a natural setting, exploratory approaches, and the in-depth probing of complexities and processes. The emphasis, thus, is rightly not on predicting outcomes.

Hence, the strength of qualitative case study research is that it allows the researcher to focus intensely on a few entities in extensive depth over an extended period of time. The main events, processes, and outcomes of particular cases may be examined within very specific contextual boundaries (Lee, 1999). This qualitative approach is furthermore suitable because, as mentioned earlier, the theory is not well-developed (Ryan, et al., 1992), and because one has to search for a deeper understanding of the participants' lived experiences of particular phenomenon (Marshall & Rossman, 1999).

A qualitative methodology, moreover, permits a high degree of research flexibility. Some researchers even believe it is better to begin studies like this one unencumbered by prior theory, which is above all the position of grounded theory (Glaser & Strauss, 1967). I consider myself, however, already 'polluted' by theory since prior to beginning this particular research, for two years I had studied many M&As cases and many theoretical approaches. I therefore believe you cannot ignore the findings of empirical and positivistic research in my field, which also exemplifies a socio-economic logic that appears to have had a great impact on business life in the Western world, at least.

Therefore, I consider that it is better to take this large pre-understanding, which is the hallmark of good research, with me and apply it towards a successful study. I am supported by Ryan et al. (1992, p. 122) who recommend that the researcher make “explicit, and as comprehensive as possible, the theory which shapes the case study”. However, these authors note additionally: “…in addition to a preparatory review of prior theory, additional theory may be introduced as the case proceeds and new theories are developed” (1992, 122).

This describes exactly the process of my research. I did not conceive of the ideology framework, for example, from the beginning, and it has only been introduced after the experience of listening to and transcribing the interviewees. The stories told by the narrators then revealed that this research is not solely about culture, but is about an entire concept, best described by the concept of ‘ideology’ as Perrow (1972), Brunsson (1985), Czarniawska (1988), Schein (1992) and Weick (1995) have done.

3.4 The Fieldwork

As brought up in the introduction chapter, I conducted my field research in the form of two case studies at two multinational companies, both with Swedish linkages. As stated earlier, my goal was to explore the ways in which management control was (re-) constructed, especially for the purpose of showing how the key system designers and users at these companies experienced these events. The first case study, the acquisition of Renault V.I. and Mack Trucks by *The Group*, is referred to as Case 1. The second case study, the acquisition of the Volvo Cars Company (VCC) by Ford, is referred to as Case 2. In the empirical part of this study, Case 1 (*V/R/M*) is presented in Chapter 5, and Case 2 (*F/VCC*) is presented in Chapter 6. Although chronologically Case 2 preceded Case 1 by some two years, the order of presentation selected is deliberate. Case 1, through the interview narratives, provides a better explanation of *The Group MC Way* that is fundamental to understanding the case studies.

My initial contacts with VCC were made in the spring of 2003. In these early discussions, I engaged in unofficial and rather relaxed conversations about the integration process between Ford and VCC and about my future research project. At that early point, VCC was the intended research object and these first contacts were only with VCC actors. The real start of the research, however, was postponed when I was given the opportunity to study at an Australian university for a term. During my research break, various staff at VCC switched jobs and expatriate employees returned home. As a result, it was rather difficult to restart the research process when I returned from ‘down under’. By then, it was also obvious that several managers had changed companies. Managers who had worked for VCC had returned to their former mother company, *The Group*. At the same time, former *Group* managers were now working at VCC in order to help with the integration work. Thus, a new research dimension presented itself, namely, a study involving two areas of the Volvo world: VCC and *The Volvo Group*.

However, in order to conduct a research project with these two case studies, I had to do a great deal of persuasion work, primarily because ‘they’ (my intended interviewees) always seemed to be in the middle of some work that could not be interrupted. Time went by. However, at the beginning of 2005, real access to both research sites was guaranteed. During the time between 2003 and 2005, I had several meetings with different key finance managers[31] at VCC and at *The Group*. In these meetings, in informal discussions, I was updated on relevant events, and was given a broad overview of the current situation. Mid-2005, I received 'almost unconditional' access to VCC and *The Group*. At this point, the major part of my research began. Table 3 sketches out the timing related to 50 interviews I conducted.

For Case 1, the *V/R/M* case, two meetings with two key financial managers helped me determine my interview-objects for this study. Previous to those meetings, I had expressed my wish to include as great a variety of interviewees as possible, so long as they were key actors in the area of management control. The most essential criteria were that each interviewee should be an important actor in management control issues and should have good insight on the past and current processes related to the acquisitions. I was particularly interested in people in areas where there were, or should have been, the most changes underway or completed. Thus, I eventually had a list of a group of 28 managers, of whom 22 agreed to participate in the study. All actors, except one,[32] had responsibility for financial and business control issues; some were CFOs, some chief controllers, some accounting heads, and some members of the "Business Control Committee". Of the six managers who declined to participate in the study, most felt they really had no major contribution to make to the research. Four of the 22 interviewees directly represented the newly acquired entities, RT and MT, while several of the other 18 managers had worked for longer periods in the new post-acquisitions environment. The interviewees, therefore, were a mixture of the old and the new.

	Acquiring Company	***Acquired Company***	***Date of Acquisition***	***Number of interviews***	***First Interviews***	***Last Interviews***
Case 1	*THE GROUP*	**RT & MT**	**2001**	**22**	Spring 2005	Spring 2007
Case 2	Ford	**VCC**	**1999**	**28**	Spring 2003	Autumn 2006

Table 3: Data on the two acquisitions and the interviews accomplished

In Case 2, the *F/VCC* case, two meetings with three key integration managers at VCC led to a selection initially of 22 interview candidates, later expanded to a total of 28, all of whom were willing to participate in the research. For the most part, the interview objects at VCC

[31] Anthropological and sociological studies often are interested in the views of employees that highlight the conflicts between them and their managers. In this study, the interviewed actors were almost exclusively both employees and managers since all participants in my study received a pay check at the end of the month from an organization. As such, they normally 'experienced' both worlds, the one as employees receiving orders and one as managers giving orders, as the empirical chapters in this study show. Nonetheless, I have chosen to refer to these employees only as 'managers,' to emphasize their supervisory roles during these post-acquisition processes.

[32] This 'exceptional' interviewee was strongly related to financial and business control work anyway but not in his/her daily work.

were members of a particular 'Leadership Team' working with Finance questions at VCC. This was a group of actors that was responsible for the organization's key resources including the 'Central Finance Unit' (responsible for corporate finance and accounting) and the 'Operational Finance Units' (responsible for specific operational areas such as marketing, purchasing, etc.). Nine interviewees were former Ford managers/employees. Moreover, several key managers who had left the organization prior to the interview date and some former VCC people now working for Ford 'directly' were part of the interview round.[33]

In the interviews, I used loosely structured (almost unstructured) interview techniques, mostly asking about the interviewees' 'experience' of what is and had been going on, relevant to the acquisitions. This interview approach is consistent with the idea of interactionism (Silverman, 2005) where the interviewer and the interviewee try to reach an inter-subjective depth that is conducive to a deep, mutual understanding. This method gives the interviewees freedom to define the world as they see it, a useful perspective given the aim of this research.

Furthermore, using this interview approach, the interviewees' semi-guide the narratives in their preferred direction since there is no rigid sequence to the questions. Interviewees are free to identify the issues, events and problems most important to them. Thus my role was to encourage the interviewees to talk freely about what s/he had 'experienced' and not particularly about what s/he had done or not done. The questions I found of importance were: "How did you feel when…?" "Did you like it when…?" "What did you do when…?" and "Can you give me an example of…?" Such open-ended questions are the great advantage of unstructured interviews since they encourage spontaneous and sincere responses. However, a disadvantage may be that some interviewees are uncomfortable and thus are less forthcoming because they do not know what is relevant to the interviewer and what is not.

Interviews, lasting between 45 minutes and two hours, were conducted primarily in the natural working environment of the interview objects. In the few cases where interviewees worked in open landscape offices, I met with them in conference or seminar rooms. I conducted telephone interviews, using speakers, with ten interviewees located abroad and with one interviewee in Göteborg. All interviews were tape recorded, except one that took place during a business lunch meeting.

In addition to conducting the interviews, I studied reports (financial statements, auditing documents, internal control documents) and other written materials (internal: memos, brochures, project documentation; and external: press and other research reports) for background and a better understanding of the phenomena the managers described during the interviews. Such reading gave me insight into the explicitly stated corporate values and ideologies that normally appear in such documents (Schein, 1992). In total, I believe these materials provided a rather clear picture of the acquisitions, building on the ideas of triangulation where the main idea is to gather information about something by using different research methods and techniques.[34]

[33] Due to confidentiality issues, I cannot give a more detailed description of the interview objects (the interviewees or actors).

[34] In this study, however, I did not use triangulation only to learn what 'really' happened or to discover the "correct position of an object" (Silverman, 1993, p.156). I also used triangulation (different kinds of data, gathered by using different methods and especially by talking to different people) to

Ford's acquisition of VCC occurred during 1999 and *The Group*'s acquisition of *RT* and *MT* occurred about two years later, in 2001. Thus, many *F/VCC* interviewees had some six to seven years' experiences relevant to the purpose of this study while the *V/R/M* interviewees had more than a half-decade of experience. Because of these many years of involvement in the acquisition processes, the interviewees had much to tell about the pre-acquisition environment and the post-acquisition changes.

In brief, when Ford acquired VCC, subsequent decisions of strategic importance were made by Ford, and when *The Group* acquired *RT* and *MT*, such decisions were made by *The Group*. However, the narratives of the integration processes that followed in the accounting and finance areas of the acquired organizations show that these were not linear processes, following a simple model, but a complex interaction of human and technological issues and of factors related to structure and action, all of which influenced the processes and their outcomes. In the narratives of the key managers (accounting system designers and users), we see their construction of this 'real' integration process.

3.5 Validity, the Analysis, and the Presentation of the Interviews

The validity of field research, especially 'mainstream research', is often challenged by those who doubt its ability to produce an accurate and true impression of the phenomena under study, as I have commented on in earlier sections of this chapter. The goal of this study is to produce a plausible account in which the answers to the research questions are socially acceptable, pragmatic, and credible, consistent with Weick's (1995) recommendations about producing an alternative to the realist approach. Whereas quantitative researchers normally emphasize reliability and replicability in their research, qualitative researchers must guarantee construct validity (Yin, 1995; Atkinson & Shaffir, 1998). To that end, validity is, in a broad sense, concerned only with the question of whether the researcher is studying the phenomena s/he claims to study.

In order to guarantee construct validity and to present the 'inter-subjective reality' of the key management control managers in this study, I have applied a discourse analysis, which is a method used to see how accounts are constructed (Czarniawska-Joerges, 1992). The major challenge in this analysis has been to present the complexity of this management control construction as it is perceived simultaneously by different actors (and also by myself). Therefore, I have followed the strategy outlined by Czarniawska-Joerges (1992, p. 204). I began by obtaining the accounts of all management control key designers and users in a detailed and coherent manner, transcribing each interview in full, except of course the interview that was accomplished during a business lunch and where no tape recorder could be used. I then looked for similar accounts and tried to understand why they were similar. In this phase, following the recommendations of Czarniawska-Joerges (1992), I concentrated on similar "holistic accounts, and ways of seeing the world and not on particular opinions or judgments on particular matters".

In addition, I tried to "track down the reasoning behind the accounts through the way the accounts are formed" (Czarniawska-Joerges, 1992, p. 204), continuing my discourse analysis in the same way for dissimilar accounts. The next step was to write two stories based on the narratives of the separate phenomena, one grand story for the *V/R/M* acquisition

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determine the different positions of the objects, the different experiences related, and the different ways of describing the same things, or even different things.

(Case 1) and one grand story for the *F/VCC* acquisition (Case 2). As I wrote these stories, I tried to make sense of the actors' different versions of the phenomena by comparing and contrasting the accounts in both similar and dissimilar situations, and finally by tying them together in a coherent narrative. I gave special emphasis to the contradictions in the interviews that became major findings in both cases. During this process of analysis, resulting in my own narrative, I tried to avoid allowing "any one version of events, including [my] own, to lead the narrative" (Czarniawska-Joerges, p. 204).

I was supported in my approach by the recommendations of Meyer and Scott (1983), who advise researchers to investigate informal structures instead of only formal, documented structures simply because the informal ones better illustrate reality. The narratives of the interviewees revealed such informal structures. By re-telling the interviewees' narratives, I have concentrated on their versions of reality, as faithfully as possible. Only minor parts of the empirical material have other origins, such as, for example, the written texts in project descriptions and annual reports.

The entire research process was founded on confidentiality agreements that were guaranteed in writing. A clause in these agreements was that all specified members of the case companies had the right to read the manuscript before publication in order to maintain internal and external confidentiality. Particularly during the last few weeks before the manuscript was completed, this process of ensuring certain elements of confidentiality vis à vis VCC and *The Group* became a relevant issue. In order to use these company names, adjustments were necessary in both cases, which above all meant deleting some narrators' sensitive statements and removing discussions of other delicate issues. In addition, some descriptions had to be removed completely and in other cases, the level of detail reduced. Moreover, in some cases, brand names and similar identifying signs were reduced in order to attain a level of confidentiality that was acceptable to all parties involved. These steps were necessary in order to keep the companies in the study 'alive', an advantage, in my opinion, to presenting anonymous, neutral objects.

4. THE OVERALL CONTEXT OF THE TWO CASES

This chapter provides background information important for understanding the overall context of the two cases in this study. The chapter begins with a summary of the automotive industry with a focus on the companies in the two cases that are well-known players in the industry. Thereafter, the chapter looks at The Group from a historical point of view, with special attention to its finance and accounting functions in the 1990s. Next, the chapter describes three companies, Ford, RT, and MT, in the context of two important acquisitions; VCC by Ford in 1999, and RT and MT by The Group in 2001.

4.1 The Automotive Industry

The companies in this study – *The Group*, VCC, Ford, *RT*, and *MT* - are all part of the automotive industry that often is divided into four different vehicle types, namely, buses, cars, light commercial vehicles, and heavy trucks. Although this industry is usually described as the world's biggest and most global industry, today it is dominated by relatively few companies, each with worldwide recognition. Modern automobiles are the result of centuries of experimentation and innovation that began with the invention of the first self-propelled road vehicle in 1769 by the Frenchman, Nicolas Joseph Cugnot. Other Europeans, among them Lenoir, Otto, Daimler, and Benz, followed in Cugnot's footsteps, and in the late 19th century, the American, George Seldon, was also involved in car production abroad. By the early 1900s, many, very small automobile manufacturers existed, but it was Henry Ford, the American manufacturer, who popularized the idea that anyone could own a car. This conviction, combined with his successful assembly line manufacturing techniques, revolutionized the industry.

Today, the automotive industry, with its more than eight million employees, represents about 5% of the world's total manufacturing employment. Approximately 140.000 of these employees are directly involved with manufacturing vehicles in Sweden, which makes this Nordic country probably one of the most 'vehicle manufacturing labor' intensive countries on the globe. The International Organization of Motor Vehicle Manufacturers (OICA), the source of these figures, numbers the total annual production worldwide for the year 2005 at 66.4 million motor vehicles, of which 46 million are cars and almost 3 million are heavy trucks (www.oica.net).[35] This is a 10.5 million vehicle increase over the period from 1999 to 2005, or about 18% altogether. The increase in heavy trucks production, however, was more than 40% in the same time period (if one ignores the mysterious decease in 1998, the increase would have been 80%), whereas the increase within the car segment was only 16%. These statistics, however, that take production only into account, might tell quite a different story if one looked at sales figures that lag production. During the period between 1990 and 1997, for example, the global production of vehicles rose by nearly 7 million units, while sales, on the other hand, increased by fewer than 4 million units.

[35] The International Organization of Motor Vehicle Manufacturers, founded in Paris in 1919, comprises today 43 national trade associations around the world, including all major automobile manufacturing countries, thereby covering virtually the entire motor vehicle industry all over the world (http://www.oica.net/htdocs/Main.htm, 25/9/2006).

Automobile production is a complex process that can be analyzed and explained in many ways other than in technological terms. A Ford-sponsored presentation at the University of Michigan-Dearborn provided a concise summary of the far-reaching economic and social effects of automobile production (http://www.umd.umich.edu; 15/10/2006):

> "The history of automobile production is marked by technological innovation and inventions that have been applied and adapted throughout the manufacturing and service sectors of the world economy. From high-volume assembly line production to just-in-time distribution networks and supplier chains to large-scale corporate mergers of company brand images and vehicle lines, the auto industry has played a central role in advancing the production and organizational frontier of industrial development. Similarly, the current institutional relationship between labor and management bears the stamp of past conflict and co-operation that began in the auto industry. Grievance procedures, cost-of-living adjustments and other features of modern industrial life were pioneered in the auto industry. Finally, the shape of our cities and the pattern of urban growth and decline has been determined by the location of automobile plants and the highways developed to extend the scope of commercial and personal transportation."

In certain environments, the automobile industry may be said to be society's most important constructed element. The American Automobile Manufacturers Association (AAMA), for example, states: "What America drives, drives America". A similar expression is heard in Göteborg, Sweden, namely, "What is good for [*The Group*] is good for Sweden". These slogans reveal the political and economic power of these automotive companies, such as Ford and General Motors in the U.S. and Volvo and Saab in Sweden. In the U.S., for example, one in every seven jobs is automotive-related. Therefore, in the U.S. and elsewhere, it is not surprising cars are a necessity as well as a status symbol; socially, politically, economically, cars are central to industrialized societies.

In the automotive industry, the 1920s were known for the introduction of mass-production; in the 1980s, lean production was popularized. The global automotive industry is today in the midst of another such structural evolution, namely, collaborative engineering and production. Several studies suggest that by 2015, automotive suppliers will represent the majority of the value creation, in some reports up to 80%, particularly in light vehicle engineering and production, mostly because the existing dozen automakers will restrict their own share of production to those components and activities that are crucial to the success of their brands (PriceWaterhouseCoopers, 2003). This increasing importance of the suppliers has divided the automotive industry more and more between automotive manufacturers and automotive suppliers, reducing the importance of the differences in vehicle types. However, as of today, the suppliers still are much smaller than the manufacturers. Only the largest supplier, Robert Bosch GmbH, is comparable in size. Bosch's revenues in 2005 placed it in twelfth position in a ranking based on revenues, between Renault SA and Fiat S.p.A. (PriceWaterhouseCoopers, 2006).

Statistics from OICA (http://www.oica.net/htdocs/Main.htm, 2006-9-25) show that in 2005 Ford (including Jaguar and VCC) was ranked number three in the world for numbers of vehicles produced (6.5 million), surpassed now by Toyota (7.3 million). In 1999, before the VCC, Ford was the second biggest vehicle producer worldwide, producing some 1.1 million more vehicles than Toyota. In fact, Ford sold more cars in 1999 than in 2005 (3.53 million compared with 3.51 million) even though the 2005 figure included VCC sales.

In 1999, before Ford had acquired VCC, *The Group* manufactured 505.000 units (407.000 cars, 89.000 heavy trucks, and 9.000 buses and coaches), making them only the 21st largest vehicle producer in the world, and, as such, a rather small niche player in the entire automotive industry. In 2005, with VCC having been sold and *RT* and *MT* having been acquired, *The Group* produced more than 215.000 trucks and buses, but ranked only number 27 on the OICA list for the entire automotive industry. However, considering only heavy trucks production, *The Group* was the world's third largest manufacturer since they had 'doubled' the 1999 production within the new *The Group* sphere.

The automotive industry is constantly shaping and reshaping itself as the consolidation trends from the late 1990s continue. In the year 2002 alone, over 600 deals worth $35.1 billion were completed, a record for the industry (PriceWaterhouseCoopers, 2006 p. 2). In recent years, however, mega-mergers have disappeared, as the PWC report authors explain, because "the problem is that mega-deals failed to deliver the anticipated synergies and address the central problem facing the industry – overcapacity" (PriceWaterhouseCoopers, 2006).

The statistics on industry overcapacity differ from report to report, but most studies indicate that the industry, in its current state, could produce about 20 to 30% more automobiles globally. Such overcapacity explains the drive to close down unnecessary plants. On the other hand, the growth potential of the Chinese and Indian markets is reason to believe these countries may replace Japan as the second largest national market after the U.S. Demand from the these new markets could only be met by creating 180 new factories, each capable of annually producing 300.000 cars and light trucks (Economist, 2005). If plants are closed in the western world and new ones are opened in China and India, the interesting question is whether the new plants will be built and operated by Western or Eastern manufacturers.

Mergers and acquisitions have been a common strategy in the automotive industry since its earliest days. Of the many small U.S. automobile manufacturers that once existed, only three have survived: GM, Ford, and Chrysler. Even Chrysler was not independent between 1998 and mid- 2007, following its merger with Daimler in 1998 (at that time, the biggest merger in industrial history) that terminated with the break-up in May of 2007. Another example is British Leyland that was founded in the 1970s and owned more than 40 different vehicle brands. Today, the company no longer exists and its brands now belong to the big ten automotive producers in the world.

Nonetheless, consolidation issues in this industry have not been so obvious to the consumers as they are in many other industries because automotive firms have typically bundled rather than destroyed brands. Within the car industry, for example, some 58 brands have survived among the ten largest manufacturers, led by GM with 15 brands followed by Ford and DaimlerChrysler (pre break-up) each with 8 brands (Economist, 2005). Toyota, nowadays the world's second biggest automotive company in terms of cars produced and sold, and probably first in terms of profitability, on the other hand, has only four brands. According to The Economist (2005, p.2), the Toyota strategy shows an "inverse correlation between the number of brands a firm possesses and profitability", certainly a valid conclusion given the results of the last couple of years.

4.2 'The Group' Historically and its Finance Functions in the 1990s

The Group's brand name is today part of two major companies, namely, the Ford -owned VCC, and the Swedish *The Group*, a leading manufacturer of heavy trucks, other vehicles and drive systems. *The Group* was officially born in 1927 when its two founders, Assar Gabrielsson and Gustaf Larson, began designing and producing cars that could withstand the rigors of Sweden's rough roads and cold temperatures. During the first years, sales of trucks proved to be an immediate success, as opposed to sales of passenger cars. After about twenty years, the company was classified as a large organization by the Swedish government because it employed about 3.000 people and had annual net sales of about 112 million Swedish crowns (SEK). In 1955, some thirty years after its founding, *The Group* decided to introduce their cars in the U.S., which was, in the opinion of some, "like selling refrigerators to Eskimos". Also, during the 1950s, *The Group* extended its production into new areas such as aircraft engines and tractors. The company also opened new plants in Göteborg as well as a truck production plant close to Brussels in order to penetrate the European market. In 1965, a new diesel engine plant was opened in Skövde, Sweden, and a second plant was opened in Ghent, Belgium, this time to increase the car production capacity. Two years later, *VT* (*The Groups* truck division) was formed as a separate entity.

In 1971, Per G. Gyllenhammar, a 36-year-old lawyer, joined *The Group* where he would continue at the helm of the company for almost 22 years. Gyllenhammar became the main actor at *The Group* and the period of his leadership was marked by many notable business deals, some very successful, others less so. He appeared to be a person who was involved in improving working conditions for the employees and, for example, invited employee representatives to join the Board and established a Group-wide Works Council in 1971. In 1974, Gyllenhammar opened a new plant in Kalmar, Sweden, that was supposed to represent his vision of a safe and satisfying workplace, simply a "more human" factory. In fact, in 1977, *The Group* celebrated its fiftieth anniversary and as a gesture of employee goodwill, gave each of its 62.000 employees a Swiss watch.

In 1972, *The Group* acquired the passenger car division of Dutch DAF in order to gain access to a 'small car' producer. During this year as well, Gyllenhammar formulated *The Groups's* first environmental declaration and signaled, with *The Group's* Experimental Safety Car (VESC), the company's intention of developing cars with the highest possible standards of safety. In 1973, Gyllenhammar announced, at a press conference in New York, that *The Group* would become the first non-American car manufacturer to build a car manufacturing plant in the U.S., and true to his word, a plant was built, although no cars were manufactured because of the down turn in the economy in the 1970s.

In the 1970s and 1980s, *The Group* engaged in a number of expansion activities, some of which came to fruition, others not. With the construction of a second truck manufacturing plant in Belgium in 1975, *The Group* was now transformed, in the company's opinion, into a European company with a Swedish base, as opposed to a predominantly Swedish company with export sales. The following year, *The Group's* Board proposed a merger between Saab-Scania and *The Group*; however, the proposal was not approved by the Swedish government. The same result occurred with Gyllenhammar's plan with the Norwegian Government to form a joint Swedish-Norwegian company. In 1979, the French industry giant Renault, acquired a large number of shares in *The Group*. In 1981, *The Group* made a number of acquisitions, including the White Motor Corporation in the U.S. and later the body construction firm Höglund in Sweden. The year thereafter, in 1982, subsidiary companies were formed (VCC, *VT*, etc.) and the Tuve plant in Göteborg was opened as well. Another acquisition in the U.S. came in 1986 when GM Heavy Truck Corporation combined its operations with *The Group*. The Uddevalla, Sweden, car plant opened in 1989, the second of its sort after the Kalmar plant. In both plants, self-supervising groups became "whole car builders", using a manufacturing method strategically opposed to the scientific management idea as practiced in most other vehicle manufacturing plants.

During the early 1990s, another deal was announced by *The Group*. This deal was "sold" as an alliance between the French, state-owned company Renault S. A. and *The Group*. Each company then bought major stakes of shares in the partner company and began to quickly co-ordinate their operations in several key areas. Product plans were already prepared jointly, but soon after actually working together in the alliance, a growing discontent among *The Group* people (according to the interviews, especially at VCC) was evident. They did not like the way they were forced to work with the French partner since they felt that the 'foreigners' were patronizing them systematically.

Differences were often perceived as having their roots in the different cultures of the two countries and the two companies. When a full merger was proposed by the two Boards during the first half of the 1990s, a sense of coercion, if not a permanent state of oppression, spread in several departments at VCC. Moreover, unfavorable proposed conditions for *The Group* did not convince its shareholders of the positive effects of the proposed deal. It had first looked as if the Swedish company would be the dominant owner in the new organization, but it soon became apparent this was not the case. It became increasingly clear to the Swedish actors that they would lose control of *The Group* if the planned deal were approved. *The Group* Board therefore withdrew the merger proposal.

In the years after the failed collaboration with Renault S.A., the new Board of *The Group* was rather busy trying to manage the new situation, not an easy task since all plans for the future, from the early 1990s, had been made assuming a joint venture with the planned partner. Top executives were still certain that the 'Cars' group needed a partner if it were to survive. Hence, the background for the selling of VCC had its roots in the growing conviction among many executives within the automotive industry that small companies would not be able to survive on their own in the global environment. All companies in the automotive industry faced increased costs for product development in an ever more competitive industry that required investing heavily in new, expensive, and partially untested technology. But the situation looked rather different for the two groups 'VCC' and '*VT*'. While '*VT*' was a world market leader, 'VCC' was a very small player globally.

Since the mid- 1970s, *The Group* had followed the concept of de-centralization, which was in line with how many other Swedish multinationals began to organize and operate. This de-centralized way of organizing the entire company was very visible in the finance and accounting area since the main body of this workforce worked in the different functions. However, *The Group*, during the years before the VCC acquisition by Ford, that is, from around 1996 to 1999, had invested heavily in a finance project called 'The Common Financial Project' (CFP). This project followed the turbulence of the early 1990s, and above all, the collapsed merger deal with Renault in 1994. During those years, many parts of the company had developed their own strategies for accounting and finance, each aiming to optimize their own situation. At a controllers' conference in 1994, *The Group* people for the first time recognized that something had to be done to maintain their decades-long reputation as "one of the world's leaders in developing and presenting financial information" and as one of Sweden's "most open and analytically correct describers of its operations" (Brykt & Verplanken, 1999, p. 4).

The CFP project was the first initiative in a gigantic undertaking that lasted for several years, engaged over 850 people within 57 projects in 35 countries, involved over 200 legal entities, and incurred costs of several hundred million Swedish crowns (Brykt & Verplanken, 1999). Second, a new Enterprise Resource Planning (ERP) system application using SAP/R3[36] was implemented and most data from different parts in the organization, such as production, engineering, etc., was gathered in the different software modules of this standardized system in order to "drive future finance". This CFP project was described as "heavy" with its actual systems-related tasks taking up the bulk of the work but also most of the resources. However, systems-related tasks were never the heart of the project but were only a "vehicle to drive a change that was initiated from a business vision", a vision that mainly meant requiring finance to work in a partnership with line management, since this was assumed to be the main problem earlier on. Moreover, a major aim was to "re-establish" commonality in terminology and systems throughout *The Group* (Brykt & Verplanken, 1999).[37]

4.3 Sale of the Daughter Car Company in 1999

During the second half of the 1990s, VCC recovered after the failed merger deal with Renault, and was able to introduce a totally new product range. The development of the new products was in full progress. However, the need for investment was apparently enormous, measured by VCC standards. Since '*VT*' and 'VCC' largely used totally separate operations, top executives (particularly within *The Group*) were more and more convinced that VCC had to be sold to some giant in the automotive industry. Collaboration talks with several interested parties led to the announced acquisition of VCC by The Ford Motor Company (Ford) during the very late 1990s. The actual price paid was 50 billion Swedish crowns, an amount greater than VCC's net assets at the time of the acquisition. This premium paid by Ford can be said to reflect their valuation of the VCC brand value and of the portfolio of new

[36] SAP stands for Software, Applications, Products Ltd. and is a German-based commercial software developer of a wide range of data processing and business applications. Today, SAP is probably the world's largest enterprise software company. SAP R/3 is a system built upon the modern client server technology. This means that the main software is installed in a server, and the client software is installed in every work-station to enable communication with the server. This way, SAPR/3 is a highly integrated environment that can exploit the potential of client/server computing. SAP R/3 consists of twelve main modules that are integrated in the same database.

[37] The description of system-technical issues in this study will be presented in rather an unsophisticated way in order to make it understandable for non-experts in the area of information technology and to illustrate this extremely complex issue of system alignment. The following empirical chapters demonstrate that, in reality, no one seems to really understand all parts and pieces, as a system responsible manager stated during an interview. We will also see that this very problem seems to one of the biggest headaches when making accounting transitions after acquisitions in large multinationals, at least as seen from a system-technical view. Things do look very complex. Integration descriptions and change plans then almost look like time schedules of trains combined with a telephone book, with the only difference being that proper names are replaced with short forms and system application terms such as, Vega, WERS, KDDP, WIPS, ERES, GAPS, CMM3, Eurovac, Mecca, SAP, just to mention a few. That is the reason I have chosen to provide only an overview of the real problems and solutions without all the details. Interestingly, this is also how these issues were presented to me by the interviewees.

products in the pipeline. When it came to the rationale for the deal, the [top management] of *The Group* reasoned in the following way:

> "The proposed sale of [VCC] to Ford will bring very important benefits to the parties concerned. [*The Group*] will be able to concentrate its management and financial resources on becoming a leading global player within commercial products to the benefit of [*The Group*'s] shareholders, employees and customers. [*The Group*'s] future prospects will, by being an important part of one of the world's largest and most profitable automotive groups, improve considerably…"

The [top management] of Ford, on the other hand, explained his thinking behind the deal:

> "[VCC] is a perfect complement to the Ford family of brands worldwide. [VCC] has a world-class reputation for quality, safety and environmental care, all of which are attributes that are increasingly important to customers and that fit our 21st century vision for Ford."

Ford, headquartered in Dearborn, Michigan, U.S., was at the time of the acquisition, the second biggest player worldwide in the automotive industry and was, and still is, approximately ten times larger than VCC as far as financial, production and sales data, as well as number of employees. Ford, founded in 1903 by Henry Ford and eleven of his business associates, is probably the one company most closely identified with the history and development of industry and society in the 20th century. After a modest start, the Model T production laid the very foundation for Ford's early success, combined with probably the single greatest contribution to automotive production in general, the moving assembly line that was first implemented at the Highland Park plant in Michigan in 1913. Ford became known to the world as a typical mass-producer within its area as it spearheaded the transformation from manual production to mass-production. Mass-production, with completely and consistently interchanging/attaching parts, could be performed in an automated way on the assembly line (Womack, et al., 1997).[38]

The company founder, Henry Ford, managed the company until 1945. Under his leadership, there was complete centralization of all areas and functions since he had owned 100% of the company since 1918 and allowed no credit transactions or dealings with banks (Bayou & Gerber, 1997). Henry Ford's era was also called the "product era because his attention concentrated mainly on developing the automobile and secondarily on the business and financial aspect of this development" (Bayou & Gerber, 1997 p. 30). Henry Ford's core idea apparently had been to radically transform factory procedures by relying on Taylorized management and a mass-production assembly line characterized by precision, continuity, co-

[38] Henry Ford and his ideas became known generally as "Fordism" that included ideas that ranged from "social scientific concepts" to more economic policies such as "Keynesianism" and "Taylorism". By paying relatively high wages (during an early period, assembly workers in Ford plants earned about twice as much as assembly workers at Ford's competitors), by teaching workers English, and by providing them with skills, he acted with a social consciousness that was quite rare for the time (Wikipedia, 2006).

ordination, speed, and standardization. For Henry Ford, the meaning of time and the machines needed to produce the products in question were always the essence of his business philosophy. In two extraordinary essays written in the 1920s, *"The Meaning of Time,"* and *"Machinery, the New Messiah,"* he equated planning, timing, precision, and the rest of the scientific management catalogue with the great moral meaning of life:

> "A clean factory, clean tools, accurate gauges, and precise methods of manufacture produce a smooth working efficient machine [just as] clean thinking, clean living, and square dealing make for a decent home life."

After World War II, mass-production took over the automobile industry absolutely, and by the mid 1950s, Ford, GM and Chrysler together accounted for 95% of all car sales in the U.S. of which six models alone accounted for 80% of all cars sold (Womack, et al., 1997). However, when Henry Ford II (the founder's son) succeeded his father in 1945, Ford had a rather primitive controllership function that was "in a state of chaos". To compute amounts owed to suppliers, for example, accountants "weighed stacks of bills, then estimated the amount owed per pound of invoices" (Bayou & Gerber, 1997 p.30). However, such accounting practices were not so strange at that time because it was only with the establishment of the Securities and Exchange Commission (SEC) in 1934 that the accounting profession began to gain complexity, credibility and public interest (Bayou & Gerber, 1997).

Nonetheless, General Motors, Ford's biggest competitor at that time had a better grasp of financial control issues, an understanding which therefore led to significant increases in market share at Ford's expense. Therefore, at Ford, ten former U.S. Air Force officers who became known as the "Whiz Kids," were hired to deal with the poor financial controls (Bayou & Gerber, 1997 p. 31). These "Whiz Kids" were obsessed with statistical controls and they gained almost absolute power in the organization. However, they were also responsible for one of the biggest failure in the Ford history, the Edsel project (named after Henry Ford II's son) that was the name both of a division and a car. The Edsel simply would not sell in the U.S. because of "its poor design and ugly look", the outcome of the "rigid control procedures imposed by the financial controllers who were so powerful that they frequently engaged in guerrilla wars with product planners" (Bayou & Gerber, 1997). Hence, the arrival of the Whiz Kids and their rigid rules simply intensified the company's bureaucratic problems.

Henry Ford II's keen understanding of political and economic trends in the 1950s probably led to the global expansion of Ford in the 1960s and also to the establishment of Ford of Europe in 1967. The High-Tech era from the late 1970s to the mid- 1990s also resulted in fundamental changes within the automotive industry as far as management control. During the 1970s and 1980s, Ford had two main objectives: to reduce bureaucracy and to speed up new product development. However, compared with the Just-In-Time inventory methods developed in Japan, Ford's product development was slow and expensive, partly due to the reduced role of the controller in product design, which in turn probably was the result of the bitterness toward the financial controls left behind by the Whiz Kids (Bayou & Gerber, 1997).

Clearly, Henry Ford I was very successful in standardizing products and processes and such standardization revolutionized not only the production side of the automotive industry but also people's most fundamental ideas about efficiency on the financial side. His greatest contribution was probably changing craft-production to mass-production (Womack, et al., 1997), thus giving rise to the growth of giant organizations that were built upon functional specialization and minute division of labor.

The automobile industry seemed to be an industry that carried the division of labor to its ultimate extreme. Womack et al. (1997), for example, found this when they studied assembly workers at GM and Ford. These workers only performed a single task, for example, putting two nuts on two bolts or perhaps attaching one wheel to a car. Management actually told workers that they were needed only because automation could not yet replace them. Therefore, Womack et al. (1997) found that an army of middle managers and staff specialists was needed in these systems in order to gather and process quantities of data for higher-level management and to co-ordinate activities, allocate resources, and set strategies.

In relation to this topic, one has to remember that *The Group* opened 'more human' plants in Kalmar (Sweden) in 1974 and in Uddevalla (Sweden) in 1989. There, automotive assembly workers worked in self-managed work groups. Hence, these workers experienced low physical and timing demands but high physiological demands due to their increased duties and high decision latitude (because of the variety and complex skills utilized).

> "Henry Ford introduced the assembly line, [VCC] was first to abolish it", the then CEO of VCC declared (News, 2002).

However, by 1994, the Kalmar plant closed despite much protest. In 2002, VCC decided to reintroduce the assembly line as it was used all over the world. "It is simply cheaper to produce cars the well-tested way", the CEO of the Uddevalla plant stated (Volvo, 2006). Hence, the ideas of Henry Ford I apparently also survived even in Swedish automotive plants.

4.4 Acquisitions by the Mother Company (*The Group*) in 2001

Even before VCC was sold to Ford, *The Group* had, in January 1999, acquired 13% of the shares of Sweden's second biggest truck producer, Scania, increasing this share to 20% in April after the sale of the 'Cars' group to Ford was completed. In August of the same year, *The Group* made a bid to acquire all the outstanding Scania shares, but in March 2000, the European Commission rejected *The Group*'s proposed purchase of Scania because the acquisition appeared in conflict with the concept of the common market. In July 2000, *The Group* acquired 19% of the shares in Mitsubishi Fuso Truck & Bus Company, and only half a year later, on January 2, 2001, acquired Renault's truck operations, *MT* and *RT*. This acquisition meant that *The Group* had acquired all the shares of *RT* in exchange for 15% of *The Group*'s shares (this exchange later increased to 20% after a final payment). The same day, according to the annual accounts for that year, *The Group* formed a new business area, Global Trucks, which included the truck operations for all three brands: *VT*, *RT*, and *MT*. According to the 2000 annual report, the creation of Global Trucks had the following purposes:

> "…to benefit from the economies of scale, while at the same time increase our efforts in the areas of product development and product planning. The increased volumes will also generate cost savings, mainly attributable to purchasing. …The gradual integration of the companies and their product programs will involve a changeover to common platforms. This means that duplication of investments will be avoided and production costs can be reduced. The company's product program and unique brand identity will be further developed and in the markets, accordingly, the three strong brand names, [*MT*, *RT* and *VT*], will be preserved, and continue to act as three competing companies" (Volvo, 2000, p. 8).

At the time of the acquisition, *RT* was one of the largest European manufacturers of commercial vehicles with a 12% market share within the heavy truck segment and nearly a 9% share in the 6-16 ton category. Also, *RT's* history spanned more than 100 years beginning with Marius Berliet's first vehicle in 1894. Several national takeovers and new organizational constellations led to the final building of Renault Véhicules Industriels, the commercial vehicle branch of the Renault Group in 1978. In 1983, Renault V.I. acquired Dodge Europe and in 1990 they acquired the legendary American truck producer, *MT*. *MT* was also an old and well-established company that was founded in 1900 and had become one of North America's largest manufacturers of heavy trucks with a market share of more than 13%.

The Group of today has around 82.000 employees, production in 25 countries, operations in more than 185 markets, and net sales in the year 2005 of 23 billion EUR. *The Group* is comprised of eight business areas, arranged horizontally – *VT*, *MT, RT*, Buses, Construction Equipment, Penta, Aero and Financial Services. Prior to the *RT/MT* acquisition, in January 2000, *The Group* had established a new business area, Financial Services, under which the organization's finance operations (customer financing operations, insurance, and treasury and real estate operations) were centralized. Five business units provided additional manufacturing development or logistical support, namely, 3P, Powertrain, Parts, Logistics, and Information Technology & Others.

When Ford acquired VCC and *The Group* itself was striving for a more global presence, the expression *The [Group] Way* appeared with greater emphasis in the financial reports. The expression was used, for example, as a term in the 1999 *Group* annual report to describe a global development program for employees that had begun at the end of 1999. The purpose of this program was to create a unified view of *The Group*'s vision and objectives, and of leadership and employee relations. Beginning in 2000, the expression *The* [*Group*] *Way* was no longer used in the annual reports, replaced apparently by overall objectives (year 2000) and by a vision that derived from a mission with certain values (in 2001, explicitly described as "quality, safety and care for the environment comprise the timeless core values of [*The Group*]"). This kind of terminology to replace *The* [*Group*] *Way* continued for several years. In 2005 "the corporate culture" was seen as a unique asset that could not be copied and as such was the main building block of a certain vision, namely, to become the leading supplier of commercial transport solutions in the world. These values (quality, safety and care for the environment) "form *The Group*'s common base and are as such an important component of their corporate culture" (Volvo, 2005, p. 4).

The Group today is larger than ever before even though it has sold VCC, their largest and for many years most profitable entity. This 1999 sale almost over night reduced *The Group* to somewhat more than half its previous size. In 1999, *The Group*'s *Net Sales* fell around 213 billion SEK to only 125 billion SEK and its *Gross Income* fell 49 SEK to only 25 billion SEK. Two years later, in 2001, the acquisition of *RT* and *MT* added around 60 new billion SEK to *Net Sales* and also, which was somewhat less impressive, about 8 billion SEK to *Gross Income*.

The growth of *The Group* during the first years after the acquisitions of *RT* and *MT* was not impressive as *Net Sales* actually diminished. The *Gross Profit* was somewhat stable around 35 billion SEK and the '*Income for the period after taxes'* was almost nonexistent. However, the three years, from 2003 to 2005, were in sharp contrast to this as all these numbers showed impressive growth. *The Group*'s 2005 annual report reported for *Net Sales* of around 240 billion SEK, *Gross Income* of almost 54 billion SEK and an *Income for the period after taxes* of over 13 billion SEK. Hence, all these numbers were larger than ever before, and, notably, were achieved without VCC.

5. CASE 1: ACQUIRING FOREIGN MULTINATIONALS

This chapter presents an account of 'V/R/M' actors' experienced management control issues. The chapter begins with actors' narratives regarding different control structures, followed by two different rounds of experienced integration and confrontation. Process enablers and stoppers are then described. The actors' comments on the future are followed by the chapter summary.

5.1 Different Management Control Structures

5.1.1 Restructurings During and Shortly after the Acquisitions

The years 1999 and 2000 were characterized as a time in the history of *The Group* [39] with discussions on the left and on the right with possible partners. Several interviewed managers experienced this period therefore as somewhat chaotic and stressful. An actor remembered: "After the discussions with Scania, it took only some months until new discussions started with Renault, and in between there was in principle total uncertainty". However, this time, *The Group*'s members seemed to be sure of a positive response from the new partners but also from 'competition control organs' as they had invested heavily in pre-merger work in *RT* (at that time still using the old name) and *MT* since the middle of the year 2000. This pre-merger work was primarily done by a large U.S.-owned consulting firm that apparently, an interviewee claimed, "structured information from other people, arranged meetings, they communicated, and they documented things, in fact they documented and communicated very much".

In combination with the acquisitions, or actually somewhat before, an actor from *The Group* remembered, around autumn 2000, *The Group* was also re-organized. *The Group*'s management had created a middle layer between the Headquarters and the business areas called 'Global Trucks'. This was a business unit that was expected to combine *The Group*'s three truck operations and as such it was also supposed to play a vital role in establishing *The Group*'s vision, namely, "to be valued as the world's leading provider of transport solutions". As such, the new organization was meant to achieve economies of scale, increase its efforts in the areas of product development and product planning, and enhance cost savings due to increased volumes.

Apparently, even from the beginning, it was assumed by top management and that the three truck brands would remain competing brands in the market while working together in

[39] In line with the earlier stated, in order to meet the agreed-upon confidentiality conditions for this case, certain limitations were necessary. First, brand names are used as sparingly as possible and entities are not always defined and described as closely as was the actuality in the narratives. Moreover, in general, some sensitive expressions and narratives have been removed, and the level of detail in other narratives has been reduced. 'The Volvo Group' is replaced in this chapter by the term '*The Group*'. *RT* and *MT* and *VT* replace Renault Trucks, Mack Trucks, respectively Volvo Trucks.

areas such as purchasing, product planning, and product development. An original[40] actor remembered that it was the deliberate philosophy to compete with all brands since this gave most value to the customers. A manager reproduced top management's thoughts in the following way, as applied only to *RT*:

> "…a competing strategy [between *RT* and *VT*] is best for the customers because both organizations must do their utmost to satisfy them. However, if [*The Group*] gets rid of a competitor, the organization may become lazy."

This strategy was seen as necessary because the merger, as it was called then, altogether was viewed from an "industry-restructuring-perspective", where the driving element, after the sale of the car business, would be to focus on achieving economies of scale within the truck business.

In reality, however, several interviewees believed that with *MT*, many complementary elements were found since "they on the whole competed within different product segments and therefore also for different customers". Another actor furthermore remembered that "they simply couldn't find complementary elements together with Renault and this was the reason why [top management] decided that [*VT*] should use a competitive approach when it came to [*RT*]".

Regarding the issue of competition, things apparently can always be put in a certain frame as several of the interviewees felt that *RT* and *VT* actually were not real competitors anyway. One perception was that these two brands were mostly operating in two different areas -- *VT* was predominant in northern Europe whereas *RT* was stronger in southern Europe. A further explanation given was that the brands were also oriented towards different product segments in Europe where "*VT* was ranked as more premium" and "*RT* somewhat cheaper".

Nonetheless, competing or not, in order to attain all these synergies, a new common organization was created below Global Trucks, called *3P* (Product Development, Planning, and Purchasing, later enlarged to even include Product Range Management). Furthermore, at about the same time, another new business unit was formed to serve the entire *Group* with engines, transmissions, and driveline components called *Powertrain*. 3P was founded as a business unit, not as a legal entity but only as an operational construction unit, with four main sites situated in Lyon (France), Göteborg (Sweden), Allentown (U.S.), and Greensboro (U.S.). During the early years, the Headquarters of 3P was situated in Brussels, Belgium, apparently in order to "be neutral". It also stayed there until around the end of 2005, when it returned to Göteborg, apparently since things then had settled down somewhat after the acquisitions. From 2005, the closeness to other important functions within *The Group* was seen as more important than all other arguments that were put forward, an interviewer admitted.

Within 3P, the organizational focus was on cross-functionality and a global presence and therefore the cost and finance functions were situated within each truck brand. This way, several actors described 3P as "a gigantic cost center" or "a gigantic consulting company". The organization 3P was apparently designed to be the major element to "take home synergy

[40] 'Originals' is a term used to describe the actors that have been part of *The Group* even before the acquisition took place and as such, all these 'originals' were Swedes as well.

gains". In order to make sure that this was the case, not only the three truck brands but also *The Group* in total were seen as customers of 3P, according to an interviewee.

This way, most of the pressure to drive synergies stayed within 3P as they were responsible for the streamlining of their activities. As such, they saw themselves as "gatekeepers" since they first and foremost had to take care of the financial side of each truck development project, and hence had to have control over the financial side of the business. The second issue then was to get people to understand what the processes looked like in order to start new projects and to get money for them. This was apparently a model that was new not only for the recently acquired entities but even more for the original parts of the three truck brands, as an original *Group* actor explained.

Powertrain, on the other hand, had been created in order to drive synergies within the three truck brands. In addition, Powertrain also served Buses, Construction Equipment and Penta, three of the five other business areas of *The Group*. The major function of Powertrain was supposed to be the co-ordination of *The Group's* driveline activities and supplying *The Group* with driveline components, such as diesel engines and transmissions. The material for these components was either developed and manufactured by Powertrain or purchased from outside suppliers. Powertrain, in contrast with 3P, was constructed as an entity with its own balance sheet and income statement as a "full business entity". This distinction was made at *The Group* primarily because, a manager explained, "Powertrain ties up a lot of capital". Apparently, about 70% of all costs within this entity were material costs whereas 3P was mostly seen as a service provider with low material but high labor costs.

The Powertrain business unit was an entity that had certain requirements when it came to profitability. However, the great difference compared with the other entities was that where they were responsible for their own results (such as the three truck brands), the requirements were rather flexible and did not last for a particularly long time, an actor explained. The reason for this flexibility regarding required return was that Powertrain was seen as a buffer between the market and production, and so the yield demanded therefore simply had to change "dependent on how market conditions changed." Since Powertrain was a supplier that had its own profit responsibility, it appeared of major importance to find the right balance between its own financial goals and goals for the entire corporation. It was the top management of the brands together with the top management of *The Group* who decided what the best profitability goals were for this entity in order to "increase or reduce the pressure on the entities facing the markets." Therefore, the model for Powertrain was supposed to work in the following way:

> "When there is a market boom, [*The Group*] should have bigger possibilities to utilize their price-position in the business areas. Therefore, in situations like that, Powertrain should have higher profitability demands than otherwise, which in turn increases the pressure on the business areas as well."

As earlier indicated, 3P and Powertrain were newly created business units within *The Group*. However, the main substance of both entities had been around in different shapes even earlier within all three truck brands. An interviewee also recalled that the name "3P" had its origin in Renault who, previous to the acquisition deal, had such an organization. Furthermore, the fourth "P" (Product Range management) apparently had its foundation in France. That was probably also the reason why the first appointed director for 3P was a

Frenchman, and also why several of the responsible managers a level below had a French background, an interviewee admitted.

5.1.2 Business Control and Financial Reporting

The Headquarters of *The Group* is situated in a building on the top of a hill on the island of Hisingen outside of Göteborg. The building is not large and it is probably not wrong to say that many more people work at the Headquarters of the largest business area of *The Group*, hence the Truck area, only a few kilometers away, than at *The Group* Headquarters. Also the Business Control and Financial Reporting Group at *The Group* Headquarters is a small entity of about ten people. There were, during the time these interviews took place, fewer than ten "Business Controllers" working with different issues, although with some common processes such as:

> "…prognoses or budgeting, to keep together the total process within the entire Group… to prepare the material for the members of the board ….and to gather the material that should be presented to the management of [*The Group*]."

In addition, each "Business Controller" was responsible for particular business areas, such as each truck brand. Hence, altogether around ten people worked with business control and financial reporting at *The Group* Headquarters, a number that appears very small for a multinational with currently over 80.000 people employed worldwide. However, this is a number that is larger than what had been the case before, since "they are many now compared to before".

The size of the financial Headquarters of *The Group* illustrates rather well how the business control and financial reporting was organized and practiced for years at *The Group* since the major ideology had been to have "a de-centralized organization", which top management "emphasizes often and strongly in different contexts". A Swedish Group actor, for example, further revealed:

> "…[top management] has the philosophy that business decisions should be made delegated…and [there is the outspoken rule] that business control should be 30% controlling and 70% supporting".

Therefore, most business decisions, in the past at least, were made in the business areas. This explained why there could be so few people at the Headquarters, an interviewee concluded. Nowadays, *The Group*'s members still feel that "the power is out in the different parts of the organization" and this is probably only normal as these parts need comparatively large support functions in order to deal with daily business activities.

This de-centralized way of business control was seen as typical for *The Group*, particularly for the parts situated in Sweden. When it came to other big parts within *The Group*, such as, for example, the newly acquired organizations of *RT* and *MT*, but also for earlier incorporated areas such as 'Financial Services', which was U.S.-based, it seemed that large organizational differences existed. The main reason for this, an interviewee explained, was that *The Group* historically followed the managerial principles of the respective country or the nationality of the management team.

> "It is a very big difference between a [*Group*] corporation situated on Hisingen [the location in Göteborg of the Headquarters and many factories] and the corporations abroad…where they manage more straightforward and have very detailed specifications and demands. There it is more instructions than policies and guidelines".

This was apparently also what 'real' de-centralization implied in the past, namely, that de-centralized parts had their own right to organize the entities according to their own demands and requirements. "*The [Group] Way*", another Swedish actor commented, "has for a long time meant accepting differences as long as they did not interfere with daily businesses and as long as they generated profits." The same interviewee also explained how *The Group*'s system had developed:

> "That comes very much from our culture as this little country [Sweden] didn't have enough customers. Then they said, for example, 'Peter [my name simply as I was sitting in front of this interviewee], go to Finland and sell these cars. Do whatever you want; as long as you deliver cars and make a profit everybody is satisfied.'"

This particular mindset, (*The Group Way*) this actor continued, on the other hand, also resulted in less standardization, routinization, and, to some extent also, less bureaucratization than in many other comparable organizations. It is a model that automatically focused on decision- making close to the customers, power in the different business areas and divisions, and an attitude in general that does not really put much confidence in the power of systematized and calculated "order and clarity", as the interviewee also remarked. This Group mindset was apparently a view that also was described as "trying to keep things in order" while not "keeping things totally under control", in the words of another Swedish finance actor from *The Group*.

5.1.3 Financial Policies and Procedures (FPP): The Group's White-Book

The main manual for *The Group's* finance and business control was the so-called FPP white-book, where the abbreviation stood for "Financial Policies and Procedures". Evidently, this was a very important book that also included *The Group Way* as introduced above since it mostly was written in a "rather general and widely applicable way".

> "We do have this book that regulates finance and business control within the different areas. It has a pretty general style within most areas in the form of policies and procedures rather than instructions."

It was obvious that the FPP was a book that had an important significance for *The Group*'s finance people. A Swedish interviewee believed that *The Group* was rather unique in having such a "careful description of accounting principles". The descriptions, according to another Swedish interviewee, "cover a very broad range of accounting issues such as insurance, mergers and acquisitions, bank relations, currency hedging, interest risks, etc.", and are probably much more extensive than generally is the case in books with a similar intention and a similar audience.

Something that seemingly permeated the entire FPP was that *The Group* historically had applied a "full cost model", which meant that they "first and foremost want to be paid for their products". That is why they, in risky situations, preferred to "add a Swedish Crown when doing the calculus than to take away one". This was a core idea that automatically led to small margins close to the customers, several interviewees asserted, and therefore also "a cost consciousness that can be seen among all entities and people involved". Hence, *The Group*'s standard costing model was basically to get as many costs into the calculation as possible simply in order to "make sure that they got paid for the products at the end", another Swede mentioned. This again was historically something that had developed over time as *The Group*'s Trucks area and the other products within *The Group* sphere (buses, construction equipment, etc.) always had competed on certain characteristics of their products (safety, quality, and environmental care) rather than on price, several Swedish interviewees agreed.

It was furthermore the stated vision of *The Group*'s top management that the employees' fundamental values should represent *The Group*'s brand. And these fundamental values were above all represented in the three main characteristics of "quality, safety, and environmental care", the features that seemed to connect strongly to the products and only indirectly with the people working for *The Group*. This also was a detail that seemed to underline the engineering tradition of the organization strongly.

The Group Headquarters' main management control ideology moreover appeared, according to an actor, "to have entities below that take their own responsibility" where "they make the business judgments themselves, as this feels more effective". This in turn was also given as a reason why there were so few people at the Headquarters of *The Group*.

> "We believe that once we get the different business areas with us and they, so to speak, understand the purpose with it [*The Group*'s way to deal with management control], then they will have a much bigger ability to solve their problems with the daily business decisions and they can solve very many cases after a while themselves. Whereas if you have very detailed instructions …uh…this means that we must possess much detailed knowledge on how each little deal is done out there in the business areas, but that is impossible with so few people and so far away. Therefore, we want them to - if you call it 'empowerment' - to have both a mandate and the responsibility, to be able to look after their business areas quite themselves. …We believe in this model, we believe that it motivates people more than if we would have a thick manual for how things have to be done."

5.2 The First Round of Integration and Confrontation

5.2.1 '*The Group's Way'* Compared to the Way of the Acquired Entities

The French car company, the former owner of *RT* and also *MT*, had managed its two truck divisions, according to finance managers of all three brands, using "an arm's length approach", and according to several interviewees from different sides, mostly with the "help of budgets". A number of Swedish Group managers furthermore also felt that *RT*, who more or less was responsible for dealing with the American truck producer as its mother apparently did not show much interest in it, had left *MT* mostly unsupervised during the nearly ten years of ownership. "They didn't talk about trying to get them aligned; they didn't have the same routines and rules".

RT apparently had left *MT* for quite a while the way they were, but "right before the [*Group's*] acquisition happened, *RT* was trying to become a lot more global and so there were many more synergy efforts undertaken", an interviewed actor from the newly acquired entities observed. This actor further noted that Renault, during the period right before *The Group* entered the picture, "realized" that they needed more "convergence". These convergence ideas were seemingly most visible at the product development sites and within purchasing, particularly as related to engines. This increased co-operation between the two acquired truck brands was in turn also the starting point for the 3P organization, the organization idea that later was adopted by *The Group*, according to this interviewee.

Both companies, *RT* and *MT*, were portrayed by some of the Swedish interviewees as much more centralized than *The Group* was, with the power located at the Headquarters of the respective brands, hence in Lyon (France) for *RT* and Allentown (U.S.) for *MT*. Since the former owner of *RT* apparently did not pay very much attention to their truck producers, the Headquarters in Paris was not much involved in all this acquisition work. Their focus in the past, some interviewees mentioned, may have been more on cars than on trucks anyway.

The largest difference, according to most actors within all brands, was the financial history of the three organizations, which also, to a large extent, was the reason things were as they were now. Both acquired brands had a history of large losses, and this history had left a certain impression, a Swedish manager, for example, believed:

> "They [the acquired truck brands] have been forced to think in terms of costs much more often than [*The Group*] was compelled to do since [*The Group*] has had a different profitability record in the past. This is reflected in the way people think."

From the point of view of this interviewee, the people within both acquired entities had a tendency to focus on costs very strongly, which was only normal, as the finance people had no choice. "When you simply have too small revenues to generate real profits over a longer time period, you then often focus on costs, which also leads to a vicious circle of cost pressure." *The Group*, on the other hand, had, from the point of view of this actor, historically applied a control system that was driven by controlling revenues rather than costs. As the interviewee explained,

> "…when you require 7% in operating margin then this automatically means that you have to focus on costs as well to get there. This goal, however, includes everything: Volumes, prices, and costs. And probably this is what some experience as not having a cost focus."

This was precisely what several original *Group* actors described as an approach that was typical for *The Group*, namely, to have a holistic view and to look at both sides, revenues and expenses, rather than at just one side. All people within the 'old' *Group* parts were therefore believed to behave "cost consciously" at the same time as "they focused on customers and their satisfaction", the terms used by a Swedish finance actor. However, the two acquired entities, on the other hand, had a past where both companies' primary source of finance was through negotiated budgets, determined by their mother companies. In the case of the French acquired entity, it was also clear to the actors there that "looking at costing details and being pressured on costs was basically part of the culture."

Moreover several actors from all three parts, *The Group* as well as the newly acquired brands, felt that the former owner of the French truck producer, and hence also of the American truck company, for about ten years had not put strong pressure on profitability and cost control for either truck producer. They mentioned "governmental ownership" as the main reason for this lack of profitability pressure. A manager put this in the following way:

> "There was no strong profitability pressure from the owners…in some way they knew that the situation will get solved anyway somehow at the end. Did they need more money? Then they got more money."

Particularly among finance managers at *The Group*, the opinion existed that the French company "is more traditional when it comes to their financial processes and how things are followed up and done in general". They felt that *The Group* was "some steps ahead" compared with the way they managed their business in France. Financial actors at the acquired French entity admitted:

> "The biggest difference is the financial culture. At [*RT*], to be very honest, it is very poor. You have people who are very much into all the details, following cost center structures down to traveling expenses, etc. etc. …. too many people who are very administrative, very cost focused, but we have to have people that are more into the big picture and that can sit back and look at things. We would need middle management people, who have the feeling for figures but then can sit back a little bit, look at the whole picture, and then organize things and implement action. That is the layer that is missing within [this company]. It is a cost consciousness culture but it is not a financial culture….At [*The Group*] it is clear, we are there to make money, anywhere in the organization. "

As examples, they mentioned that *The Group* worked with "prognoses" instead of "expense budgets" and that *The Group* tracked their countries' results by including the costs of, for example, product development and even parts of the Headquarters' costs, which apparently was still not the case at the French truck producer. *The Group* therefore applied an approach that tried to include as many costs as possible, which was an approach "they have taken from [the other part of *The Group* that was sold to an American acquirer]…stolen it with pride", as a manager admitted. The same actor explained:

> "[Top management] says that we have to be somewhere between 5 and 7% operating margin[41] on average over a business cycle, and this when all costs have been distributed. Then all countries can be compared with each other, which is much better than only accounting for contribution margins or operative profits out there."

In the opinion of this Swedish interviewee at *The Group*, it was clear that this way of doing business was more advanced than other ways: "We have come further than simply accounting for the costs out there".

5.2.2 The Early Work of the Consulting Firms and Global Trucks

The consulting company that had been part of the acquisition work since the beginning (pre-acquisition) gradually started to decrease its activities during 2001. Above all, Global Trucks, but also, to some extent, the newly created business units at 3P and at Powertrain were taking over these tasks. Before that, this consulting firm and apparently several others were very active for about a year in trying to assemble as much information as possible. Their purpose was first to value the expected deal and, when the arrangement was officially realized, to help gather documentation for further analyses and comparisons. This, several managers remarked, was a very positive and smart move by *The Group*.

> "I believe this was a very smart move since [*The Group*] was able to save time because there was an enormous amount of information accessible already from day one, so to speak."

However, the work with the consulting firms was experienced by some as "tiresome" because there "were so terribly many consultants running around and they wanted to have this and that", which also was something another Swedish Group actor saw as "rather annoying". All the information the consulting firm had gathered prior to the deal was kept at the consulting firm just in case the deal fell through. Directly after the acquisition, all information was "public" and that was the moment when "they were able to make real comparisons", something that would start a chain of different problems. A frustrated actor, for example, remembered this first year with the consulting firm in the following way.

> "What then happened during this first year was that much of the different statistics and information for decision making [from this consulting group] was questioned. People

[41] Actually, these financial targets have since been changed by *The Group's* Board. On September 8th 2006, the Board decided on operating margins that are more than 7% over a business cycle and include all operations within *The Group* except [*The Group's*] Financial Services (Volvo, 2006).

> wondered: how have this and that been calculated and estimated? Different comparisons were made and people despite all this questioned things. We started to count in different ways in the different brands and this was a lot of work. Today, after all that has happened, I believe that we could have put even more resources into this because there were too many meetings that came to nothing during this first year simply because facts were questioned."

Hence, just as the bad numbers for *The Group* were questioned by *The Group*'s people, members of the newly acquired brands also questioned the bad numbers presented for their companies, a manager recalled. Therefore, during this first year an extensive work load simply existed "to prove that certain numbers were correct and others incorrect", the same actor admitted with frustration. What this person also recalled was that there was a somewhat more positive co-operation even at the beginning between the American actors and *The Group*'s finance people as there was "more transparency" and a general tendency to "show their numbers relatively straightforward".

Global Trucks, after the acquisition was formally realized, received all the material from the consulting firm and immediately started to interpret the material themselves. From the very beginning, Global Trucks was, among many other activities, pushing strongly for an alliance of the accounting information of the three truck brands in order to "achieve more transparency" among them. According to a manager from *The Group*, Global Trucks was a construction that imitated some ideas the American acquirer of their former daughter had when they built their Premier Automotive Group (PAG) in Great Britain about two years earlier. It was this form that was supposed to help the organization overall achieve the synergies wanted. The newly created organization was located at the Headquarters of the truck area of *The Group* in Göteborg, Sweden, and apparently all its new members came from the old environment of the truck division as well.

But also within the newly created business units, 3P and Powertrain, things went on rather rapidly at the beginning as it was necessary to get "some sort of overview of the area, what we developed, how much was spent, where the projects were going, how things were managed", a manager remembered. Therefore, from the very beginning, they were eager to develop tools and levers in order to manage the new entity and to find out "what they were doing and how they were spending the money". A finance actor, for example, recalled a project in order to consolidate the financial plans of the three truck brands:

> "In order to consolidate the different results, we did a very simple 'data warehouse' spin within SAP. I think we spent less than a million, and we did this very rapidly… 'Guerrilla like' would be the wrong term, but we were a very small team. And after that, we were able to consolidate by day 5 of the month, we knew what we spent and for what kind of projects."

Hence, to determine what the reports should look like in the newly constructed entities was apparently no easy task as "there were about as many ways to do it as there were people involved." Another actor remembered what they did in order to find common solutions.

> "…we collected all the finance people responsible from every site, created a network, and gathered all these people in one room. And we wouldn't leave that room until we

> had decided how their reporting should look like….And I think we sat for a week at least, at the beginning. We had a quite good form of co-operation despite all that, and we managed to get a report package together after about six months that is still working today."

Many rather small projects were undertaken during that first period in order to align the financial reporting and also to integrate the information systems and data streams. Apparently, also during 2002, the finance people decided on creating common terms and a common language in order to be able to talk to each other and to "really know that you were talking about the same thing", an actor remembered. Using *The Group*'s Charts of Accounts as the guiding principles, the cost categories were split according to this framework, an interviewee moreover remembered. Since there was an entity that was only a cost center, all the costs had to be distributed to the different brands with the help of "cost allocation keys", which also was one of the areas where *The Group* had one of its major challenges. According to an interviewee, this was "a never ending story" and it apparently still is a matter under discussion.

> "…it easily happens that there are very, very many discussions about it because in the new world, where you develop things together, you simply get much more complicated discussions. For example, it can be the case that [*The Group*] would like to have a certain piece in their trucks but [an acquired entity] does not want to have it but they have to pay anyway."

Apparently, employees at the American-acquired brand experienced the early changes as *The Group* attempted to take the same direction the previous French acquirer had used when attempting to 'converge' with their American sub-division. However, this situation was viewed both negatively and positively by these American employees. It was negative mostly because "different people were making decisions and doing the direction leading" and positive since this provided them with opportunities to identify with *The Group* brand that was "a well-sought after company and brand". There was one issue, however, that gave some American people a particularly bad feeling, according to several interviewees. This was the fact that *The Group* already had a subsidiary in North America themselves in the form of their truck division in North America. This was a feeling that from the beginning led to some sort of "anxiety" mostly at the manufacturing sites of the American truck brand in the U.S.

Additionally, people at the American truck producer's Headquarters in Allentown seemed to experience the first year after the acquisition with Global Trucks as a time "when there were many changes going on" and during which "managers have been exchanged several times because it didn't work and there were too many controversies." People in top management positions were replaced with seemingly monthly frequency and some positions almost rotated between *The Group*'s North America division and the acquired American truck producer. An interviewee, for example, remembered that they were working with "a hundred day plan", which meant a lot of changes and also a lot of uncertainty since "the expectations at a high level by [*The Group*] were clear". These expectations meant that things had to be resolved rather quickly. The interviews moreover revealed that the time with Global Trucks in North America was a period when the newly built Group (including the new acquired entities) had to find out what to do in general and how to organize its North

American business, particularly since there now were two 'own' brands that were active more or less in the same location.

Several Swedish *Group* actors observed that the people within the acquired entities at the beginning, during the time when Global Trucks was most active, were afraid to lose power as "they really had a hard time with that concept." It was mostly due to the different activity plans of Global Trucks that things appeared to be difficult; this was true at all three brands. Several finance actors remembered that they almost had no the time for their usual business activities simply because they had to collect and present financial data constantly for Global Trucks.

Global Trucks apparently operated "very tough in order to get the three truck entities together" and several *Group* managers felt that this was a necessity at that time because:

> "…when you have to combine three colossuses as it was the case here, you can't have a too long-winded process. Then you have to go a little more straightforward and direct, not really force them but probably be somewhat tough, just in order to get them started really."

Nevertheless, this "different management style" by Global Trucks was apparently also "very non-Swedish" and, according to several Swedish interviewees, was a major reason for the "discontent and opposition" in all three truck brands, not only in the two newly acquired ones. First of all, the organization of Global Trucks above all meant that the managers in the three business areas had an additional layer above them. They were now "all of a sudden two layers down from [the absolute top]" and this was something, an interviewee believed, was "just not acceptable for a lot of executives who have come far in their careers and were responsible for x-thousand people every day". A manager recalled:

> "…these executives had to report to Global Trucks first, and it was Global Trucks then, which had all the contacts with the Headquarters. This was a situation they were not satisfied with."

And in all this, it seemed very unclear where Global Trucks should fit in. Too many different power spheres were apparently activated at the same time. *The Group* Headquarters, Global Trucks, the American truck company, *The Group*'s truck division North America, and also the former owner of the American truck company, the French truck producer and their Headquarters, all had ideas about how to manage the business 'over there'. After only about one year of existence, Global Trucks was shut down again. It had, in several interviewees' opinion, become an organization that did not have operational support and it was apparently not legitimate enough among top management either.

> "The new constructed organization and its management were floating above; they did not have operational support, which meant that there arose enormous conflicts all the time."

Several interviewees furthermore emphasized that it was [top management] who decided to shut down Global Trucks because "[it] was fed up with having conflicts constantly" and there was "too much discussing". When finally Global Trucks disappeared, most top managers who were part of this organization disappeared also. Apparently, "the clashes with the organization were too big and there was therefore no possibility for them to stay", an interviewee concluded.

5.2.3 Different Achievements at the Different Acquired Multinationals

Regarding the integration work, *The Group*'s North America truck division had already during the first period after the acquisition started to build a strong dealer network that was supposed to work with both brands, the American companies' trucks and *The Group*'s trucks, at the same time. This work continued also after the disappearance of Global Trucks. This principally meant that *The Group* tried to persuade the dealers to reduce their product range to only include *VT* and *MT* since "many of them had several other truck brands as well". Several interviewees from different sites experienced this as their most difficult situation because that request touched upon the most sensitive of problems, namely, the brand issues. A financial interviewee commented:

> "And, honestly, what I have felt was the most difficult was not related to the back-office functions but the most difficult part of the integration was the fact that [*The Group*] decided to use [the American truck brand's] network to distribute its own vehicles in the country. That was, internally, as I recall, the most difficult thing because there you touched…it went into the commercial, you know, which is really the brand stuff, etc."

These brand-related issues also seemed to be a major point of resistance for some at the American truck brand who regarded this as interference with what had been seen as most important to the brand, namely, the direct contact with the customers. Rumors had it that *The Group* was using some rather forceful tactics to get their brand into the American brand's network.

> "And I really heard things, I never knew whether they were true or not but things like the sales men on the fleet site of [the American truck brand] were prevented from visiting their customers because the guys from [*The Group*'s trucks] should go instead. You know things like that. I mean … you could feel that people were de-motivated, etc."

Nonetheless, the strategy of using the same network apparently worked well since "nowadays about 65% of the volume goes through the same dealers". Partly due to all this, from the beginning, the American truck producer worked together with *The Group*'s North America truck division much more closely than, for example, the French truck producer did with their sister, *The Group*'s truck producer in Sweden. Hence, in many questions it appeared that *The Group* Headquarters as well as *The Group*'s truck business area Headquarters now had replaced the separate brand view of the American truck producer and the own brand by a common "U.S." view. They talked more about the employees as Americans and less about the brands as separate and distinct. They were now working together in a new way, namely, by talking to "U.S." in both cases when talking with the Headquarters for both brands. At least compared to the beginning of the work, there was less talk of the two brands.

In many cases, North America was now seen as one entity that was made of two brands, in which common functions were constructed in order to manage and support both brands together. During recent years, the Headquarters of the American truck brand in Allentown "has lost some people and also some functions to Greensboro", which also illustrates that some of the power has moved from the Headquarters of the American truck producer to the Headquarters of *The Group*'s North America truck division. Most of the reduction in staff has been possible by reducing two support functions to only one, now most often situated in Greensboro. One can say that currently, "everything is co-ordinated together except marketing", and most of the leadership team that was responsible for support functions such as HR, Legal, and Communication have moved to Greensboro. Only the "real" brand support functions were left at each brand site. Allentown as such has today more of a brand support role only.

According to several Swedish and American interviewees, however, the biggest problem in North America is the labor union UAW.[42] Because of the union, it is almost impossible to make changes that require laying off workers. Apparently, the biggest difference between the Allentown and Greensboro organizations is that the Allentown Headquarters are in a northern state of the U.S. (Pennsylvania), and the Greensboro Headquarters are in a southern state (North Carolina). "The more north you get, the more organized they are", a Swedish finance manager outlined. Hence, "in the southern states there are no labor unions and that is why many companies move south, simply to avoid labor unions." It seemed like *The Group* wanted to avoid confrontations with the UAW as long as possible, but the situation was rather straightforward to an interviewed actor: "I mean I have to admit, changes are much easier to carry out if they [UAW] are not part of it."[43]

Looking at this situation from a finance and accounting perspective, several interviewees felt that the integration of *MT's* financial systems into SAP/R3 worked well during the first years. They then also moved on to "the next level when they shifted the daily activity plans, the current accounts, the closing of the books, the accounts payable ledger and other stuff into [*The Group*'s] Business Services". With that, a Group manager proudly announced, "back-office functions are now part of both brands together, but everything in the front, things close to the customers, the entire sales organization for [the American brand] is independent, and the same is true for [the Swedish truck brand]."

What the consulting firm and later Global Trucks wanted to do, and mostly also started to do at the American truck producer and at the French truck producer, was about the same, as several actors from different brands remembered. However, what they achieved during the

[42] The UAW is one of the largest and most diverse unions in North America, with members in virtually every sector of the economy and with approximately 640.000 active members and over 500.000 retired members in the United States, Canada and Puerto Rico. There are more than 800 local unions in the UAW and it has over 3.000 contracts with some 2.000 employers in the United States, Canada and Puerto Rico. (Source: http://www.uaw.org/about/uawmembership.html, 11/9/2006)

[43] The interviewees also believe that several Swedish Group employees overall felt sorry for American car (and truck) producers, particularly the acquirer of their former daughter and sister, since there is no easy solution when dealing with the claims of the UAW.

first three years of integration was apparently completely different. Really only "physical changes occurred at the French brand but the mindset of the employees, however, seemed to remain the same as before", according to an actor. Apparently all the changes on both sides, the physical and the mental ones, at the American truck producer happened rather quickly compared to how they happened at the French counterpart. An actor evaluated the situation in the following way:

> "I mean what had been done physically was basically the same thing, you know, moving to master finance, carving out Powertrain, etc. I mean all that was done on both sides. But at [the American brand]…it was clearly one organization with two brands, but here it was clearly two organizations with two brands, trying at least to communicate at least in a similar way, but it was still on the surface. In the mindset, the work that was done at [the French brand] from 2004 onwards was about the same as what had taken place at [the American brand] already years before."

Apparently, in 2004, things at the French truck producer started to move forward somewhat in the direction of *The Group Way* and this seemingly had strongly to do with the human factor as a new management was appointed. This time the new financial management was capable of speaking the French language fluently. Knowing the French language and culture, according to several interviewees on both sides, gave this new management much better access to the French company's staff compared to what was the case earlier on. Actually, the lack of good French was given as the major reason, in addition to general Gallic scepticism, by a number of interviewees that the first management failed to implement most of the issues that still were the same in 2004. Looking back to 2004, the French truck producer was still described as its own organization whereas the American counterpart by then already belonged to *The Group*, mentally as well as physically.

As major reasons for this process difference between integrating the two brands, an actor explained that this was a combination of first and foremost a clear set of goals for the American company which fit well with the American culture, and secondly with less competition from day one for the American truck producer.

> "… at the beginning, I noticed, the mission was clear, you know, the mission was clear, that we wanted to integrate [the American brand] into *The Group* world, we were going to do things, the directions were set and this was the right thing to do when knowing the Americans and their culture. Things were set, and if you like it or not, we do it. That was something I did not see [at the French truck company].
>
> "Maybe it is also coming from the fact that the two brands here in Europe are competing on the market but in the U.S. it was easier to say that [the American truck producer] was focusing on the vocational segment and [*The Group*'s original truck brand] on the highway segment. …and clearly, [*The Group*'s original truck brand] was more afraid of, you know, dysfunction on the market and losing market shares on both sides and they were maybe much more careful during the integration process."

5.3 The Second Round of Integration and Confrontation

5.3.1 After Global Trucks and the (Supposed) New role of Headquarters

When Global Trucks disappeared, *The Group* Headquarters was supposed to take over the new leadership role for the three truck brands. That was apparently the moment many things 'changed' and many interviewees from all brands believed things in general changed for the better. Particularly, Swedish actors believed that especially the acquired entities' employees seemed to appreciate the new business climate as they "felt that they got some independence back". But also at *The Group*'s truck area and *The Group* Headquarters, interviewees overall felt that work within their entities developed for the better and that the co-operation within *The Group* as a whole became more relaxed. Moreover, from that moment on, two other parts in *The Group* started to attract even more attention, namely, 3P and Powertrain.

In addition, certain company boards, that previously during the era of Global Trucks and shortly thereafter had been established in order to deal with truck-related common issues, started to take a larger role. The "Truck Product Board" was, for example, the major responsible body when it came to product development. This Board combined the top management from the three truck brands, from Powertrain and 3P, and the entire *Group*. Another "Board", was called "Group Issue Board" (GIB) and it, for example, combined the different top management when it came to more financial issues. On a somewhat lower level, committees took care of the more practical tasks. The Business Control Committee (BCC), for example, did most of the work that had been decided on by the level above, in the GIB, and therefore combined chief controllers and other key accounting staff from the different business areas and business units.

Apparently, the further up these 'Boards' or 'Committees' were on the hierarchical ladder of *The Group*, the more "politically" they worked, an interviewee revealed. This actor's feeling was shared by several others. Hence, the BCC therefore was seen by some interviewees as working mostly according to a "pragmatic philosophy" whereas GIB was somewhat more "about getting the right power position and covering your ass". At GIB, "You do not say too much if you really do not have to since people are much more reserved there". At BCC, on the other hand, things were "more easy going, open, and in a more positive and constructive spirit." That was also the reason why a Swedish actor felt that it was important to keep things as far down as possible when it came to decision-making in financial and business control questions in general in the sphere of *The Group*. However, this was apparently rather difficult to do in practice as most questions involved all three brands and therefore also easily tended to be sent upwards in the organizational hierarchy. Ultimately, such questions in the end became political issues, another frustrated actor admitted.

Other interviewees, on the other hand, worked within frameworks that separated finance issues between operational questions and strategic ones. These actors often would have liked to keep issues as long as possible on a more operational level simply because the higher up issues went when co-operating within the three brands, the more difficult it became. A Swedish Group manager, for example, expressed it this way:

"It is the big questions, the strategic ones that do not always work well, such as questions within product development, what kind of products we should have, who is paying for what, and so on. These are constantly posed questions."

Apparently, as far as more strategic questions, there had been difficulties during the years between 2002 and 2005, after Global Trucks had disappeared. On lower levels, regarding more practical and operational finance and accounting work, however, things were rather easy going during that time. This was mostly possible since system integration had taken place already during the first two years when all three brands had been combined rather satisfactorily.

After the disappearance of Global Trucks, the co-operation between the three brands had apparently continued without large conflicts. The main reason for this was that there were very few co-operative and common projects requiring the further integration of the finance and accounting practices. The exchange of ideas and also of people was apparently not very significant. A Swedish actor, for example, said:

"I actually don't know a single French person working for *The Group*".

It was also rather evident that *The Group'*s finance and accounting staff, for example, rarely came in contact with the French company's corresponding staff. The last important meeting, for example, between the finance and accounting people of the two groups was sometime in 2003, when they organized a large meeting in Lyon, France, regarding questions about "reporting issues, accounting in general, planning, internal audit, and taxes, simply everything". The two entities were supposed to meet again in Sweden in Göteborg after this first "successful and very positive" gathering in France. A scheduled meeting was, however, later cancelled because "something else came up." Since then, "they haven't succeeded in arranging a new meeting", a manager admitted.[44]

Hence, as the above illustrated, there was no larger knowledge about the progress or changes that took place at the French truck company, for example, at least not within their Swedish counterpart, *The Group*'s truck business area. This, to some extent at least, emphasized the de-centralized way of doing business in general within *The Group*. Moreover, it also demonstrated that there had not really been a great effort undertaken in order to change the situation that apparently was not really satisfactory. *The Group*'s truck area was hierarchically in the same position as the French truck brand and the American truck brand since all three truck brands constituted separate business areas. This was apparently also the reason why *The Group*'s truck area was not in a position to demand changes from the other two brands.

The Group's actors working in finance and business control and particularly in *The Group*'s truck area clearly indicated that they would like to have a closer co-operation with above all the French truck producer in many questions. Additionally, they preferred that the French brand would change towards the way *The Group* handled finance and business control. The reason for this was that these actors were convinced that their system of management control was the best way, as the following extract shows.

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[44] This at least was true until December 2005, when an interview revealed this information.

> "We would like them to do it the way we do it but we are not in the position to do that…we are only sisters. So…well, they therefore take whatever they want to take, so to speak. Of course we try to recommend to them things and issues…show them that this is a good way to do it…mostly because we think that it has been a good thing for us to do it that way because we know it has been good to increase the profitability of this company."

5.3.2 Colliding Management Control Structures

One of the first steps that had been introduced at all three truck entities during the first year after the acquisition was the attempt to align the organizational structures that had become the backbone of *The Group*'s model overall. This alignment, however, many actors of the acquired entities directly experienced this attempt as something rather odd as it also meant destroying an integrated part and making it more disintegrated. For them, this step simply was not logical. An interviewee remembered:

> "Yes, I mean [both acquired companies], the models there they were very integrated companies … uh… in the sense you don't have these complex business units and business areas etc., etc., so that … you had one very integrated company from purchasing to sales including manufacturing of engines, etc. All was part of one big company. It is a completely different approach. So [*The Group*'s] model is completely different from what the [acquired entities'] people were used to. And again, [confidential personal information], the main mission was to actually put in place this model, which was to disintegrate the company that used to be integrated. So that was sometimes difficult and not easy for people to understand. …The logic was not always easy to understand especially when you get into all the details and you get to systems architecture and things like that. Then people wonder why you are creating or duplicating systems or losing sometimes the logic of an end-to-end process. That was really shocking sometimes, especially at [the American truck producer]."

The different structures of the organizations were furthermore seen as the reasons for different cost pictures. Most Swedish actors at *The Group*, for example, claimed that both acquired entities had more cost focus than anything else, but this cost focus was not really good enough as things could still improve. Actually, even some interviewees from the acquired entities admitted that there was "no real focus at all, not even on costs" at both the French and the American truck producers prior to the acquisition. On the other hand, there were arguments brought forward suggesting that *The Group* probably did not look closely enough at their costs, simply because the structure with all the business areas and business units would lead to a high cost structure overall.

Therefore, *The Group*'s de-centralized system was given as the reason for a high cost structure and no real cost focus. However, a Swedish interviewee, for example, underlined that it was often the case that organizational members "perceived" de-centralized systems as less cost focused than centralized ones. Despite this perception, this interviewee did not think that "cost focus in de-centralized systems in reality automatically was less than in a centralized system since it simply may be the appearance only and the impression". This actor believed that this was exactly the perception many people within the acquired entities had, possibly because they had only been used to such a system in the past. A centralized system, moreover, this Swedish actor explained, promises "tough control" and also outlines the way towards certain goals that have to be achieved in the organization. Hence this way was then "clearly staked out and the people are led very much towards these goals".

The Group, on the other hand, historically applied a "typical Scandinavian management culture" and therefore had not guided people very much in their way, which the broadly written FPP white-book and slogans like "drive home the money" illustrated. Another Swedish Group manager highlighted what s/he felt was the biggest difference with these two approaches in the following way.

> "The [Group] system is a tougher system in many ways because the person her/himself is the only one who can put up limits for how much that can be done. In a centralized system, however, you have to work according to the rules."

The Group Way as far as management control in general can also irritate people. Apparently, not telling "the other entities exactly and in detail what they should do made some people very frustrated". And also regarding this issue, it appeared as if this is a typical cultural problem since this interviewee expressed the feeling that "if they get such a feedback, then it is always coming from the other cultures".

> "I experience sometimes that French people and Americans think that it is difficult… uh…and they would like us to tell them what we want and what we expect from them in certain questions much more in detail. They ask for that sometimes."

In the opinion of most actors at the acquired entities, it was likely that this way of delegating responsibility or "empowerment" was seen as if *The Group* Headquarters was not taking responsibility. This was clear in the statement of a Group actor who said s/he was often confronted by this complaint during discussions about different financial issues:

> "You never tell us what you really think since you always want to cover your ass."

Also, Swedish members of *The Group* admitted that they sometimes would have liked to meet the other cultures' demands for more directed control. Nonetheless, a finance actor emphasized that it was even more important to have the freedom to navigate specifically from situation to situation and according to the specifics of a particular business area or problem. This Swedish actor explained the reason for this flexibility in the following way.

> "We want to, and are also able to, support them in discussions from case to case…and therefore it is enormously dangerous when one is locked into a corner simply by being very detailed in responding to certain questions. Moreover, within the accounting area it is nowadays no longer simply black or white, but it is dependent on the fundamental perceptions that are at the bottom of it."

Apparently, some interviewed actors in the acquired entities felt that *The Group* approach of not telling them precisely what they should do was "too vague" or simply was not what they expected to see in general. This most often was experienced at the French truck site since members there felt that original Group members acted rather differently regarding their American counterpart.

> "I mean what you read and what you learn in school is when you do acquisitions then you usually have to be quite clear and it is easier when you say clearly what you want to do and want to achieve. And then usually to make that happen you normally send a couple of key persons that are acknowledgeable and are loyal and know exactly what is expected. That is not really the style of [*The Group*] in general. They have a vaguer or a ….yeah, vague way."

This management attitude furthermore could be seen as typical Swedish reserve, but not entirely because the perception was that the Swedish Group people actually acted in a rather cowardly manner. Decisions were made and actions were then taken apparently mostly due to the Swedish actors' determination and staying power rather than because of clearly structured planning and fully accountable leadership.

> "I think it is more in the Swedish culture, you tell me but, it is more like contamination or power by …they know where to go and …you know, you can discuss and blah, blah, blah, but anyway they will continue like a big machine while maybe the French they tend to discuss a lot and in the end they discuss so much that nothing happens. With [*The Group*] it is always like it is not clear, it is vague and it continues but anyway things finally happen, but it doesn't always give the impression that it was well structured, well implemented, well done. But in the end, it happens."

'Business controllers' at the Headquarters of *The Group*, for example, were until at least 2005 responsible for certain business areas and units when collecting their data and not for certain issues (revenues or expenses, etc.) or particular lines on the balance sheet or income statement. A rather holistic 'business area view' or 'business unit view' was therefore applied, and none of them, for example, collected data for all three truck brands. Hence, the financial data of all three truck brands was consolidated only a level above, and it was probably also there where the first real analysis was possible.

This kind of grouping could have been done randomly or developed over time. On the other hand, it is striking to see that this structure fit perfectly into the "softer" way of co-ordinating the three truck brands after Global Trucks had tried to change dramatically the situation during 2002 but had failed. Hence, it appeared as if top management had no major interest in having people running around with data that showed how each of the three truck brands was performing. The following comment by a Swedish actor reinforces this conclusion:

> "… [top management] is not very fond of the way Global Trucks worked earlier on with comparing the three truck brands and this is partly because there was such a "hullabaloo" during the time they did it. I mean, the three are competing units and [top management] is not very delighted with the idea [to] compare them with each other and sort of emphasizing that certain things in a business area are mismanaged. [Top management] prefers when comparisons of the business areas are done over time."

"Headquarters" was making some comparisons but "they shouldn't drive things too long and make a big thing out of it", an actor also stated, continuing that the reason for all this could have been that "things have been somewhat infected since Global Trucks existed, things could be a little sensitive".

> "One could probably say that this is acting a little bit like cowards but we don't want to have this type of internal conflicts….uh…it is probably not constructive either. It would mostly be an internal fumbling on 'aha, you have measured this wrong, there and that is not like this and that, and we are not the same, it is not possible, you cannot compare apples and pears' and stuff like that. Hence, what you do then is to spend time for non-forward-driving activities. The result of such activities…uh… – it is this way I need to express what I mean – what comes from that kind of comparison is often not driving the business forward but you rather are trying to explain why a certain measurement method is not possible to use, why it is not right. One is then not looking at 'ok, so it looks like, what can we do now to become better'".

A Swedish finance actor from *The Group* Headquarters furthermore underlined that there was not much to gain from such measurements and comparisons:

> "We haven't been able to find any positive consequences from the different measurements from a group perspective."

Apparently 'Business Control' at *The Group* Headquarters was supposed to support the business in a way that adds value to the organization and drives it forward, which seemingly was a somewhat Swedish style or way of avoiding discussion and conflict.

> "In a way it is somewhat Swedish not to have the energy to… how can I say, … we feel that it is a bit half strenuous with all the discussions and conflicts. And …with the decision to close down Global Trucks we received this role we are in now. I mean, *The Group* Headquarters has never before had a particular operational role. On the contrary, we have never before been as operational as we are now."

At *The Group* Headquarters, a number of Business Control people apparently knew or, as an interviewee expressed it, "can feel", that some business areas made inquiries about more Headquarters' responsibility also when it came to operational tasks in certain questions. This was true, as different actors at all three truck brands were demanding more involvement.

These organizations believed greater Headquarters' involvement would help them to drive change forward and furthermore would raise a warning finger that full integration was the only option. An actor expressed this in the following way.

> "…sometimes I feel that it is too weak, their Headquarters. I mean financially I would expect at least clearer guidelines even in terms of rules etc., not only for financial reporting externally but also internally on how the business model should work. It is not always clear how we should work between business areas and business units, where responsibility starts and where it ends, and things like that. Usually, the message we get from [*The Group*] when we ask them to play the role of a referee or to clarify… the rule in that sense is …the answer is to solve it between ourselves. And at the end, I mean, being too vague means that people can feel like full integration is not the option."

Despite all this, Headquarters' staff felt that the "[top management's] philosophy was not in line with this" and, as a manager stated, the organization was not as a whole ready for such action since "they are not used to this historically, because in the walls here we don't go out and take conflicts and have big discussions, so to speak."

5.3.3 The Confrontation with the FPP White-Book

Global Trucks' integration attempts were experienced as too tough which led to its closure. What several finance managers, however, appreciated was "the fact" that the FPP white-book had been "implemented" at the newly acquired entities almost immediately after the deal was closed, hence during the time Global Trucks still existed. And this was due to the tough integration framework Global Trucks utilized, according to a number of involved actors. "Implemented" was a term used by some of the interviewees who apparently saw this integration as something that really happened. Most actors described this approach, however, more as an "exportation of a book with policies and guidelines", but not really as an integration and real application of the content as this actually had not taken place yet completely, at least not in the case of the French truck producer.

Different explanations were given by the interviewees why this was not the case. A Swedish Group actor, for example, felt that this had mostly to do with the different cultures the two truck brands represented. To this manager, the Frenchmen accepted the FPP as such, but they did not implement it. And this was a clear difference compared to what this actor had experienced at the American truck producer:

> "Americans simply do what they are told to do. [The French company's] people, on the other hand, often say: '*Oui*', by which they mean we have heard that and we will do that, we promise. But they don't say when they are going to do it."

Another major explanation given, however, was that the FPP white-book appeared to be a careful description of finance and accounting principles to some but not to everyone. Particularly the newly acquired entities seemed to have problems with the rather general approach and the "often very broadly defined and rather qualitative terms used in the descriptions". Therefore, some actors from the newly acquired companies stated that the FPP were rather open to different interpretations. For example, the section on standard costing models, one of the most important sections overall in the book, appeared to be the major difficulty as both acquired entities, prior to the acquisition, seemingly only calculated direct costs in their product costing models. Hence, "they only counted what was visible in the production directly, the other costs simply stayed at a higher level of the organization". This calculation was experienced particularly in the case of the French truck company.

But the change in product costing procedures was "mentally" a very large issue and a difficult task, particularly for the French company as they had to start splitting their central costs and distributing them to the many different areas, divisions, markets, and products, as a Swedish actor recounted. This was a fundamental difference in thinking as well since the finance and accounting staff was used to focusing on contribution margins rather than on gross profit or 'the bottom line' as it was applied by the original Group. In order to really be able to calculate a gross profit that made sense and was usable, that is, that included all revenues and necessary costs, one first had to have the right standards and second, the right way to apply these standards, which then also meant having full transparency among the brands.

And exactly these two issues appeared to be the great challenge, especially at the French entity. First, to implement the "[*Group's*] standard costing approach" took a long time, not least because standards were not set every day. In the case of many entities in *The Group*, standards were in fact only set once a year. This automatically meant, a manager recalled, "that you first after an entire year understand that they have not really understood what you intended when you told them to change certain things." Second, transparency issues were very complicated and this was especially true in the French business area, simply because this brand was larger than their American counterpart and contained many more legal entities and a more complex interplay between the different entities. Increasing transparency was therefore a key issue in order to really find a way to solve the standard costing problems. Apparently, real major achievements only occurred during 2004 at *RT* regarding transparency when the new management entered the French sphere.

But changes of this kind apparently also take a long time because of misunderstandings and feedback problems. A Swedish Group actor, for instance, remembered that during this FPP alignment or integration process, it often was the case that Group people "believe that they [people within the acquired entities] understand, but then they often did not, and this you first recognize when you follow them up some time later, maybe a year or so." This had to do with cultural differences, the same manager explained.

> "Americans often pretend to understand even when they do not and Frenchmen can be about the same but in general less so. The biggest difference is [compared to the way original members of *The Group* do it] that they ask differently since they go much more into the details and they also would like to have things in writing."

From the interviews it appeared in general that the communication was quite different between the Swedish Group finance people and their French and American counterparts regarding most issues, but particularly concerning the FPP white-book. A Swedish actor working at *The Group* commented:

> "The ones in the U.S., they are always very service-minded, uh…they are very…if we call and ask for something, they directly do what we ask for. They are very service-minded and things always get solved, no problems at all. [The French brand], on the other hand, has a general skepticism against everything that comes from us, if I express myself in rather general terms. The people we normally have to do with are very good…but when I think about the approach in general, then it is very different. It is more like 'oh, what do you want, oh, why do you want that, that is not possible, that is difficult, and so on and so on'."

Several Swedish actors interpreted this response as "being typically French" where there was general scepticism of the higher levels in the organization with its "typical hierarchies". These actors had about the same opinion of the system in the U.S. However, the main difference appeared to be that Americans mostly responded to higher levels' inquiries in an obedient manner since they respond "fast if not almost immediately" precisely "to what they have been asked for", an interviewee claimed. French finance people, on the other hand, appeared to be more demanding in a way because:

> "…when they do not understand a question, or they feel that a question is simply formulated badly or strangely, from their point of view, in a manner that they cannot answer the way they would like to, they call back or send an e-mail. And then you maybe have a dialogue over a two-week period regarding the particular issue. The answer you get out of all this, after that, maybe is more qualified than the one you get from the U.S. Hence, this dialogue and the questioning of things maybe is good and healthy since we are located rather far away from each other."

This statement illustrated clearly that both communication approaches have their pros and cons and it appeared to be the Swedish managers' personal preferences that determined which approach seemed better. Most interviewees, however, suggested that the American communication way was preferred to some extent although several Swedish actors emphasized that in general they saw more similarities between the Swedish and the French management styles than between the Swedish and American management styles. From an interviewee's point of view, French managers on the whole adapted more easily to the Swedish management style than Americans did. Americans apparently had an even harder time accepting, for example, that "Swedish managers cannot make decisions". Hence, from this actor's viewpoint "if the French management style is authoritarian, the American one is even more so".

The interviewees moreover believed that things were relatively difficult to grasp when it came to culture. A Swedish actor, for example, felt that "Swedes always looked at Americans in a very positive way" as "Swedes are purely Americanized when it comes to culture". This interviewee, for example, compared the time when the American acquirer acquired their former subsidiary to the earlier time when the French car producer was supposed to 'merge' with *The Group* in the following way:

> "…everybody was so damned positive when [the American acquirer] came and bought [our cars entity]. [The former CEO of the American acquirer], I mean he was such a nice little fellow even my grandmother liked him. I mean, there was no reaction at all regarding this acquisition compared to the discussion when the [the French car producer] merger should have taken place. Because at that time there was a real rebellion: oh, Frenchmen, oh no!"

It seemed moreover that the French language played an important, if not almost a decisive, role in all this communication judgment related to the two new truck brands. Because of the poor communication with the French truck producer in the past, the French people's limited command of English had been given as the reason for such problems. Clearly, *The Group*'s official global language was English and Frenchmen had to accept this fact, on a global basis at least. This one-sided language tolerance apparently often ended abruptly; when it came to their own country, France, it was often rather difficult for Swedish actors to gain real respect there without a proper knowledge of the French language.

5.3.4 Confrontations Due to (the Lack of) Performance Management Systems

Management control issues within *The Group* had apparently for quite some time been passed over somewhat in silence. Nonetheless, especially strategic questions reminded financial actors of the fact that things did not look the same everywhere and, as indicated earlier, it was particularly in strategic questions where numerous managers expressed their doubts about the effectiveness of some of the different "boards" that existed. The viewpoint of several actors within a particular truck brand was that their business area was "always the loser". They assumed that "they do not get back as much of the synergies but they have to pay the price for the others". Another actor explained: "Their profitability is lower but still they can be part of certain product development projects". This quote referred to the French truck company particularly as, in the opinion of this actor, this brand appeared to have adapted well to the new environment within *The Group*.

Moreover, several Group actors noted that their French colleagues had found good strategies to maneuver around in the new organization. One interviewee, for example, said that people within the French acquired entity were "very clever" since they used a different negotiation approach in order to get better deals. What they apparently did was to "apply for a higher amount of product development money than really needed just in order to be able to reduce the request afterwards." This was, however, according to the interviewee, "not what [original *Group*] people do, or at least not what they have done in the past, since they normally apply for what is needed or even some reduced amount". In this Swedish manager's opinion, [original *Group*] people were "obedient" simply because they always thought "economically". "They know that *The Group* has limited resources", another Swedish interviewee agreed.

It was also rumored that the French truck entity, at the beginning of the integration process, had received certain "special treatment" basically because the situation at that time had not yet settled down and the different parties did not know each other well enough. This was a feeling several Swedish actors expressed. This, however, was at the beginning of the process and one manager believed that things may have later changed and that the French finance actors simply were more skillful in some respects than the Swedish finance actors.

> "It is no longer because we want to keep them silent but because they are more tactically and politically skillful than we Swedes are. I believe that at the beginning we [Swedish people at *The Group*] were a little nice just to avoid having too much trouble in everything. But I think that we have passed this stage. Now it is more that …that they are smarter than we in navigating the right way in order to get what they want, I believe. And there is no strong management control [[45]] - it is so to speak simply based on the idea that we should get along. But if we do not get along, then [top management] or somebody should tell us, this is what we should or must do. And that is actually not the case. [Top management] thinks we should solve these questions ourselves."

The Group's actors historically had a tendency to avoid conflicts because that was something they tried to keep away from in their organization as their business model was built on "consensus". This attitude was associated by several interviewees with [top management] and its fundamental ideas of how *The Group* had to be managed.

> "[*The Group*] works very much with the idea of consensus and wants decisions to be made in the business areas because [top management] believes that the people out there are mature enough to make decisions that are also right from a group perspective. [Top management] does not want to have people come to them and start fighting; [top management] wants them to be able to agree among themselves."

Apparently, this was a system where the central power has great confidence in the members of the organization, but it also places high demands on these business area and business unit managers. This, a finance member described metaphorically, was a constantly boiling soup because:

> "….they have to watch their own territory and at the same time, they have to have the 'group-hat' on. And that, of course, is a soup that is more or less boiling all the time."

And this actor was right as actors of the acquired entities, for example, by contrast with the remarks quoted above, saw themselves as the losers sometimes, if one could see this that way at all. A small irritating problem concerned 'over there', for instance, because the American truck company, compared with the other two truck brands, was a relatively small player and some Americans therefore, from time to time, thought their voices were not always heard, as

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[45] In this case the interviewed person used the Swedish word "styrning" which could be, e.g., translated as "steering" like in a truck or a car, which then seems rather similar to how the entire ideology at *The Group* appears. Translated as "control", on the other hand, "styrning" suggests something 'tougher' and more 'orderly', while translated as 'managing' moreover means something still different. Only getting more information from the particular manager on this matter could resolve the intended meaning. This, I believe, is one of the problems with management control ideologies as simple translations do not really work since different people's perception in a particular setting at a particular time determines what the precise nature of a particular 'issue' is. This is one of the many problems with real constructions, social constructions, language, and the human mind.

one actor remembered. The American truck finance people, for example, had been struggling to achieve an equal situation when it came to "freight costs" simply because nowadays when business has a tendency to become more and more global, this American player was at a disadvantage. Europe is the major area when it comes to net sales and production and most suppliers are in Europe as well. This meant that the American brand has to account for higher freight costs to get parts 'over there,' something that was negative for their brand while positive, however, for *The Group*.

The American truck financial people may also have felt disadvantaged from an organizational point of view. Since this truck entity is a separate business area, they have to report separately to *The Group* Headquarters, while *The Group*'s own North America truck division reports to *The Group's* original truck brand in Europe. American finance people apparently sometimes felt that comparisons simply are unfair:

> "[*The Group*] gets all of [the American truck's] costs directly whereas [*The Group*'s truck division] in North America gets some things allocated to them from [*The Group*'s truck brand in Europe]. And then, maybe, some keys …uh…and so there are maybe some things that aren't purely direct. And you know, we have to make sure we understand what is or isn't in their result versus ours."

It appeared members of the American truck company felt that there was room for "adjustments" in the organizational structure of *The Group*'s own truck division in North America owing to the differences in accounting between the two truck companies. Therefore, an actor 'over there' believed that comparisons were not always trustworthy:

> "If somebody is looking at a line, for example, inventory levels, and we are including parts and [*The Group*'s truck division in North America] isn't, obviously you don't have a real comparison."

The Group's management control model, combining delegated authority, empowerment, consensus, and forward driving activities, was meant to produce winners only and no losers. Clearly, however, there were people within all entities and parts of *The Group* who found reasons to feel like losers. An actor explicitly underlined that the "picture that the people have is not automatically the truth". Furthermore, as this actor said pointedly, whether true or not, this negative picture was damaging working conditions:

> "It is not particularly healthy that we have this picture with us all the time when we are working. It does not contribute to good co-operation."

Several managers therefore felt that Global Trucks could have made the process go more smoothly. At minimum, Global Trucks "could have decided that this was the way to do it and in that product development project you have to be part of". A Swedish interviewee moreover described the situation as follows: "Somebody has to be the referee and I think this someone doesn't exist". An actor from the acquired units expressed his opinion on this by summarizing the particular standpoint of the specific brand but also by describing the dilemma they were facing due to Headquarters' indecisiveness:

> "The [Group] Headquarters doesn't want to interfere too much with what happens on the ground. At the same time, this triggers some behavior. I mean, we migrated into common platforms, the chassis, it is done. It was a huge project for [*RT* and *MT*] because they had to give up on their own legacy programs. They had a cost and according to the [Group] business model that cost was borne by [the acquired entities]. We now moved to the common platform and obviously the part within *The Group* that benefited the most from a common platform was [*VT*], because we actually did not move to a common platform but to their platform. And honestly, what we see today, …. and what I believe in part is true, is that [*VT*] during the last two years benefited the most from seeing a cost reduction in products. Due to that we now are using more common parts and a common chassis for the trucks. That helps [*VT*] at the same time as [*RT* and *MT*] see the costs for their products increasing."

From the perspective of *The Group* Headquarters, however, the situation must be looked at differently since the French truck company did not start at the same profitability level as, for example, *VT*. *The Group's* Headquarters, therefore, in the past at least, was satisfied with looking at this profitability growth over the years instead of comparing the profitability between brands. Apparently, what seemed to be important was that things in the future had to change since some actors thought that other truck areas "got a pay back on their investments much faster" than they themselves did. We only want them "to pay for the benefits they get", an actor argued. However, it seemed to be difficult to measure the benefit precisely. Yet *The Group* Headquarters had an explanation as they felt that profitability had several dimensions:

> "I mean there are explanations regarding the difference in profitability margins. If you, for example, have a lower margin, then you have to have a higher rate of net sales instead in order to get the same profit. It is the leverage. Because at the end, it's about return on investment, return in relation to the capital cost…so there is transparency already today."

Although this actor felt that transparency was there already, the model still seemed not to be well understood by everyone. Also, some actors at the acquired entities felt that the approach of *The Group* Headquarters (that is, not to state clearly how procedures should be done and by which principles to measure and report them) apparently did contribute to a climate in which rumors arose about the different brands. The reason for this was that the vagueness did leave some room for interpretation, which an actor from the acquired organizations described in the following way:

> " …you will never read anything on that in the reports, stating that the three brands are not really …that the performance cannot really be compared in the same way because of this or because of that. That is not *The Group'*s attitude either to say that they did not profit to the same extent from communalizing things. At the same time, when you do that you trigger some behavior within [*RT* and *MT*]. There people see this and they say,

> ‘Wow, we are not treated fairly either. What does that really mean, what is [*The Group*] really expecting from us?’ But the thing is that they just do not interfere and they just let it be that way, and that allows for some room for interpretation.”

Moreover, one financial actor at an acquired entity saw *The Group* Headquarters’ approach as inadequate since it sent a message to employees that said there could be some alternative to full integration, and this was not good. *The Group* should, this actor felt, find the right way to communicate to people that while full integration is necessary regarding financial processes, the brand will remain as well in the future. Only then will the integration really work. This actor felt that the result of *The Group*’s typical lack of clarity in management direction was sometimes fear, confusion, and resistance.

> “To me the worst thing is to let it be too vague. I think for human beings, it is easier to know where we are heading. To let people believe that it could be [the former mother company of the French truck producer] again tomorrow and things like that. That would not be good for the integration into *The Group*’s model. You will then open the door for certain resistance, as I would call it.”

This actor therefore recommended:

> “Clearer signals tell the people that we want to clearly integrate all financial processes into [*The Group*] but we believe in the brand and want to keep it. That is a different method because people then know, ok, we have to fully integrate into [*The Group*], this is not what we always wanted to do, but still we believe in the brand and we still will exist. That is different from…., ohhh…. we probably will not exist any longer.”

5.4 More about the Process, Enablers and Obstacles

5.4.1 Historical Roots and Financial Necessity (or its Lack)

Altogether, the North American co-operation between *The Group*’s original truck brand and the newly acquired American truck brand apparently did work better than the co-operation in Europe between *The Group*’s original truck brand and the newly acquired French truck brand. The labor union may have been a negative factor regarding the American truck company, from the point of view of the acquirer. However, most other factors were in favor of the American brand. For example, people working at the American truck company were used to “being part of a subsidiary company and to having a foreign owner” as they had been a subdivision of the French truck company for about ten years before *The Group* acquired them. This could have made them rather flexible also when it came to accepting further change. In addition to this, Americans apparently “simply do what you expect them to do”, which was a statement by a Swedish actor that several others shared.

Moreover, *The Group*'s North America truck division, which was strongly involved in all this integration work, had existed for over 20 years, and hence the people in Greensboro, most of them Americans, were used to *The Group's* way of dealing with business issues, a Swedish manager explained. When looking back at the history of these two brands, one is able to see that *The Group* by the early 1980s had started to build a strong subsidiary in Greensboro, North Carolina. This subsidiary, after the purchase of all of General Motors' interest in Volvo GM, was renamed as *VT* North America in 1997, fewer than four years before *The Group* acquired the American truck producer, *MT*. Only a few months after the acquisition, *VT* moreover completed the acquisition of Arrow Truck Sales, which was the largest retailer of used trucks in the United States, apparently a move that was very important since the truck after-sales market in the United States "does play an extremely central role on the whole", an interviewee admitted.

Furthermore, quality problems appeared, to a certain extent, to give the Swedish acquirers an advantage. During the first years of *The Group*'s ownership, the newly acquired American truck producer had had, according to an interviewee, some quality problems within some of their truck segments. This situation allowed *The Group* to replace certain parts of the trucks much faster with their own products than they could with the French counterpart. Another actor saw this situation also as beneficial for *The Group*: "[*MT*] gave [*The Group*] some precedence when it came to a number of product segments, above all trailers and long haulers". A Group finance actor concurred: "[*MT*] has in some way accepted stepping back and letting [*The Group*] take the lead".

In any case, once the American truck company really had taken a step backward and had let *The Group* take the lead, many other things made sense immediately. First, it was then easier for *The Group* to navigate the course when it came to products and the like. Probably this was one of the main reasons many Group managers nowadays no longer see these brands as competitors. Moreover, it explained why most Group actors experienced the co-operation with the American truck company to be much easier than with their French counterpart. It also indicated why many Swedish Group actors, during the interviews, talked about "U.S." instead of the particular brand, which demonstrated that some mental alignment must have taken place that at least was stronger regarding 'things over there' than was the case in Europe.

Because *The Group* had acquired two organizations at the same time, it was rather obvious that the integration of these two brands would be compared directly, step for step in all respects. This comparison was clearly evident in the interviews. Swedish Group actors described the co-operation with *RT* and *MT* as "very different". Actors at *The Group* in about the same way experienced the co-operation *RT* as "more difficult and complicated" than the co-operation with *MT*. The co-operation with the American company was then often described as "easier" since it "fits very nicely between them and *The Group*'s own truck brand.

But the interviewees also noted that this "fit" had many dimensions, ranging from strategy and products to people and ways of doing certain things. When looking more closely at the Swedish actors' experiences, one saw that most comments had to do with the way the brands competed with each other. Hence, a common explanation for much of this experienced "better and worse fit" was that *The Group* applied a competing strategy when it came to the French company while in most cases a complementary strategy was 'good enough' for the acquired American company. This appeared to be the real experienced situation although a competing strategy was also the stated one in the case of the American truck producer, at least in annual reports and in the more 'formal' speeches given by some *Group* actors.

Several Swedish *Group* members furthermore experienced that "[French people] felt they were number two now, together with [*MT*], but before they were number one because [their former mother] did not care much about them, hence they could do whatever they wanted". Moreover, the French truck company apparently also felt relatively proud because they had managed to keep the acquired American truck company above water during the time they owned it, and this was no easy task since, according to several Group actors, "[*MT*] was close to bankruptcy at the time when [*RT*] bought the company" in the early 1990s. Hence, from the point of view of the French people, it could be that they saw themselves as the rescuer of the American truck producer, an argument that was used by several Group actors in order to illustrate their strength.

> "[*MT*] does understand that they probably wouldn't have made it without us, they know that it [the acquisition and a fast integration on the product side] was necessary to be able to survive. [*RT*] people have never felt this way towards [*The Group*], uh….they questioned the necessity of being owned or helped by somebody else, even though they, to some extent, see that there are advantages in being part of *The Group* as well."

The French truck company was furthermore not in the same financial crisis as was the case with their American counterpart. In addition, the truck business in Europe in general was a great deal more "profitable" during the years around the acquisition than in North America. Also, the French truck producer in Europe is about as strong as the original brand of *The Group* as far as size and market share, another fact that sheds some light on the ownership issue. The French truck company moreover seems to have increased its "self-confidence greatly because they have never before in their history generated the kind of good results as they have done during recent years." From the point of view of a Swedish finance member, [the French truck] people were not used to generating profits and this affected their "price philosophy" as they historically did not have profits to talk about. This had changed over the years because of *The Group* relationship.

> "They have never before increased the prices of their products because they didn't believe they could do that. But since we started to do all this price management, they themselves have started to manage and control the company much more actively. And they have been very successful; they actually have succeeded in increasing their prices substantially."

That is why this Swedish manager believed that people within the French truck company today have more confidence in themselves. The French truck producer simply was not in the same dependency situation as the American truck producer and the positive market situation in Europe moreover helped them to keep their status quo relationship. A Swedish Group actor went so far as to state that during good times, there were simply too few real motivators for change and this logic was something this actor directly applied to the situation at the French truck producer as they had experienced good times in Europe even before the acquisition. In North America, however, the improved economic environment only started some time after the deal with the American truck producer was closed.

> "The problem seems to be that when they [*The Group*'s two truck brands in North America] made all these changes [in the first years after the acquisition] the economy was down, and then we all were eager to find solutions. When there is a strong growth in the economy though, it is difficult to bring about change. Immediately, it gets more expensive and you cannot carry out such things anymore."

Hence, according to this actor, the best driver for change is when there is no alternative, for example, when a company is "close to bankruptcy", as was the case for the American truck company during the years after the French car producer acquired them. Another driver of change may be a general downturn in the economy. In the case of the French truck company both the good economy in general and the price strategy of the company only developed positively, so there was no really strong incentive to make big changes.

5.4.2 Unclear Ownership Concerns

Most finance members of the three brands also felt that, in addition to the major issue regarding competing brands, somewhat confusing ownership concerns explained why things didn't change at the French truck company. As noted earlier, the former owner of the French truck company received, in combination with the sale of 100% of its two truck brands, 15% of the shares of the 'newly created' *Group*. This was an interest that was increased by 5% during the year following the deal when *The Group* repurchased its own shares. This additional 5% ownership interest was considered a 'final payment' for the shares in both truck brands and was reported in *The Group's* annual report of 2001. However, this was not the last transaction between the two companies. In October 2004, *The Group* and the former mother of the French and American truck producer signed a "settlement agreement regarding the disagreement they had had since 2001 pertaining to "[*The Group's*] acquisition of [*RT/MT*]", which was the wording of a company press release dated October 27, 2004. This time, however, the former mother of the newly acquired entities had to transfer EUR 108 million to *The Group* and that probably ended their disagreement.

This short account of the financial transactions after the closing of the acquisition deal only presents broadly the special turns the acquisition process had taken. The ownership change apparently also had a strong influence on certain people because "Frenchmen somehow still think they own [*The Group*]", in the words of one actor. In looking at *The Group*'s annual report for 2005, one can see that the former French mother company is by far the largest shareholder in *The Group* with 20.7% of the shares, followed by several much smaller shareholders whose shares are each 5% or less of the total. This dominant position of the former owner of the French truck producer, together with the prior 'merger plans' during the early 1990s, where it apparently would have been the dominant player as well, has created a special 'mindset' in the heads of French people. It almost seemed as if many at the French truck company believed they either owned *The Group* already or they hoped their former mother company would increase its shares to become the majority owner, or even take over *The Group*. An actor, for example, reveals this hope:

> "Only 3 years ago I have heard that some people were hoping that [the former mother company of the French truck producer] would take over either [the French truck producer] or the whole Group, you know. And there are maybe still people who think that the link with [the former mother] is stronger than with *The Group* as well because it goes deep into the roots."

Ownership issues are probably always important when it comes to change after acquisitions. In this case, however, it appeared as if there were more complications than usual, particularly because the ownership question was interpreted in different ways. A Swedish actor also remembered that the Swedish Group staff, during the early years after the acquisition, was asked not to use the word 'acquisition', especially when dealing with the French staff. Instead, the word 'merger' was to be used. According to several Swedish actors, the situation was quite difficult:

> "…of course there is always some resistance when it comes to change, but it is *The Group* that has acquired [the other two truck brands] and then of course there are certain standards that [*The Group*] is using regarding its financial reporting, for example. And that is simply a fact. There is not much to discuss. In the end, you can simply not do it in different ways because you have to consolidate it all together."

What appeared as 'an acquisition fact' to this Swedish actor, and also to several others who commented similarly during the interviews, did not look the same to some actors at the French truck company due to the above-mentioned 'financial ownership facts'. Precisely because of this situation, a clearer integration approach was demanded by some actors at the French truck company. How much of this had to do with the brand name and certain 'motherhood' feelings was unclear, but it appeared to be a 'psychological fact' that the French truck company people had strong feelings about their own brand and very often appeared afraid of losing the brand.

5.4.3 The Role of Expatriates

From a financial and business control standpoint, several 'Swedish' Group actors regretted that there was no appointed financial top manager at the American truck company beginning with day one. According to an interviewee, this was a question for the Board of Global Trucks but was passed over as they seemingly delayed in taking this decision. About one year after the acquisition, a Swedish top manager was finally appointed for the American truck brand and this late appointment was perceived negatively by several Group managers who felt that the acquirer missed some opportunities by delaying operating with their own personnel. The following excerpt from an interview explains why:

> "When you acquire something, you always have a plan about what to do, and the bought ones always have their defense system active, so to speak. Moreover, people are trying to guard their territory. So you don't have full insight into the affairs of a company [46] if you don't appoint somebody directly, that is my opinion."

Furthermore, several interviewees mentioned that the same was true in the case of the French truck company. Hence, in these actors' understanding, such appointments should have been made earlier. It was not that there was something wrong with the people at the acquired companies themselves who were, in both cases, apparently "very capable business people", but that they did not have a [*Group*] background and therefore "did not know how *The Group*'s accounting structure, its product costing system, and its planning process and such stuff looked like." For one of the interviewees, this was the reason *The Group* "lost one year" of integration viewed from a management control perspective.

> "…then you would have been able to introduce *The Group*'s mindset already from day one, and you would have had somebody with a Group management control knowledge that is there and implements it."

Thus, in the opinion of these particular actors, *The Group* made a big mistake when it did not "take full command of the financial reporting and business control functions from the very beginning". A Swedish Group actor furthermore believed that this lack of determination by Global Trucks, in the case especially of the American truck company, probably was caused by the fact that "[*MT*] was making money and [*VT*] in North America was not during that early period and so you could not replace someone at [*MT*] with a [*Group*] person." To this interviewee, *The Group* was "showing mercy" as it did not act aggressively enough, using their financial advantage. Another interviewee used a different description when describing this act, or the lack of it -- "simple cowardice because they felt that they would hurt people's feelings".

5.4.4 An External Legislation (SOX)

The Group is a Swedish company that is also listed on the New York Stock Exchange. Therefore, as such a listed company, a Group finance manager stated, the entire Group has to reconcile their accounts according to U.S. accounting rules. This also means that they have to comply with the Sarbanes-Oxley Act. The U.S. legislation of 2002, the Sarbanes-Oxley Act, in this study simply called SOX, was the consequence of huge accounting frauds and scandals, mostly in the U.S.[47]

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[46] Here. the Swedish word '*insyn*' is translated as 'insight'. The word 'control' is another translation according to a dictionary. However, in my view, 'control' suggests a different interpretation.

[47] The 'real' control of very large organizations had been questioned for some time. The collapse of Enron and WorldCom only represented what earlier had been seen as a gigantic challenge, that not even probably the world's most recognized accounting firm, Arthur Andersen, was able to meet, namely, "the control of management". In recognition of this problem, the U.S. Congress passed new

This legislation also affected the alignment process within *The Group*'s truck brands. In practice, *The Group* would undertake their SOX accounting control procedures within the organizations that had to do with all three truck brands, which included the business unit 3P. All other areas, a Swedish *Group* actor suggested, were influenced only to a very small extent.

SOX was apparently a useful tool for several managers responsible for accounting controls and practices. Particularly within the acquired French truck organization, SOX appeared to be a good instrument in order to implement a different way of thinking, as it required that accounting controls had to be verified, documented, investigated, and tested. These controls had furthermore to be followed up on and variances had to be reported in a much more co-ordinated way. An interviewee, for example, remembered:

> "It was a lot of work, but for [the French truck producer] it was a good thing because it made many managers outside of finance realize that they had responsibilities. A lot of managers reacted by saying, 'Oh, now I have to sign up on this and this, validate that and…' This was a kind of shock to them because you realize that people here had the feeling that, unless you were the CFO or CEO, you could basically do what you wanted. It really helped […] to implement certain issues."

On the other hand, SOX was something most interviewed Swedish actors regarded as a project they simply had to do but not something they wanted to do. They saw SOX as "a lot of work" with mostly "no pay back for it". Several Swedish actors also regarded SOX as something typically American because it appeared in the U.S. and the reason for its emergence was that "management control in the United States has not worked well". SOX furthermore applied the wrong logic, a Swedish finance interviewee felt, since the people who suffered most from it were the lower levels within the organizations; the thieves, however, were the people at higher levels mostly.

> "…it has been the management or the highest bosses who have stolen the most money. The CEOs together with the CFOs are the ones who have pulled away the most from companies while it has, comparatively, been 'small change only' at lower levels."

This actor therefore, playing with words, used the expression "control of the management" instead of "management control". The implication was that it would be better to check on the bosses instead of having the bosses do the checking. This Swedish *Group* actor, who was actually a boss, felt that the acquirer of their former daughter company, for example, applied SOX as a tool to check on employees, an approach that had "too much focus on control" and "too little focus on really avoiding fraud". Therefore, most Swedish actors saw SOX as a tool that could be used to make improvements in some areas, such as internal control and internal audit, but that would not make a company more productive nor would it prevent fraud.

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legislation in 2002, the Sarbanes-Oxley (SOX) that was intended to provide better corporate accountability.

> "The areas of internal control and internal audit will be increased in order to make the system more pro-active and closed. More people will work with this, but I don't think we are becoming more productive and I don't think we are stopping fraud."

Clearly, at *The Group*, compliance with SOX was unavoidable, but its implementation was seen as "more pragmatic than at [their former daughter]", as one manager stated.[48] "Because of SOX, things will have to be rewritten in some parts, no big issues, but afterwards we will be stricter and check if everything is followed". However, there was no intention to comply with SOX in the way they heard their former daughter company was forced to.

Yet some Swedish actors had positive feelings regarding the impact of SOX on the integration work. A finance actor, for example, explained that s/he saw SOX as a chance to further globalize some processes and also to implement better rules of authorization "because they have to be supported by each truck brand". This then included "determining how people have to do certain things in certain situations regarding certain deals, but also who can accept certain amounts and such issues." Apparently, SOX was also seen positively by others as it made "routines more tangible" and it furthermore increased the independence of "internal audit people" as they were no longer allowed to work in the different divisions of *The Group*. The people in internal audit would work for the central internal audit function at the Headquarters and not for the managements of the divisions. According to one actor, this would apparently increase their freedom. Hence, the most supportive actors of SOX also saw some rather positive feedback coming from all the work required by the new U.S. law:

> "It is a big cost but after a while we will be able to have better routines for all the new projects and everything. We will have more common processes in [*The Group*] independent of whether they work in the U.S., in France, or in Sweden. That way, we will have better efficiency and internal control."

In general, most Swedish actors did not regard SOX as directly related to the acquisition itself or to the other integration work in finance and accounting. As compliance with SOX in *The Group* was externally required, the finance people knew that there was no alternative because "…something similar will be on its way in Europe as well in the future, it is only a matter of time." Some actors within the newly acquired entities, on the other hand, saw clear advantages in the legal framework behind SOX that required a change of mindset.

[48] More discussion on the major impact of SOX appears in Chapter 6 where integration work related to this daughter company is examined.

5.5 The Future: Where to go, and by What Means?

5.5.1 The Right Balance at the Top is a Learning Process

Powertrain is a major entity that acts as a complicated, internal regulator because its legal and operational structure is not identical at all three brands. Whereas Powertrain in Sweden is its own legal entity and therefore is not part of, for example, the truck entity, in the U.S. Powertrain is part of the truck brands' legal entity, and in France Powertrain is part of the French truck company's legal entity. A Swedish actor therefore stated:

> "In Sweden we have no confusion since we have to send invoices between us. So if [the truck business area] does us a favor or if we do a favor for them, an invoice must be sent. But in France where you are sitting in the same company, you do not have to send a bill and you can, theoretically, debit just some cost center, so to speak."

Apparently, in a complex organization like *The Group*, conflicts can never be totally avoided, but they can be kept as small as possible. This is what the Headquarters has tried to do in the past, according to some interviewees. Several actors therefore explained that if competing is the way you have chosen to operate, and you believe that this is the right way, then you have to have somebody at the top who says how strong and intense this competition should be. Hence, there has to be some sort of internal help function that weighs the different external and internal forces against each other in order to find the best balance. At *The Group*, this internal force is the [top management] who more or less is "the fourth customer" besides the three truck brands since [top management] represents the entire group.

Therefore, this 'balancing act' takes place at the absolute top of the company, a strategy that is necessary and "about the only way to do it really", an interviewee concluded. To this actor, it was obvious that this new concept of balancing at the top with "many political discussions" required to achieve this balance, was something that was simply impossible to avoid, particularly because none of the three truck brands had any real experience in co-operating intensively with other brands.

> "I mean there is still some sort of immaturity. [*The Group*] has been a single brand for 75 years. We have never before, on a larger scale, worked together with another brand, so we are not in any way used to multi-branded work. Therefore, it is clear that this is something rather new for us and also for [*RT* and *MT*], although they have had some very minor co-operation before. Of course, that means that this is a quite large learning process as well."

Having many discussions regarding product development and other tasks was not something the Swedish truck brand had been used to historically, and the same was true for the other two brands. It was therefore not strange that people in all three brands perceived that there was "much more discussion" and that "a larger political element" was part of all this co-operation.

Another actor felt that while avoiding these elements was simply not possible, what was most important was the recognition that internal problems should not become so large that you started to forget about the customers.

> "To spend too much time with internal questions like 'how do we distribute these costs' and the like is something we have seen as a risk even from the very beginning. It was a danger we have been very aware of and have tried to avoid. We have worked hard with that. What is important is to make sure that the customers can recognize themselves in the brands, hence to secure that [*RT*] customers are satisfied with their trucks and [*VT*] customers with their trucks. During a period like this one, when you are working hard with internal re-structurings, it is the customer perspective that must not be forgotten."

It is obvious from this comment that *The Group*'s top management wished that their finance staff would focus more on external issues, such as customers and how to approach them, than on internal questions such as internal prices, cost allocation keys, and the like simply because this was "where the money came from", as another interviewee said. The tough style of Global Trucks, with its aim of "benchmarking the different brands", was quickly identified by top management as something that did not work because people started to focus more internally than externally. In fact, top management started to feel that in the business areas there was no time to analyze things since people were busy trying to satisfy first, the demands of the consultants, and second, the demands of Global Trucks regarding benchmarking issues. The only solution to this problem, as devised by *The Group* Headquarters, was to shut down Global Trucks in order to get at least some balance back during a time when the organization was not mature enough.

However, it appeared now as if the three truck brands had become somewhat more 'grown-up'. The acquisition seemed to have paid off overall and most if not all interviewees believed in the deal itself. The majority also seemed to have started to build up some kind of common logic for the business, which an actor from the acquired entities explained in the following way:

> "At the end, this is a very good acquisition and they are making good money. I think people can understand the logic of an acquirer that tries to put the acquired units into its own structures and model."

Nonetheless, the interviews also revealed that the financial actors in the different truck brands now seemed to spend considerable time on different interpretations and were strongly exposed to rumors regarding different FPP applications and different ways of cost accounting. Apparently this was time and effort, some of them assumed, that would have been better spent on other issues if they had had clearer guidelines, a clearer control framework, and a more determined and united management control model. In addition, more transparency was apparently needed in all three truck brands. It seemed as if the moment had come, as an interviewee stated, "to make the performance measurement system more visible".

But there were also structure issues that seemed to need updating. Several actors from different parts, for example, felt that the way the Swedish truck brand in particular was organized was somewhat "old-fashioned". *The Group*'s own truck brand "invents its own wheels that looked about the same when it came to different functions: first, at global manufacturing, then at the international division, then at the European division, and so on, simply all over." A manager's advice/question therefore was: "Why not pack it all together the way Penta [a particular business area within *the Group*] has done?" Penta apparently had centralized its organizational functions so that one function collects all material and another function analyzes the material. According to some interviewees, in this manner Penta has streamlined its organization to some extent.

5.5.2 Booms and Depressions: Different Global Realities

Management control apparently was changing at *The Group* and an important reason for this had been the changing environment during the last couple of years. Some finance actors at *The Group* believed that in the last few years, "the favorable economic trend in the world economy in general and a strong demand for trucks in particular, have resulted in increased sales volumes for all three brands." This in turn has led to increases in profits that some actors experienced as "being too good to be true" or, as another interviewee stated: "There is a risk that things look better than what they really are." Hence, apparently several finance managers believed the synergy gains were smaller than the results in the financial statements indicated, not because the numbers were wrong, but because "when things are aggregated, it is difficult to say this and that are coming from synergies".

From this point of view, it was therefore wise to believe that the good results came from increases in volume and less from real synergies that automatically led to a continuous cost consciousness. Several interviewees therefore evidenced a rather pessimistic view regarding the benefits of synergies so far. They concluded that a lot of product development, product purchasing, and product planning synergies were not yet visible. Thus, the good times in the past and the favorable environmental factors had, according to them, helped to achieve gains, and this in turn had "kept other things away from the income statement".

> "When volumes in the future will go down, these kinds of structural questions will pop up more often then and we will see it more clearly."

Historically, *The Group* was used to a very de-centralized management control system and the different business areas were today by and large managed this way as well. But conditions had not always been this way at *The Group*, an actor remembered, and conditions therefore also have to change sometimes.

> "When I started at [*The Group*] more than 30 years ago, everything worked very slowly and at that time everything was centralized, very much. [The name of a famous Swedish personality], who was CEO then, took the decision to split the organization into parts because he felt that things didn't go fast enough. He then appointed responsible managers for each part, and gave them money and the balance sheet, simply everything. And he de-centralized a lot. And now, after many years, we are back to centralizing things. But

> today, it is a different time. Back then, you didn't have the computer capacity and that stuff, there were no good conditions for centralized organizations. Today, there is, namely, when it comes to back-office functions, and there you have to think in new terms. But what we also have done is to let the responsible ones within the business areas keep their responsibility to do business. They then cut through the entire structures and they have full responsibility, and this has to work."

And things apparently had been changing somewhat during recent years and it seems as if the acquisition of the two foreign truck brands had been one of the major reasons. According to actors at the Headquarters, company management "have become better in driving certain projects and initiatives where they have played the leading role and where they have been the driving force behind some change projects." An actor furthermore felt there were differences in the way *Group* people, presumably in the different business areas, acted and reacted on a everyday basis compared with when they really have to think about the future or when asked, "What will make us successful even in the year 2015".

Apparently, on an everyday basis they do not like to have anybody from the Headquarters around or involved. However, over the long run and for the future, they always wanted to find "common processes, common ways of steering/controlling,[49] clearer guiding principles, and so on." From a financial perspective, according to this interviewee, this would not conflict with the core ideas of *The Group*'s [top management], namely, that business deals have to be dealt with in a delegated way. It was simply that more administrative tasks would be more "common". Particularly in financial and business controls, where administrative issues weighed heavily, another interviewed actor acknowledged that the benefits of "having common financial processes and central solutions in the form of shared service centers which serve all and can be used by all" appeared obvious.

But there was something else that hindered change within *The Group* mindset and this had to do with career paths and the role of finance people and financial top positions in general. *The Group* had its roots in the early 1930s and this long history had shaped the way people behaved in everyday interactions as well as how management positions were advertised and how management appointments were made. The path to a successful career in an organization like *The Group* was therefore relatively common knowledge, at least to the potential candidates and others "close by". *The Group* had grown a lot during recent years and it appeared as if it had changed from being a Swedish multinational to becoming a real global player.

And this, it seemed from the interviews, had also changed how to recruit top management and how to make a career in general in the organization. Traditionally, becoming a CFO for *The Group* meant that the candidate should have significant knowledge of "the entire span" of the business area, which then included everything such as "all administrative tasks, bookkeeping, legal questions, etc." This had been, and still was, according to an actor, management's common way of thinking about the ascent up the hierarchical corporate ladder.

However, the situation appeared to have changed, particularly because "it is simply not possible to have that sort of wide and deep knowledge any longer, you don't have that capacity", this actor continued. The problem at *The Group* seemed to be, this actor believed, that the idea or necessity of this "new" career path has not been successfully communicated

[49] Here again - two rather different interpretations (steering and controlling) are given in order to translate the Swedish word "*styrning*".

to the different business areas. "People out there still believe that they lose power when we [the Headquarters] want to take away things like administrative tasks, bookkeeping duties, and the like, and that is why they don't like it". Therefore, this manager suggested that it was essential to send a clear message to the people out in the organization that tells them "they can make a career without having all back-office functions within their personal activity fields". But before all this would work, another obstacle had to be removed, this actor believed, "because in Sweden it is very ugly to talk about power within organizations".

5.5.3 Branding Issues, Competition, and Where to Go…

Branding issues were most likely more than anything else the key elements in the talk of the interviewed management control actors within the sphere of *The Group*. Competing brands had, so far at least, been the foremost business strategy of *The Group*. Nonetheless, in the long run and in order to achieve economies of scale and synergies within product development and other manufacturing tasks, the French truck producer would then more and more have to become like *The Group*'s own truck brand, simply "because you cannot have a cheap brand with about the same characteristics that you can find within the more expensive brand". This was from the early beginning, another Group actor recalled, a "conscious choice [*The Group*] made". *The Group* management apparently expected that when "[*RT*] gained access to *The Group* technology, they would also successively increase their prices and reduce the price gap from *The Group*."

From the interviews with key finance and business control managers, it appeared that there were two main questions requiring answers in order to be successful regarding the synergy of these three brands. The first question was: How many parts can be the same in the different brands without confusing the customers too much? A Group actor explained this question in the following way:

> "The brand image shouldn't be damaged and that is important. However, the idea with 3P is that we can share a large part, at least 50 – 60%. People disagree on the number, where the upper borderline should be and how many articles we should share. I mean the questions are: Where is this magic frontier before you damage the image of a brand, how many articles can be common, and which ones?"

The second question then was: What amount of price difference is the customer willing to accept, or, in other words, what is the brand name '[mentions the name of *The Group*]' worth to them? A Swedish finance actor, for example, believed that keeping a price difference of about 5 to 7% was not a problem for customers, even in the future, particularly between the Swedish and French brands. The different retail systems in Europe especially were seen as a major value and upholding this image was important. It was therefore not a coincidence that the French truck company and the Swedish truck company had chosen to keep their images strictly separate in order not to confuse customers. However, as soon as this price difference increased, the situation would become more complicated, a finance actor believed. In these concerns, however, *The Group* actors from the different sites mostly agreed that the customer was the guiding element. That was why they put a lot of effort into measuring and judging customers' brand perception with the help of inquiries, another actor confessed.

> "The customer is the guiding element when it comes to putting the trucks together. I mean, [*RT*] is known for its bold design, newer solutions with a lower price. [*VT*] has been more into the three areas of safety, quality, and environment… and… I mean [*MT*] is so different. [*MT*] is very much construction trucks, driving less on the big highways; they have to be very robust, strong, and reliable. So these three truck brands have these three very different brand images."

Maintaining these brand images was therefore a deliberate strategy of *The Group*'s management. This philosophy was stated in the annual report of 2005: "It is the properties that customers associate with the brands that form the foundation for their expectations regarding everything we [Group people] do – from the hard segment, the product, to the functional benefits, such as services, reception and support".

With competing brands, however, there was another major roadblock ahead for *The Group*, several financial actors believed. Competition, they considered, was a good strategy in good times, but there seemed to be problems with this strategy in bad times. An interviewee, for example, believed that this business philosophy is good only as long as the market is developing positively or growing, as has been the case so far in Europe, where the French and the Swedish truck producers are about the same size. However, in a decreasing market, this actor believed the following:

> "…they are losing market shares and the only way to keep them and the production and the entire system going is to lower the price. This means that you get an accelerated price dumping because you are competing with each other, which is a great risk one has to be prepared for."

Above all, in the emerging markets, particularly in Europe, several Swedish Group managers therefore felt that "numerous discussions" and "a whole lot of the conflicts" had to do with the fact that the Swedish and French brands were competing strongly against each other. One actor, for example, made the following statement about the situation in the emerging markets, referring mostly to the "Eastern Europe Area":

> "There, they [Swedish Group people in the distribution and sales organization] are really, really irritated because of [*RT* people] …I mean, they are dumping prices, they steal customers, they do not co-operate, and they steal business concepts."

Some Group actors said that the Swedish truck brand historically had been recognized as "qualitatively better than [*RT*]" and that is why they still have been able to put a higher price on their products. The price difference, however, appeared not to be maintainable simply by having a different brand name or by "having a different label on the engine front". What also had to be different was the product itself, and that is something that seemed to be very difficult when driving towards more commonality with the help of the organizations, 3P and Powertrain. Again, the major discussion seemed to concern developing common products without revealing this to the customers. But several "internal problems" could get in the way nonetheless, some actors claimed, since the French truck company people could use this new situation in order to sell their trucks instead of Swedish trucks.

Again, rumors circulated at *The Group* that a French truck retailer apparently mentioned to a customer that he could buy the [*RT*] and still get a [*VT*] since a [*RT*] is really a [*VT*]. True or not, rumors like this one were not popular at *The Group* Headquarters since they damaged the entire group. On the other hand, such behavior would, according to a Swedish manager, only be normal from the point of view of the French truck company people since "they historically always have had a major focus on market shares and volumes rather than profitability."

Several Swedish Group actors admitted that they were terrified by the scenario where the French truck producer would lower its prices in order to sell their products. For *The Group* people mostly, this was a solution that "does not work at all for the future", probably because they felt that the French producer would, at least in the short run, gain more advantages from such a move than the Swedish truck producer would. The problem appeared to be, from the view of mostly *The Group* Headquarters actors, that the prices of all trucks would have to be lowered. This would lead to a "price dumping spiral" and lower profitability altogether for the entire Group. Hence, it seemed as if it was almost impossible to find a solution upfront and one simply had to wait and see. And this is very likely what may happen at *The Group* in the future since this kind of competition apparently is part of the game.

> "When we complained to [top management] that we are going to kill each other in Europe when competing, [top management] simply stated: 'Yeah, in that case we have to do that, but I think this is best.' Now we squeeze both our organizations to their utmost in order to satisfy the customers. However, if we get rid of a competitor, we start to become lazy. Hence, [top management] believes in a competing strategy."

Another Swedish actor at *The Group* still felt that "these are price adjustments that will get solved over time. The Swedish and the French brands are going to find their positions on the market in a rather natural way." But at the French truck producer there was apparently a feeling they were confronted with yet another reality as they competed more strongly with brands like [mentions the names of several European truck producers that are situated somewhere in the middle of the brand segment]. These brands had a structure, an interviewee believed, that gave the appearance at least of focusing more strongly on costs as they had been cutting internal structures more aggressively. It seemed some actors always returned to this cost issue and it was difficult for them to believe that the de-centralized picture at *The Group* really was as efficient as it claimed to be. To some, change had to be on the competing strategy between the Swedish and the French truck brands, and apparently there were some signs that suggested this could happen in future years.

5.5.4 Diffusing the 'New' Management Control Model

While the three truck brands had developed differently in the past, several managers who had financial responsibility at *The Group* Headquarters now felt they needed a similar and corporate view on what management control meant. Therefore, their aim had been, and apparently still was, "to make sure that there is an understanding of how the three parts -

growth, profitability and cash flow – fit together in the management accounting and finance equation". *The Group* actors would like to export this "Swedish or even Scandinavian" business model. This is because it was, according to an interviewee,

> "…a model that in the past had shown that it is the right one to increase profitability, to keep costs at a reasonable level, and at the same time to help increase sales counted in volumes and price development."

This view was shared by most interviewed Swedish actors and it became obvious that these three goals had become part of the Swedish finance people's mindset. Achieving good growth, good profitability and reducing costs was what management control at *The Group* was all about. The major challenge for the actors apparently was "the pedagogical part when you have to explain how these measures worked together". This was what a Swedish actor assumed to be the most difficult of all activities after the acquisition – explaining, particularly to the French truck company, that this was something new, as earlier remarks have illustrated.

Moreover, it seemed that another major difference for the involved organizations was that both acquired truck entities in the past had been accustomed to relatively clear guidance on how to achieve certain goals. They were therefore not used to *The Group*'s rather "free" and "de-centralized" approach with the three goals stated - growth, profitability and cost reduction – without clear descriptions of how to achieve them.

> "There are cultural differences that explain why people at [the French and the American truck companies] expect to have a tougher management control system[50] installed, so to speak. They expect us not only to give them these comprehensive targets, on operating income, growth, and cash flow. They apparently also expect us to give them our point of view of how to get there. And, of course, we have opinions on how to get there but within the frame of the strategies there is some freedom."

Apparently, the two acquired truck brands were used to applying different levers of control in the past than *The Group* had employed. As a result, they found this new way of management control unusual "since they were permitted to define the way to get there themselves to quite a large extent", as a Swedish interviewee remarked. However this type of management control created problems because the brands then had to break down these goals, goals that were not really clear, into different segments, different areas and different markets.

And this process next revealed another large problem. When the brands started to break down the three goals, it became clear that "there was a large lack of transparency" in both acquired companies. It was at the French company where this problem appeared to be biggest, probably because the organization was larger and more complicated than its American counterpart. A finance actor stated: "That is also the reason why management control gets more complicated".

[50] Here again, the Swedish word '*styrning*' was used by the Swedish manager. In this case, I have translated the word as 'management control system'.

Several Swedish members of *The Group*'s finance team therefore felt that one of the major tasks for the future involving the three brands had to be "to work as interpreters and to translate messages". This apparently was "a role that should not be underestimated during such integration work", an interviewed actor advised. To this manager, it was clear that the three brands had spoken different languages in the past. The Swedish part of *The Group* had been "speaking an engineering and financial language" in contrast with the French part that, for example, spoke a more "commercial and industrial but much less financial language". This difference in business language was another reason that explained why the two organizations simply did not understand each other and needed more time. And this poor communication explained in part why Global Trucks did not work since the parties did not really understand each other.

Additionally, the difficulty in exporting the three goals and the transparency issues existed not only between the three brands but apparently also between the finance people and the engineers. *The Group Way* of speaking an engineering and financial language was apparently sometimes not in balance either since engineers had the upper hand, as some finance actors claimed. Historically, *The Group* had always been an engineering driven company. In recent years, this focus had created problems with co-operation between these two arenas of engineering and finance. According to one interviewee, a good deal of work was necessary, for example, to make project managers at all brands, but above all at entities within *The Group*'s brand, understand that there needed to be a stronger focus on financial targets. The major problem apparently was that "[Group] people historically have not been good at sticking to set boundaries" and this was something that had to be improved, according to this interviewee. This finance actor felt, nevertheless, that "it was difficult to get this message out into the organization and to get acceptance for something people were not used to historically".

During the post-acquisition years, it appeared as if finance had become more important related to the projects and to the development of trucks. Although not everybody liked this new focus on making *The Group Way* more financially influenced, it seemed as if most finance managers at least appreciated the advances made.

> "Finance does play a much stronger role today compared to before, there is no question, and I believe that everybody understands that things have to be that way. At the same time, there is some criticism…they think that we are doing budgets and making PowerPoint presentations to see if projects go up or down rather than developing things. It's all about finding the balance between …I mean, of course, we are here in order to develop trucks and not to do models in Excel sheets. …Of course, it takes time to calculate and it takes time to judge something, and often these are really clever engineers who are doing this. But it is necessary."

There appeared to be no doubt that engineers were still seen as the most important category of people within *The Group*'s sphere related to the development and construction of good products. But precisely due to their important role, they were assumed to be the only group of employees who really would have a great influence on changing the way things would be done in the future. Therefore, these engineers needed better knowledge regarding the role of finance. As a result, *The Group* gave several training sessions with large groups of managers of all kinds, many of them engineers, including "group leaders", in order to change their way of thinking.

> "Actually, we wanted all engineers to think this way, that they have it in the back of their heads as well. Of course, this is necessary because they are the only ones who can influence the process. The engineers must understand that they have a certain amount of money, they have a certain amount of time, there is simply not more."

But there was a further dimension regarding the diffusion of *The Group*'s Way of doing things and its management control model. This dimension concerned the different cultures that existed. Powertrain was apparently the organization with the strongest blend of people from all three truck brands. The reason for this was that the organization had already existed at the two foreign truck companies before *The Group* acquired them. This multicultural blend was also brought forward by interviewees as the reason why the co-operation was working much better in this business area than in "most others". The entire sphere of the Powertrain projects, with names such as "World-class" or "Process-harmonizing", was operated during recent years in order to achieve a "global mindset" and to increase "communality". In the view of several interviewed managers at *The Group*, it still was not easy "to get rid of the local thinking". Despite the fact that the management's directions at Powertrain for some time had been to "buy globally if possible" much was apparently still dealt with regionally. A Swedish actor offered this explanation:

> "…people understand that it is important, but still when it comes down to each individual, they think globalization does not have to change exactly their way of doing it."

As noted earlier, *The Group* was a very engineering driven company, which its focus on the three major characteristics of 'safety, quality, and environmental care' illustrated. This had, according to an interviewee, sometimes also led to a fairly radical view when it came to how to deal with HR questions. "Some have a real engineering view when it comes to values and culture," an interviewee, for example, experienced. From this actor's viewpoint, HR was then often seen as having only a supportive and administrative function rather than providing a function with strategic purpose. For example, when it came to exporting certain 'Group work ways', engineers often expressed their frustration. They apparently could not understand why, even though decisions had been made at *The Group* in Sweden, these decisions were not implemented afterwards in the other brands. An interviewee explained why this did not work:

> "You simply cannot send a new book to the new entities and believe that you then have implemented new fundamental values. This will take time, and this is also why human and cultural questions have to be increased to a more strategic level, and then in an approach that applies a more global perspective."

According to this Swedish actor, the HR and personnel functions would then shift from providing solely service and support to becoming a more strategic partner within all other functions.

> "We work well when it comes to delivering service and administration, but we could become even better when it comes to issues such as culture and competency, and other such stuff, hence more strategic questions. It is good that we pay salaries and taxes on time, but a HR function, if it works really well, should look more at these questions."

Apparently, *The Group* was now operating in an entirely new reality, "a global reality", as an actor called it, and this was particularly due to the acquisition of both foreign truck companies. That was also the reason why they needed a new way of thinking within the organization in order to achieve synergy gains. Manufacturing was the area where *The Group* had come furthest in applying a 'global' structure, but this global approach had to be increased to other important areas involving people, such as recruitment, education, competency, and cultural issues, all in order to increase 'common' fundamental values within the entire *Group* sphere, as a Swedish interviewee believed. And this could apparently even be extended into the area of finance and business control.

Despite all this, a lot had changed during recent years as many "young and talented" Frenchmen had now gained a good knowledge of the English language. This in turn had started to improve the communication between the Swedish and French truck companies and, as an interviewee stated, gave the French employees more self-esteem and a greater willingness to co-operate faster and better. "They have now started to see all the advantages with this approach and they see the possibilities they have when it comes to their career and the like," a Swedish Group actor outlined.

It was only at the end of 2005 that a non-Swedish top manager was appointed at the French truck company. This new executive was the first top finance manager for a *Group* business area who did not come directly from *The Group.* Nonetheless, this manager had a background in *The Group*, had worked for the American truck producer in Allentown, U.S., and later at the French truck company in Lyon. In addition, French was this actor's mother tongue. A good knowledge of French by the appointee was required if the French company were to accept a *Group* appointed candidate. A good balance was apparently found with this appointment.

5.6 Summary and Analyses

5.6.1 Tough Contact with Good and Bad Results

The narratives of the key management control actors from old and new parts of *The Group* provide a picture of a large acquisition of two multinationals. First, these narratives illustrate the work that follows such a deal. In this case, the work involved aligning three management control systems or at least bringing them closer to each other. The narratives reveal, in a rather straightforward manner, that this particular deal was about the alignment of two newly acquired organizations and not just one. Although the French truck company had owned the American truck company for more than ten years prior to its acquisition by *The Group*, the

American company's system of management control seems to have survived the French acquisition almost unchanged and overall relatively untouched by the French owner.

Most of the narratives furthermore tell the story of integration success, probably because the narrators emphasized positive aspects more than negative ones. Hence, I sensed that more or less everybody experienced the acquisition process as successful overall. This feeling did not seem to have much to do with particular management control issues, as this apparently was a different story, at least for about half of all the interviewed managers. I also sensed a certain pride in most narrators' comments, and while there were some troublesome issues and problems that crept in here and there that bothered these actors, there were no major difficulties. Thus, the 'good stories' probably by far compensated for the 'bad stories', the interviewer effect included. A strong explanatory factor probably was the fact that a large majority of the interviewed organizational members actually were original *Group* people who represented the acquiring party.

In an aggregated form, the narratives of these key management control actors in the sphere of *The Group* present a different picture than we mostly have seen in earlier research (Kitching, 1967, 1974; Jones, 1985a, 1985b, 1986; Roberts, 1990; Nilsson, 1997, 2002; Granlund, 2003). The acquisition of the two foreign truck companies, also from the perspective of these finance and accounting managers, primarily was about achieving synergies through manufacturing processes where economies of scale within engineering and product development were the foremost arguments for the deals. Management control, or business control, as it mostly was called by the interviewees; during this integration process was not the central function nor was it the most important element in order to find synergies. Management control was not even strongly visible as a managing function to guide, for example, other functions such as production, marketing, or sales.

Within the original Group, management control has had a strong administrative and supporting function, and key actors used this function predominantly in order to support engineers, on the one hand, and marketing and sales people, on the other hand. *The Group* has, for a long time, been a typical engineering company, focused on building products with particular features (quality, safety, and environmental care). These features would be the core values and mission for the future as well. The role of accounting and finance people therefore always was primarily supportive (70%) and performed with the guidance of the FPP white-book. Clearly, at *The Group* it had been important to have the right finance and accounting tools to support the different processes, particularly to consolidate all the numbers. However, finance and accounting always played a subordinate role when it concerned the tasks that it took to produce and sell *The Group*'s products.

The Group management control way, as the interviews illustrated, has historically left much of the responsibility to the managers in the different business areas, which was probably accepted in most cases and incorporated as some sort of ideal as well. Apparently, the business areas acquired with the acquisition of the two truck producers were fairly different. Therefore, there was no strong demand for comparability or a drive towards much commonality. The newly implemented SAP/R3 system moreover dealt with most issues regarding the accumulation of accounting data and thus there was no stronger need to increase management control to become more detailed or to encompass more activities. Since more or less everybody shared the same 'way of thinking', namely, *The Group Way*, the situation did not seem strange either. Moreover, common values and beliefs helped build a network that was constructed upon 'trust' to quite a large extent, something that probably helped to maintain this de-centralized and typical *The Group Way* of 'steering' or 'controlling' for decades. Small acquisitions happened during the years but none of them seemed to have had a great impact on this business ideology or the management control logic.

However, the acquisition of the American truck company and especially the acquisition of the French truck company seem to have changed this peaceful Group picture. The major reason for this disturbance is primarily that *The Group*'s own truck brand was now suddenly confronted with two 'comparable' entities -- one as a strong competitor in the European market, the French company, and the other, the American company, as a competitor with some similar products and at least one common market, namely, the U.S. Following the acquisition, comparisons started to make sense, at least to the Swedish truck people. Now, they could measure performance in order to make better decisions and in order to allocate the entire product development budget. Previously, this apparently was not so important, at least for the Swedish truck people, as there was no direct competitor internally that could be compared straight away. Undoubtedly, other business areas, such as, for example, the cars division, were most likely their strongest competitors for product development funds throughout their long history together.

From the beginning of the acquisition process, the American-based consulting company mostly did the work regarding the comparisons of the different management control systems. Hence, the first contact between the acquirer, *The Group*, and the acquired entities, *RT* and *MT*, was arranged by this consulting firm. This external part with a distance to the different brands was also part of the integration tasks chosen after the deal was closed, in the early 2001. As such, the consulting firm was for a while the driving force when it came to collecting 'facts and figures' from the different truck areas. American consultants, together with a few system-technical specialists from *The Group* (mostly the truck division), were therefore responsible for connecting the different management control systems. At the center, were issues regarding the scorekeeping functions (Horngren et al., 1996), particularly the accumulation and to some extent the classification of data. Apparently, the accumulation of data was not difficult as the consultants themselves performed this task relatively quickly. Even though most interviewed actors at the truck brands felt that this was somehow annoying and stressful, this assignment was not a major challenge, at least compared to what would come thereafter.

The problems, however, grew when some of the involved entities felt that the accumulated data was not entirely consistent and that management was comparing apples with pears. The 'facts and figures' at hand, collected by the consultants, suddenly did not make real sense as the classification of this data had been done differently using dissimilar financial and accounting policies and principles. 'Facts and figures', surprisingly, had been arrived at using different methods and they therefore did not count as the same facts anymore in the new context in which they were compared. This faulty comparison had started to become obvious really when Global Trucks took charge of the work that was supposed to be done by the consulting firm earlier on.

Global Trucks probably did not increase the severity of the difficulties encountered in the integration approach consciously. However, they brought with them an element that could be the reason for increased tension between the three truck brands during this first year of the common journey after the acquisition. This element was the Swedish identity of Global Trucks, an identity that automatically meant that the focus shifted from only accumulating to classifying the accounting data. This in turn involved scrutinizing the particular systems of classification in each of the three brands. Following the acquisition, change was necessary in order to have comparable figures as the classification of such data differed in the three brands. In order to compare 'apples with apples', one had to go further into the dissimilar ways of classifying and structuring information about products, entities, divisions, and processes. It was not enough anymore to compare the numbers; the content of the numbers had to be made visible as well. It was here that the different management control ideologies became visible as these numbers only represented, in a visualized way, the structures of the different control systems and the logic of the dissimilar financial policies and procedures (FPP).

Apparently, Global Trucks was a construction that did not fit into the new setting after the acquisition mostly because it was not in line with *The Group Way* where managers in the different parts had authority. Managers experienced it as a new layer between *The Group* Headquarters and the different business areas, the new ones as well as the old ones such as *VT*. As such, this new construction was by many actors in the organization, in fact mostly the original ones, seen as something negative. This construction increased the distance between the top management and the operational parts below who therefore saw it as taking away authority and power from the divisions and even from their top managers. Moreover, Global Trucks tried to continue the work the American consulting company had started, namely, to increase transparency, to establish more comparability, and to enable real performance management. All this meant, of course, a somewhat 'tougher' concept of steering, something particularly Swedish managers in the divisions apparently experienced as being more controlled. This was a feeling that none of the non-Swedish actors themselves expressed, even though *RT* apparently was sceptical of this form of control even from the beginning.

The interviewed actors described the way Global Trucks tried to collect the accounting and financial data of the three truck brands as typically non-Swedish, even though most, if not all, managers within this new construction were Swedish. It appears obvious that Global Trucks members pursued a procedure the American consulting firm had introduced, and they therefore used a management style that was not what people were used to in *The Group*. This way to drive change did not find legitimacy in the business areas, either in the original *Group* parts or in the newly acquired ones, although this may have been due to other reasons also. The way business control was thought of by these Global Trucks managers was obviously not consistent with the historical control ideology of the firm, which in turn also led to the disappearance of Global Trucks and also many of its members about one year after its founding.

5.6.2 A Honeymoon Period with Relatively Little MC Integration Follows

Approximately one year after the impulsive, and for Swedish conditions rather unusually provocative, changes and integration attempts between the three truck brands of *The Group*, a new phase started. This phase was, compared with the original approach, a genuine 'hands-off' approach that went on during the years from 2002 to around 2005. A hands-off approach was possible mostly due to the relatively large integration achievements that had been made during the short period with Global Trucks, a time when most administrative functions on a structural level regarding accounting and finance were integrated to some extent. *The Group*, like many others, had chosen to send their own CFOs to the newly acquired entities, and although this was supposed to take place beginning with day one, different practical issues arose. The actual appointments were delayed by almost one year in both cases. These CFOs, *The Group* supposed, would introduce *The Group* mindset directly, and as such enable inter-organizational learning in a faster way. This mindset, however, also included the major issues of de-centralized decision-making with management control -- 30% about controlling and 70% about supporting.

Both the other truck companies felt somewhat uncomfortable with these major characteristics of *The Group Way* as they historically had applied an approach that was rather different. Hence, the acquired companies had management control systems that were more strongly centralized than the acquiring company's approach. Centralized systems apparently automatically gave the impression of being more control oriented and of applying a more rigorous cost focus. A centralized management control structure furthermore represented the mainstream idea in general as it had its heritage in the bureaucratic and administrative schools. Moreover, some Swedish actors believed that both acquired organizations had applied the idea of strong cost focus historically much more often than the mother company had simply because they had been forced to do so from a financial point of view in order to survive. Due to all this, the acquirer, *The Group*, saw no immediate need to increase the cost focus or to change a certain control framework in the acquired entities.

Indeed, the reaction was almost the opposite. Many of the original key management control actors at *The Group* felt that they would have liked to remove some of these control tasks in order to enable more real business thinking, as it was supposed to be originally. This original business control mindset would then include knowing how to strike a balance between the financial targets that were set for operating income, growth, and cash flow and the methods used to achieve to these targets (ends), that is, which strategies to apply. Some interviewees summarized this as *The Group* language, a language that was a combination of engineering and financial knowledge. This language was supposed to be exported to the new entities, primarily with help of appointed Swedish CFOs.

Therefore, after the first period of intensive structural changes due to the pressure of the consulting firm and later of Global Trucks, the disappearance of Global Trucks caused the integration activities regarding management control issues to be perceived as having a relatively low priority. The newly appointed Swedish CFOs in the acquired truck brands were supposed to work also as ambassadors, even translators and interpreters, rather than only as chief controllers or executives. The integration mostly worked well with the help of the system-technical solutions chosen during the first year as this enabled the accumulation of the data rather satisfactorily. Moreover, since *The Group* culture historically apparently avoided conflicts as much as possible, the disappearance of Global Trucks was seen by most of the originals actors who were involved in integration work as positive, as did, of course, the newly acquired organizations.

After 2002, a soft integration approach was the method chosen overall in order to align the management control systems of the three truck brands. This was an approach, however, that several original actors, had problems with since they felt that the integration could have gone faster and that *The Group* actors simply behaved cowardly. Officially, *The Group* Headquarters was supposed to continue the work that Global Trucks had left undone. In reality though, the Headquarters did not provide much management or guidance on management control integration issues from the top of the organization. Nonetheless, also during the period between 2002 and 2005, many relatively small-scale integration tasks between the three truck brands took place. These projects, however, were often initiated by organizational entities below, such as the newly formed 3P and Powertrain, where the managers responsible for finance and accounting tried to work out how the financial manual, the FPP, best could be exported in order to find a somewhat better base for comparisons between the truck brands.

Therefore, during this second period, the greatest changes were driven more bottom-up than top down, something that was in line with *The Group Way* in general as operational support was a cornerstone in the business logic overall. During this second phase as well, several global projects had been started by different entities within the new sphere, such as the project 'World-class' or 'Process-harmonizing' within, for example, Powertrain. Such projects were meant especially to increase commonality in the mindset of the diverse employee groups and to expand from a rather local and brand specific approach to a united and global approach. Such projects have generally enjoyed positive feedback although they struggle as well with the strong local thinking that tends to dominate in the three brands. Moreover, the major focus of all these projects was to increase synergies within the areas of purchasing, product development, production, and product range management (3P and Powertrain) for the three truck brands. Hence, these projects were always related directly to the manufacturing of the common (and non-common) products. Finance and accounting related tasks, however, were then only used as supporting and administrative functions in all these projects, but were not the drivers themselves.

The Group Way of management control, for decades, meant controlling with the help of a rather strong common culture, the Swedish business culture, which the typical "drive home the money" business thinking represented. All financial and accounting related issues were subordinate to this major ideology. The relatively vague FPP white-book was meant to allow responsible managers in the divisions at least some individual interpretation in how to achieve good results. This management control methodology, intended to motivate and engage key managers in all entities, was therefore preferred to a system of clearly stated rules and policies. After the acquisitions of the foreign truck companies, however, it became obvious that this indistinct way of prescribing procedures was insufficient. The new entities had applied another, and in many cases more detailed, way of management control. Therefore, these new entities probably perceived the new management control way as too vague, less cost focused, less control oriented overall, and therefore also less advanced than their own.

Particularly, Powertrain and 3P, together with the three truck brands themselves, were directly involved with the work the FPP covered (standard costing procedures, different ways of calculations, etc.). Powertrain and 3P appeared to recognize first that the vague FPP language regarding finance and accounting posed a threat to possible synergies and to the introduction of certain performance measurement tools. At first, all 'recommended' change that was driven from the different headquarters of 3P and Powertrain, and to some extent even from the *VT* Headquarters, went on very slowly. A major reason for this delay apparently was that these areas did not have the same legal power to demand the changes a real headquarters division normally possessed. The second problem, it seems, was the way FPP had been formulated and designed in general. Simply too many things were unclear due to the vague and generally undefined language used in this white book. Particularly, the new foreign entities, but in many cases apparently also the new Swedish constructions (3P and Powertrain), interpreted instructions and procedures differently. Moreover, the time taken to discover if the actors at the new entities had understood things rightly or wrongly was too long in many cases. Apparently, it often took up to one year simply to see the results of new standard setting procedures regarding product calculations, for example.

In addition, from the perspective of the French truck company, at least, there was a clear unwillingness to co-operate during this period. Unclear ownership and identity aspects, together with strongly competing strategies, seem to have been a major reason for this reluctance. The language difficulties apparently only increased the size of the possible problems between the managers of the French and Swedish brands. Again, *The Group's* ideology of conflict avoidance therefore simply meant that things remained about the same as they were before. Integration matters were not pushed forward more than necessary and the change that was generated mostly came with the help of initiatives taken at lower levels. The management control actors in the American truck company, on the other hand, appeared to follow these change recommendations more willingly, most likely because they felt a stronger obligation to obey but also because there was less competitive pressure and ownership questions were less obvious than was the case between the French daughter company and its Swedish mother company. Furthermore, the shared English language apparently made it easier for the Swedish actors to communicate with their American counterparts than with their French colleagues who generally were not as fluent in English.

5.6.3 Comparability Requires More Changes

Since 2005, one can see a change in the integration process overall regarding management control at *The Group*. After the creation of the business activities 3P and Powertrain, competing and complementing issues gradually started to become more and more obvious within the three truck brands. Yet, despite the overall positive talk, the brands competed directly for the resources. More and more managers, mostly situated at *VT* and the new Swedish entities 3P and Powertrain, apparently argued for more rigorous performance comparisons between the brands. Above all, *VT* had, for a while, looked upon itself as 'loser'. While they thought they performed better than the other two truck producers, it was difficult to support this position in the absence of facts in the form of numbers and other data.

The big question that the management control people at *The Group* Headquarters and at various divisions within the entire group faced was how to compete on the markets and at the same time share resources and the product development budget in the best way. Here, *RT* appeared to pose a greater problem than *MT*, probably because *RT* was the second biggest business area, after *VT*, within the entire *Group*. On the other hand, Renault S.A., the former owner of *RT*, was the biggest shareholder in *The Group*, which did not make the situation any easier. Louder voices were especially noticeable at *VT*, voices that demanded tougher steering and more commonality regarding the way finance and accounting was practiced in *The Group* in order to create more 'justice'. Financial managers within Powertrain and 3P mostly supported such demands as their biggest task was to create synergies overall between the three truck brands. Some of these actors accused *The Group* Headquarters of being too passive and of behaving in a too cowardly manner.

However, *The Group* Headquarters did not have an easy job since they simply did not want to push forward their ideas more than was necessary. Moreover, what the Headquarters wanted most was to export their business ideology, namely, to show how the divisions, particularly the new ones, could make their own best decisions in order to "drive the money home" and to become good executives, particularly when thinking in terms of gross profit. *The Group* Headquarters believed it was important to replace the 'volume and market share thinking' that, according to them, was predominant at both *RT* and *MT* with a thinking that prioritized profitability. *The Group* Headquarters furthermore feared that too much discussion regarding internal finance questions would diminish the customer focus, which probably also was one of the reasons for maintaining the status quo.

The Group Headquarters therefore appeared, around 2005, to have arrived at a crossroad where they had to decide if they wanted to continue their relatively vague management control way or if they wanted to become more precise and clear in order to be understood globally and in order to avoid the "boiling soup" that existed throughout the organization. The risk with the vague approach was that 'interpreting' and 'translating' ways of management control in general would continue to be the major task between the different truck brands. This task would require the major work time of the key management control actors involved. Moreover, interpretations and translations would never be fully correct and always would raise some questions. In addition, much time and many resources would probably be spent in order to find pragmatic solutions overall since, when sharing resources, one also had to consolidate the data. It was furthermore unclear if this historical management control ideology, containing ingredients such as empowerment, power delegation, and taking responsibility, really was understood by the new entities. Did they really regard *The Group Way* as valuable in order to control the organization? Was it possible overall to export this typical Swedish mindset to French and American contexts?

On the other hand, a more distinct and precise way of management control would imply that interpreters and translators were not needed any longer, or at least not to the same extent. Moreover, better comparability would be possible and performance measurement tasks could be installed that would enable more steering and eventually better control. This would, however, also increase the possibility of starting more conflicts again because of the increased transparency and visibility into each other's businesses. This in turn required preconditions that apparently were not in place then, namely, having an organization that is unafraid of conflicts and is willing to exert power. Moreover, control must then be seen as an instrument to achieve positive outcomes rather than as a control feature that limits human behavior. Such an approach is then a combination of *The Group Way* and a more rigorous and more clearly stated way of how accounting and finance actors must work in order to achieve specific ends. The approach does not define exactly the "means" needed to reach the "ends", but does provide guidelines.

The accounts given externally by *The Group* Headquarters present a picture of a unified entity, which in turn gives the impression of a common vision, common goals and a common core mission. Internally, however, the accounts of the actors themselves present a different story as the three brands kept their numbers mostly to themselves. On the other hand, the Headquarters of each brand provide externally separate pictures to interested parties, which is rather obvious, for example, in the material provided by the organizations that is accessible openly on the Internet. Each of the three truck brands stresses its uniqueness and brand oddity, and it is obvious that there are three organizational ideologies that support the entire truck sphere of *The Group*. Such separateness among the brands is probably a major reason why a common management control ideology is such a difficult thing to achieve, assuming it is desirable. The narratives covering the period after 2005 illustrate that experiences internally are not communicated fully between the three truck brands and mutual trust is not fully complete. One can therefore ask if the motivation in this case is actually strong enough to achieve a common management control that leads forward.

6. CASE 2: BEING ACQUIRED BY A FOREIGN MULTINATIONAL

This chapter follows the accounts of Ford and VCC actors' experienced management control issues. The chapter begins with actors' narratives regarding different systems and actor worlds, followed by a lengthy section on experienced integration and confrontation. A description of the management control changes and their impact concludes the chapter prior to the chapter summary.

6.1 Different System and Actor Worlds

6.1.1 The Role and Function of Finance and Accounting

VCC was the very first pilot unit within *The Group*[51] that tested the new common finance concept, CFP, in December 1996. It was therefore the one entity within the entire *Group* that probably came the furthest in the implementation of SAP system modules when, on March 1999, it became official that this part of *The Group* would be sold to Ford. The VCC Headquarters, (apparently due to relatively large achievements at the time of the acquisition) was integrating financial data in the newly created Shared Service Center of *The Group*, the base for only a relatively few accounting and finance people. A 'newly arriving' former Ford actor, for example, said: "When I came to [VCC], there was an accounting area of four or something and the old [*Group*] did all the accounting." In 1999, VCC was therefore a hybrid 'accounting and finance' entity; it was the headquarters for the separate and much de-centralized car division, but the former mother company did much of their accounting and finance work. Hence, most finance and accounting stuff was situated in the de-centralized parts of VCC while *The Group* did the consolidation work. This division of work gave the impression of a weak finance function, at least compared to what Ford actors were used to.

Finance at Ford, on the other hand, historically had a very strong role and was described by Ford actors as having a major influence in the organization. Several of the interviewed actors with a background in the acquiring organization felt that the VCC finance people historically were "second members of the team" and that they were "not asked to do more". For a VCC member with a Ford background, this very much had to do with the historical development of the function and the way people worked in the organizations. This actor described the two systems the in following way:

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[51] Again, in order to meet the agreed-upon confidentiality conditions for this case, some limitations were necessary. First, VCC stands here, as in earlier chapters, for Volvo Cars Company. However, here it also represents Volvo in general as narrators normally did not distinguish between VCC and the other parts of Volvo. Therefore, in all cases where the interviewees used the term Volvo, it was replaced as VCC. Only in the cases where interviewees really talked about the Volvo Group in particular, *The Group* again represents this. Moreover, some entities are not always defined and described as closely as was the actuality in the narratives. In addition to that, some sensitive expressions and narratives have been removed, and the level of detail in other narratives has been reduced.

> "Ford has had a very strong and defined financial management and control process dating back 60 years - for example the Whiz Kids and the processes they put in place - and Ford has been run on that system for 50 years. So they have a very centralized and strong finance function that goes right into all areas of the business. All functions of the business or operating units, you can go from Dearborn [the Ford Headquarter] to Ford [in another country on the other side of the globe]. And you can go from one to the other and pick up a report and understand it instantly, and you get a pretty good idea how things are."… "…And many CEOs in the company are coming out of the finance function, so it is not only the finance function but it's elsewhere. Ford is a global company; people all over understand how things are working in the different units all over the world."

> "[VCC] is very much de-centralized, with primarily bottom line accountability and little transparency between the center and the units…which is totally different from Ford. The finance function has also, I would say, been something more of an administrative function than a business management driving function."

> "The CFO in Ford, it is wrong to say that he is number two, but he has a very large amount of accountability through the finance function. So you have the one system to provide a lot of information up and down the company so that things can be compared across businesses and understood in detail, so somebody can sit in Dearborn and understand in detail what is going on in New Zealand. And you have none of that history in VCC. In VCC, the history is: Is New Zealand making money, yes or no? And how they do that is very much their responsibility in New Zealand. And if the managing director in New Zealand does not make money, we will take him out and replace him with someone else. But there is no desire to get into the line item details. These are very different histories."

This is the picture provided by a former Ford actor and the quotes illustrate very well the general perception of most "expatriates"[52] at VCC. However, the narratives of some of VCC's original[53] Swedish finance people revealed some differences of opinion. Above all, it seemed that, as some former Ford actors acknowledged, VCC finance was organized differently. An original VCC interviewee, for example, stated:

> "No, you cannot say that Finance at [VCC] has a weak role, … , for example, a CFO in one of the sales companies has always had a very strong power. It has gone up and down over time with the power here at central finance but not out in the sales company, there it has been constant. That is my opinion. So, apart from having a new owner, the influence of finance here at the Headquarters of [VCC] fluctuates over time. … It was never the dominating power but the consultative one and in certain cases also the one with the authority. So, I would say that it has the same power but in a different way."

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[52] The term 'expatriates' is used in this chapter to describe the non-Swedish actors working at VCC, of which all were of Anglo-Saxon (especially U.S.) descent and whose native tongue was English (or American English or even something else) and whose culture was strongly influenced by Anglo-Saxon or British culture.

[53] The term 'original', on the other hand, is used to describe Swedish speaking actors within VCC or other parts investigated.

Historically, 'finance' seemed to have had different roles within the two organizations and an interviewee with a background in VCC explained why this may have been the case. To this original VCC actor, VCC had always been a technology driven company, where the role of finance was to support and therefore could not have a high status. The background for this, he described, was that VCC, compared with many competitors, was one of the late players in the market and therefore had to focus on the customer and could not, unlike many earlier starters, try to minimize costs by increasing volumes. As several actors mentioned, this in turn was the reason why VCC began as a company in about the same way as *The Group* overall. VCC was always very strongly focused on the characteristics of their products, most visible in the brand values of 'quality, safety, and environmental care', and almost everything was built around these characteristics. People therefore talked about safety issues, environmental issues, and performance issues, and this in turn, according to an original VCC actor, automatically led to an organization where there were almost no boundaries between functions.

These particular characteristics were therefore seen as the drivers of the business. This was not considered as very special or very process-like simply because it was the way the company worked and because everybody more or less applied this mindset, an original VCC actor summarized. On the other hand, this actor had heard that a very high ranked person within Finance at Ford, during a presentation, claimed Finance was the "brain-power" within that organization and it had always been so. To this Swedish interviewee, the biggest difference between the two organizations in fact was that VCC was engineering and technology driven whereas at Ford was finance and cost management driven.

Clearly, the major underlying factor in this difference was the way these organizations had developed over the decades, as several actors explained in lengthy interview descriptions. VCC and Ford were both part of the automobile industry where mergers and acquisitions had been a common scenario for several years. Hence, most of the biggest companies in this industry (and probably in most other industries as well) were cost driven to a large extent. To maximize their market share, cost leadership was the main strategy of these giants and the major product differentiator was price. However, the problem then often was that their products were not particularly unique and could be substituted with products of competitors. As a result, the real mass producers were forced into a competitive product development race because the market interest in a specific car model was typically limited to the short time when the car was quite new.

Ford probably appears, to the public in general but particularly to the employees of VCC, as a typical mass-producer with a focus on costs. To keep or defend this cost leadership position, manufacturing apparently comes first at Ford, while product development optimizes production as well as creates market interest. VCC, on the other hand, claims to be a brand conscious producer of a particular product where the revenue side of the business comes first. Although VCC people also consider themselves to be cost conscious, to a great extent, however, the attitude is that the cost focus should not supersede the focus on making products that fulfill the brand promise. Therefore, different main drivers were seen as the keys to good performance at Ford and VCC. Finance, which had an important role at both companies, was utilized differently, depending on strength of the finance function. The following statement of a Swedish VCC actor illustrates this connection:

"Ford Finance is very strong… but I would not say that [VCC] Finance is weak. We have more of a tradition, however, that 'businesses' should drive the organization. All change should be driven by businesses, from the customer perspective, which also means that the finance function at [VCC] is more delegated compared to Ford."

The interviews furthermore disclosed that probably the biggest experienced difference between VCC and Ford was that "[VCC] has a pull-system and Ford a push-system", the descriptions used by numerous "Swedish" but also by a few former Ford actors. These different systems had their origin many decades ago in both organizations and had evolved over time. Ford was known worldwide for its mass-production, originating with its founder, Henry Ford, who had been one of the strongest initiators of such production. At Ford, the main driving force has then, for several decades, been to manufacture products for a large population at low or medium prices, with primary attention on controlling costs. VCC, on the other hand, was known for its focus on customer satisfaction, safety, quality and environmental care. These two focuses, in marketing terms, are more or less the opposite.

In short, at VCC engineering knowledge that was essential for production and revenues in the form of customers' willingness to pay for special attributes (quality) were at center stage, and not costs. At Ford, as the pricing policy was dependent on costs, controlling costs took center stage, not revenues or customer satisfaction. As a result, VCC pursued a pricing strategy that was more 'value-based,' as Figure 10 below illustrates.[54]

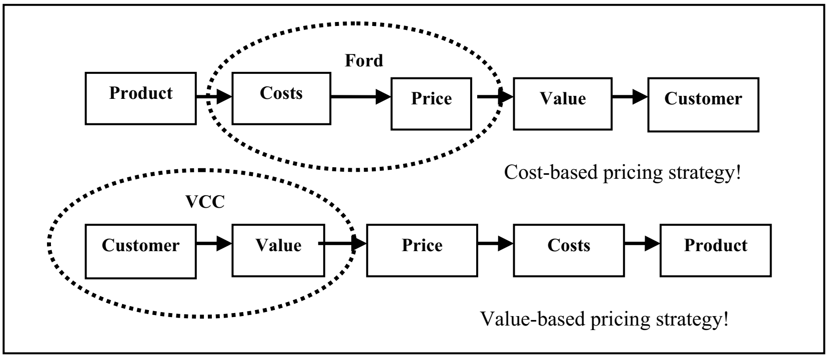

Figure 10: The 'push' system versus the 'pull' system at Ford and at VCC

Another major area, logically linked to this 'pull' versus 'push' strategy, was described by an original VCC actor as "the difference in the mindsets of employees" within the two organizations. This actor explained that the Ford way of driving the business was based on the fact that the drivers of the business were the functions, particularly *Information Technology* and *Finance*. "How to do things?" really was, according to this interviewee, not

[54] This framework has been developed by the marketing 'guru' Kotler (2005) and has only been applied in this study to exemplify the two main approaches the managers at Volvo described. However, I believe that these managers used the words "push" and "pull" exactly as Kotler does and explained the approaches in about the same way as Kotler. In general, the ideas of gurus have become common knowledge, at least among finance and accounting people.

a prioritized question at Ford. Hence, IT and system-thoughts were then, according to this Swedish actor, fundamental at Ford when starting projects, for example, as they constructed their ways of working based on their competency in these functions. This actor explained this idea in the following way:

> ”Ford maybe is … no, Ford definitely is more driven by IT and system-thoughts. They talk much more about implementing a certain system with a certain performance and out of that they then believe they can achieve a certain way of working. We, on the other hand, try to turn this around. We say, this is the way we want to work and in order to do this, we need these IT systems to support us.”

According to this actor, as the quotations above indicate, IT, like Finance, had a very strong position in the Ford organization. This was not something this actor, for example, wanted VCC to copy, as “the role of IT should preliminarily be the one of a support tool”. This attitude toward IT was one of the greatest differences in the mindsets of the VCC people compared to the Ford people. The manager explained further:

> “…this mindset determines where you start all your plans and where you continue after that. It determines what the core of change is, what the major elements that have to be kept in focus are… uh… this attitudinal and cultural difference also determines what you prioritize and how you value things, but also how you should react and how you should work with the processes with the help of IT systems”.

Nonetheless, this actor and several others as well, admitted that many managers responsible for finance at VCC, a short time after the acquisition, had hoped that the area of finance and accounting would, in the future, “attain a higher status within VCC”. Actually, several actors stressed that they hoped “that it [the finance function] would be increased to the level where it should belong”. Quite clearly, the interviews revealed that some original VCC actors believed that finance was not “sufficiently” important prior to Ford’s arrival. They thought there was a certain potential that Ford might increase the status of finance in the future.

But it was not only the status and role of finance that apparently was very different in these two organizations. Another Swedish actor described the differences more in terms of how the finance and accounting work was executed. Hence, from this actor’s viewpoint, there was an attitude at Ford that showed “precisely and exactly” how certain accounting/finance functions should be performed, as documented in their various financial principles and policies. The task of controllers and accountants then simply was, according to this actor, to follow these stated principles and policies, regardless if such principles and policies were “good or bad” and regardless of the situation. Significantly, this actor stated, all this purely technical work had nothing to do with qualitative measurements but only with quantitative measurements. This actor summarized her/his evaluation in the following way:

> “Accounting at Ford is very much a purely technical way of looking to see if you follow principles and policies. And you cannot do this in a qualitative way but only in an ‘effective’ way”.

Therefore, the Ford view of accounting and finance was seen by this actor as very limited and somehow "old-fashioned". Ford was, furthermore, described by some VCC originals, as an organization where you could see the 'entire picture' only from the top. The problem with this approach apparently was like as an interviewee explained, "telling fairy-tales", namely, that "when your story has been told many times, it is not the same one any more". This was, for example, exactly the way a Swedish VCC actor perceived Ford was acting in general. This actor's perception of this 'telling fairy-tales' feeling was reinforced by the way in which Ford handled their financial work with different people responsible for different items on the balance sheet and the income statement. This interviewee called this the "chimney thinking" and s/he explained the great disadvantage of this approach:

> "Everybody [at Ford] looks at his little part….and they don't give a 'damn' about what everybody else is having problems with".

Many original VCC actors described *The Group MC Way,* on the other hand, as organized horizontally throughout the company, straight through the disciplines. This system allowed you to see the entirety most of the time. According to some interviewees, such a system was preferable as you could see the entire picture of accounting and finance, and not just segments. 'Business control' executed *The Group MC Way* was thus an integrated set of activities compared to the disconnected activities at Ford, described by original VCC actors in terms like "watertight bulkheads", which the following comments illustrate:

> "A big difference between what is called 'business control' within the world of [*The Group*] and what is called 'profit analysis' in the world of Ford is that all analyses of the results are done within profit analyses at Ford, whereas at [*The Group*], accounting is involved as well when you make your prognoses. We [*Group* people historically] try to work as much as possible together; this is my opinion. In the [*Group*] world we work much more integrated with the preparation and analysis of statements of accounts, with prognoses, and with business control. At Ford, there are almost 'watertight bulkheads' between the different things."

6.1.2 The Role and Function of Management Control Actors

'Finance' at Ford was an area that apparently operated as a separate function in the whole organization, whereas at VCC 'Finance' was more or less an important support function to other functions. This distinction seemed to be the way actors working with finance defined themselves. A 'finance person' at Ford was always a 'finance person', according to a Swedish interviewee, regardless of where s/he worked – for example, production, marketing or sales. At VCC in contrast, when working with 'finance' within production you were first a 'production person' and second a 'finance person'. Hence, it was the work place or environment that determined your position.

Apparently, previously "strong finance leaders", with the help of *The Group's* overall de-centralized system, within the different functions could create their own finance teams. These teams were very much integrated into the common working environment of the particular functions, such as manufacturing or marketing or sales. [VCC] finance people, therefore, a Swedish actor recalled, often preferred working for a certain finance manager in a certain function to working on particular finance issues, as seemingly it was the case at Ford. Relationships were seen as very important in *The Group's* world.

> "… at [VCC] the main drivers for the choice of your career are 'who' you want to work for and within what organization. What kind of work you exactly are doing is only secondary…and this also fosters a certain way of thinking for which it is very difficult to write clearly stated routines since they are more individual. At [VCC] you are working in a group at a particular place for a long time."

Most interviewed former Ford actors at VCC had an American background, but several came from other Anglo-Saxon countries, such as Great Britain, Australia, or Canada. Swedes and Anglo-Saxons appeared to have a somewhat different view of the work place, of what it meant 'to do a good job', and of what managers could expect of subordinates (other managers or just other employees). A Swedish actor, for example, made the following remark: "For us Swedes, the person and the profession are very much the same thing, which is quite different from the American idea".

A former Ford actor also noted that Swedish VCC employees do not value a career to the same extent as people in "Anglo-American" countries who often consider their careers "the number one priority" in life. A Swedish actor at VCC identified a difference regarding this matter: "At [VCC], all people search their jobs but at Ford they all have a plan". From the point of view of this interviewee, Ford was doing very well in taking care of employees in order to advance them, and in this respect, VCC apparently was able to learn a lot from them. For several Swedish actors, however, the speed of the Ford climb up the hierarchical system was very fast, almost too fast; VCC employees were not used to that speed in career advancement. A major explanation seemed to be that the positions at Ford were narrower, and therefore it was possible to maintain a faster job rotation as positions could be learnt faster or "because people probably got tired of their jobs faster". This was the conclusion of one Swedish actor, who elaborated:

> "We at [VCC] can keep the same job for maybe five, six or seven years without getting bored because our positions are often much wider. And that is why they get confused. The Americans cannot understand why we can sit for such a long time in the same position. They do not understand that we have this kind of wide-ranging jobs."

The statement of this actor applied to Americans in general at all levels and not just to those who came to VCC. This actor felt that the Americans at VCC often were "in top positions, had large work experience and were extremely qualified". These were all positive attributes and reflected how the former 'Ford finance members' were generally regarded and described by most Swedish finance members. The most important characterization of these 'expatriates' was their concentrated focus on "the task at hand". Many of the interviewed Swedish actors, for example, agreed that the former Ford members at VCC performed their finance job excellently when you looked at the task at hand, that is, from a rather "professional point of view". Expatriates at VCC, almost all of whom had worked in a Ford environment previous to VCC, were often described as "very competent" and "working at 110 % all the time".

This focus on and dedication to work, however, was also regarded by the Swedish actors as "being less human" and as "being very formal". Less emphasis was placed on describing the Ford work approach as a "professional approach" and being "very goal focused". Nevertheless, the Ford employees were "impressively good at delivering things fast" as contrasted with the VCC employees. The explanation apparently was that for Ford actors, "deadlines were deadlines". VCC actors, on the other hand, did not always follow this motto, as several Swedish actors agreed. Expatriates in manager positions at VCC were, moreover, described as "used to taking responsibility and being accountable as managers". Again, this willingness to take responsibility was contrasted with managers in *The Group* world. The reason, an interviewee explained, could be that VCC managers had an advantageous position because "[VCC] employees even on lower levels were used to taking responsibility for tasks that an American manager would never expect them to do."

The former Ford people at VCC often worked for about two to three years at the Swedish organization, and in higher positions for even more years. A Swedish finance actor explained that this relatively long experience in Sweden might have an effect on their work attitudes. For example, expatriates may generally have a stronger focus on work than on other things since they are far from home, with fewer opportunities for, or interest in, a social life outside work.[55] On the other hand, some people used to working in the American environment at Ford believed there was less intense personal identification with a certain function or work place, particularly among higher level managers. This manager distance from specific job positions also had an impact on recruitment issues and explained why 'team work' was emphasized in the U.S. Several 'originals' found this attitude both strange and negative as it reduced inter-personnel contact. An actor described the attitude as follows:

> "At Ford, higher managers change work places very often. They do not have any continuity at higher levels and they do not have time to get to know the organization. They have no possibility to see the capable people and they cannot give them more challenging work because they switch jobs all the time. Therefore, there is no real depth in anything. That is why they are much more dependent on team work."

According to many Swedish actors, Ford also was "very Tayloristic" by comparison with *The Group* where people were "generalists" simply because they "did not have the possibility to break down all the processes into their details, we were simply too small." One finance member working at Ford offered an interpretation of this difference:

> "I believe the way Ford does things has very much to do with the 'Tayloristic view'. At Ford, they expect you to learn a position within a week but not more, while at [VCC] they give you about a year or at least half a year to learn what you are really doing. At Ford, you normally are appointed for 18 months or up to two years but no longer. This means that you are much more dependent on written routines. …At [VCC or *The Group*], I suppose, you have much higher expectations when it comes to every appointment. This system is much more complex and it takes much more time to learn

[55] Another reason could be that expatriates simply do not talk about this, either to their fellow workers or to others (like the author) since it is not the custom in their 'native environment'.

> the different tasks of each position. This allows you to gain a greater understanding of the entirety and also allows you to make decisions at a lower level."

On the other hand, several Swedish VCC members stated that expatriates often were "better experts" as they really learned the "smaller" tasks at hand, almost to perfection. And because they switched jobs rather frequently, they often became "extremely knowledgeable" when they arrived at top positions, having gone through many different positions on their way up. This expertise was something that was rather "impressive", a Swedish actor stated.

6.1.3 The 'Gross Profit' Model versus the 'Contribution Margin' Model

The differences described above between the different mindsets in the two organizations had further implications. One difference that appeared most clearly was the method of product costing at VCC compared to Ford. Here as well, it seemed as if this difference had to do with the dissimilar ways of approaching the customers. At VCC, 'gross profit' was a key term that "everybody within the finance community was familiar with", or even understood well. Several Swedish finance people emphasized during the interviews that 'gross profit thinking' in combination with the 'calculation of prime costs' was the core idea and the major way used to manage the company. To them, these ideas had been "substantial concepts", particularly in the markets. The major feature of this *Group* model was to "push all costs out to the markets", as they explained. Some interviewees therefore described this way of costing as the "full-cost-model" simply because they believed it delivered all costs possible to the markets. 'Gross profit' was then a number that included, when greatly simplified, the sales value of the products reduced by the direct costs at standard. These standard costs also included the processing costs, such as, for example, expenses of manufacturing.

The primary justification for this full-cost-model, an original VCC actor explained, was that finance people in *The Group* wanted marketing people to understand how much a product "really costs". Another interviewee, also an original VCC employee, elaborated on the idea when he explained, with a loud laugh, "Finance people do not trust marketing people". This actor clarified this somewhat strange statement himself. He said that because the particular products produced were believed to be part of customer segments that were less price conscious, such a strategy was supposed to help the marketers focus on the tendency of prices to increase in the future. With that focus, the premium price position would automatically be maintained.

Consequently, a finance and accounting actor was obligated to push simply as many different 'types of costs' as possible out to the sales companies. In this way, according to several Swedish actors, they had long managed the organization. Hence, this pushing of costs to the sales people was one of the main strategies used to preserve the premium brand as well, as a few interviewees commented. In their interpretation, by including more costs in the calculus, they might "build cash flows for future premium products".

In combination with this 'cost pushing' method and the real 'gross profit' way of calculating product costs, VCC had small margins at the end of the chain. An original VCC actor explained the effect of this particular way of controlling costs within VCC in the following way:

> "…the profit margins become very small - at its top somewhere around 5-6%, sometimes even as low as close to zero - and this in turn results in a cost consciousness throughout the company".

Several Swedish actors used the word "*kostnadsmedveten*" (cost consciousness) to describe VCC actors' mindset in general. Apparently, this consciousness was raised by management's signals, specifically, danger signals, that there were only very small margins to play with. This way, VCC overall had, for some time, tried to build a cost awareness that was, according to several interviewees, deeply supported by all members of the organization. The Ford model, on the other hand, was built on the concept of 'contribution margins', an opposing model, as perceived by most original VCC interviewees as well as by former Ford members.

> "Management control in Sweden is more according to Schmalenbach, typically German, whereas the Americans were looking more at margins, which are two totally different approaches."

At VCC, all important decisions were taken by the Headquarters and that was why they needed as much and as good information as possible. This "made total sense" to many of the interviewed original VCC actors. But then again, there was the major question a Swedish actor posed: "Who knows best, the center or the market?" Since there was a large and powerful finance center at Ford that carried out more or less all the important finance work for the entire organization, they had developed routines and processes that appeared, particularly to some former Ford managers, to be much better defined and more sophisticated than those used at the VCC Headquarters.

Several former Ford actors described the VCC focus on the 'bottom line' and its 'gross profit' approach simply as being "somewhat careless" or "unconcerned about costs". These actors had a rather different feeling regarding this cost approach as they felt that VCC managers simply had too little information on the different stages of the process. One former Ford interviewee, for example, expressed this concern:

> "When the bottom line is a good positive number, it is ok, you can get away with it - it is just a good number. But if it is a negative number, that is a very different thing. People want to understand - Where are they? How are they compared to other brands? What can we do about it, etc., etc.? The bottom line, we are losing money, don't worry, we are working on it, doesn't get us there."

Many former Ford actors at VCC were convinced that VCC had not really deliberately chosen their system. Rather, the VCC system was the result of, to some extent at least, negligence and lack of knowledge, but most of all, to a reluctance to make better financial calculations. In the view of some former Ford managers at VCC, it was understandable that many VCC people believed, for example, that collecting more accounting information does not help with cost control. Hence, they assumed that the VCC actors' unwillingness could be explained by the 'fact' that "there was nothing to gain from sending information up". Contrariwise, some former Ford actors believed VCC people were disinclined to deliver information up the organization because they were afraid of getting many questions that "they feel uncomfortable with". As a result, information tended not to be distributed upwards. Additionally, some Ford managers believed VCC people in many cases simply did not have the skill to gather, prepare, and deliver the right information up the hierarchy.

Former Ford actors believed that it was "typically Swedish" to avoid raising/receiving questions. This view was supported also by a Swedish actor. However, to this actor, the VCC originals' resistance was not because they were unable to deliver information or because they felt such delivery unnecessary. This interviewee believed this reluctance was a deliberate choice VCC originals had made in the past, as explained by the following comments:

> "They [the Ford people] are world champions in following everything up in detail. Sometimes, they are so much into the details, put so much power and time into that, and they believe that through statistics, detailed statistics and predicting trends they are able to predict the future. We believe that tidiness and clarity is a good base to stand on but then it is rather 'gut feeling' and your intellect. It is not statistics that guide us into the future. There we have the big difference. The good thing is that [at Ford] there is a very consistent follow-up, which is necessary to get things done, and this they have developed to its excellence."

Original VCC actors felt that fully accounted or landed costs were important as they believed that it is impossible to track all details during all processes in order to assign costs as necessary. However, they considered that it was easier to see and account for the entirety, simply because "the entirety was always there". To them, it was not that more data and a greater wealth of details automatically contributed to better cost control. It was more "the way you used the data" that made the difference.

On the other hand, VCC was apparently used to applying a system of standard costs to a much greater extent than Ford, and therefore at VCC, standards had a very important role in the determination of product prices. Seemingly, VCC used standards for "almost everything" and then of course they also used "ratios" to allocate costs to cars and markets. Exactly because of the rigorous standard system used at VCC, several Ford finance actors believed their own systems generated numbers that were much closer to "real costs", which they also branded as "actual costs". Some Ford actors described the VCC approach as "very old-fashioned". They felt that it was much less sophisticated since the finance people there "only manage at the bottom line, trust the market and trust the area to manage the total."

The Ford way of product costing, however, was described as requiring the collection of high quality and accurate information for allocation to line-by-line items. The Ford approach was, however, characterized as a "communist" way, a description used by several actors, often in connection with both simultaneous positive and negative connotations:

> "…and well, Ford, because I would say it is the last large communist society on earth, planned everything, and they liked to manage on a line by line basis. In that approach [compared with VCC], to handle on a line-by-line basis, you need very detailed, very good information. It needs to be high quality and accurate."

Thus, Ford's way of organizing its finance functions and processes was compared to a political system many people, certainly business people, find unattractive. This comparison was made not only by the original VCC members, but also by some of the former Ford actors at VCC. In fact, several key managers used the "communist" comparison to illustrate how "bureaucratic" and "very much centrally planned" Ford was. There was, however, no doubt that the Ford approach included the measuring and documentation of costs "at a much more detailed level per car". The cost system was quite obvious since former Ford actors spared no pains in explaining the methodology during the interviews. Apparently, Ford could track different costs and they were very proud they could establish a clear connection from total costs to the lowest level of the different components.

The VCC way of assigning costs, as explained by some original VCC actors, at least after some time had passed after the acquisition, was described in somewhat negative terms, as the following remarks show:

> "If we look at production for example, they [VCC] do not allocate costs per car or per factory but they add a part of central costs, which in turn then is spread out via a ratio, first to every car and later on, via another ratio, to every market. And then, it is very difficult for each particular market to understand where these costs come from. They may not even have a connection to that car. They may not even sell that car. And this, at an early stage [after the acquisition] was not clear at all."

Therefore, this original VCC finance member looked forward to some of the new costing methods VCC would adopt from Ford, in particular breaking down and allocating costs into smaller pieces. Hence, the Ford culture was described by these original actors as "managing each element of the income statement, managing the revenue, managing the market, etc., managing simply everything" and this was something several original VCC actors also regarded as a sensible management system.

> "At Ford, you know exactly at what parts you have to make cost cuts. I don't believe they know this exactly at [VCC]. And that is why there is so much reporting going on there. People at [VCC] most often think that there is very, very detailed cost control at Ford, which also is true. I don't think there is another way to achieve these goals [cost-cutting] if you do not know where to cut."

The Ford actors saw the importance of standards within the VCC system as conflicting with their own philosophy of being able to track down 'actual costs'. These 'actual costs'", however, were not interpreted in the same way by all original VCC managers. Some managers simply could not believe that you could measure materials, for example, at 'actual cost', which the following remarks illustrate:

> "When they [the Ford finance people] say that they are measuring materials at actual costs, I cannot understand how they can do that. Yeah, they say that this is possible, but I don't believe that. This would mean that, for every day and every car that leaves the factory, you have to know exactly where the material that is in the particular product has been bought and at what price, every little part of the entire product, which could be many hundreds or even thousands. You moreover need to know what this particular part would cost today. I don't think this is possible. They need some sort of standard as well, maybe one that will be changed after a shorter time period, but still there must be some sort of a standard."

Again, there was a strong difference of opinion in the two organizations on the matter of product costs, with most interviewees firmly supporting their own systems of cost measurement and control.

6.1.4 Decision-making Styles, Running Projects, and Control Points

The Ford system, as constructed, apparently allowed finance and accounting people at lower levels to collect large amounts of information, and this information was then supposed to be sent upwards in the hierarchy to the places where the decisions would be made. During the interviews, original VCC actors, again and again, interpreted this procedure as typically American, where decisions were made at higher levels, simply because this was the way decision-making was done "over there". Ford actors, however, saw this differently. From their point of view, at VCC there was basically no information to deliver upwards simply because the VCC system did not provide such details.

Concerning this information collection, VCC members, on the other hand, had this question: "Who knows better, the market or Headquarters?" This was posed as a rhetorical question by one interviewee who answered her/his own question: since VCC was very decentralized, decisions were pushed out to the markets, to the places where the customers were. Therefore, even several former Ford actors stated that "hopefully nothing is going to happen to the way [VCC] does it". The actor who posed/answered the question admired the way VCC addressed customer focus and believed it was clear that Ford had to share in this best practice and not the other way around.

But the finance and control managers at VCC also experienced differences in the way projects were managed. An original VCC actor, for example, remembered that VCC (including *The Group*) had a history of establishing a project team who usually went through all processes, starting with designing the product, and then developing it, producing it, and selling it. In such a team, the same finance people were involved throughout the entire process. At Ford, on the other hand, this actor recalled, people were normally brought in to start the project, and various others completed each particular function, such as design, product development, production, etc. Consequently, project team members had constantly to hand over their work to the new team members. Moreover, along the entire Ford process, gates and check points were established to make sure that the work developed as planned and deadlines were met. Several original VCC actors experienced this process as something entirely different compared to VCC, as the following commentary illustrates.

> "It is [at Ford] much more that you are handing over the baton and you have closer control points…Somebody is handing over to somebody else and then you do have a control point there. You check if this person has fulfilled the requirements before somebody else takes over. In the [VCC] control environment, however, we do have rather certain parameters that have to be fulfilled, but it is the same person who is continuing with the task. But, in the world of Ford, there are definitely more control points one has to pass."

In contrast, original VCC actors saw negative aspects in the way the VCC organization coached processes, a system Ford people saw as a "very generous" project management style. The explanation offered was that VCC did not perform well with projects. Again, it seemed clear that the elements suffering most with the VCC approach were cost or time related, at the expense of engineering technology. A Swedish VCC finance member explained:

> "I would say that when you look at our history, the track record of [VCC] is bad when it comes to achieving goals such as meeting cost demands or delivery times."

The project decision-making methods, as well as decision-making in general, in the two organizations were perceived differently by several managers. At Ford, the project team and its manager normally discussed the problem jointly, but the manager made the final decision, which was then documented in a formal, written agreement. The team as such served mostly a consultative function. At VCC, the project team gathered as a group to discuss the problem and *The Group* also made the decision. Thus, the agreements were often informal and verbal only. As a result, the VCC decision-making process was seen as fast, highly flexible and decentralized by Swedish actors. At Ford, on the other hand, this decision-making process appeared to some VCC members as slow, bureaucratic, and hierarchical.

The interviews also revealed that some original VCC actors felt that Ford was used to making quick decisions, executing them efficiently, and then responding to the consequences. At VCC, problems and possible outcomes of solutions were discussed, and then a joint decision was made and executed. According to some former Ford managers, however, the process of discussing problems at VCC "went on and on forever", which was something they were certainly not used to "at home". With approval, they observed, "Ford had a much faster decision-making-process than [VCC]". Former Ford actors, for example, described the VCC system as more inflexible than Ford's because of the length of time required to make product program decisions. An actor summarized this judgment: "Although the Ford system requires a damn lot of details and reporting, it reaches a decision faster". This view was even supported by original VCC actors, although one of them added cynically:

> "…they [Ford] simply make the decision to produce a certain product and then they do it. After that, they all hope that the products will sell satisfactorily and if not, you simply lower the price in order to sell even more and you then basically take the 'blow' at the end in the results. Conversely, in the VCC system, it takes more time to make the decision to invest and what to produce, which is quite obvious since you want to be closer to the customers and their demands and then you want to do everything right in order to satisfy them."

In contrast, many original VCC actors felt that the unusual Ford way of conducting meetings and arriving at decisions, while thoroughly planned, formalized, and standardized, still caused delays and other problems. A finance actor with good knowledge of both organizations' work practices compared meetings and decision-making at Ford with VCC's approach in the following way:

> "Meetings [at Ford] are often in very large conference rooms where everybody can take part in the discussion. But these meetings are much more standardized in order that everybody knows when a certain meeting takes place and what will be talked about. It is also expected that everybody be there. That is why there are numerous meetings one has to go to, where one often only actively participates during ten minutes but is sitting there for two hours because you don't know when they are going to talk about what you yourself are interested in. At [VCC] it is much more that a handful of experts, who have the knowledge of all areas, meet. These experts can arrive at the right decision much quicker and make a recommendation to their managers and then things will happen. …[at Ford] things take much more time. Decisions are made and then things are executed and then when you see that they are wrong, you have to go back to the beginning. So yeah, decisions are made faster but that is not at all simply good."

Apparently, the decision-making speed can be counted in different ways and the process itself can be looked at from different perspectives, rather dependent on what these actors really wanted to say during the interviews. VCC actors felt that former Ford managers insisted on doing things faster and that they therefore pushed them, with the result that VCC people were not able to keep up with them. What apparently was already a decision made in the world of Ford could therefore still be an unresolved issue in the world of the original VCC members. The consequences were then as a Swedish VCC actor described:

> "You are there at a meeting and they [Ford people] say: But you have already promised to do that quite a long time ago, and now you are objecting to this and that. The Americans then think that we are protesting at a stage that is far too late. They believe that we all decided on this already during the spring. 'Yeah, but at that time we did not even understand what you were talking about, so we believed we could forget about it again.'"

Meetings were apparently perceived differently as the Ford originals normally wanted decisions made before the meeting was over. This, however, meant that the original VCC actors were supposed to have reached the same conclusions by then, but this was often not the case. The VCC actors required an analysis phase, prior to the decision being made, and they felt there was simply too little time devoted to analysis. Moreover, language differences seemed to increase this problem. Besides the obvious complications inherent in a situation where one party is using a second language, the different actors used different rhetorical devices, nuances, and jargon. A Swedish finance manager, for example, provided the following details about how s/he experienced meetings:

> "We Swedes have sometimes a little more difficulty with Business English because, I mean, they have English as their mother tongue. And when the Americans speak, it is then with all these special values in each word. They use them for totally different purposes as well; it is the way slang has become in companies. And this is exactly like in cockfighting. You have a certain …you have to speak in a certain way and present things in a certain manner, and the other person has to act on that. All of a sudden then, they agree upon something and they have done something, and we others [probably non- Americans] who are part of it are wondering: What have we done actually? This is very difficult and we sometimes feel a little left out."

In addition, decision-making difficulties at VCC seemed to involve more than merely a language problem, as Ford members appeared to be using a different 'alphabet' as well. An original VCC actor, for example, expressed his frustration in the following way:

> "You cannot talk to them since they only believe in facts and figures."

The former Ford members were also perceived as having a different way acting as well. For example, one interviewee observed:

> "They do it the American way, with crash and thunder and with a blasted follow-up and a heavy mass of video conferences and all this."

Several Swedish finance actors felt that this behavior was typically American where bigger, louder, and faster simply was better. On several occasions, these interviewees talked about the "western mentality" and also the "John Wayne" culture, an attitude that seemingly also had found its way into the Swedish VCC culture. Another original VCC actor described Swedish managers, by contrast in connection with decision-making, as human beings who "avoided confrontations since decisions are made on a broad front. And if the collective does not accept the decision, nothing is going to happen. For this reason, there is some internal friction that 'filters away' bad decision-making." At Ford, decision-making was described differently:

> "…decisions made at higher levels are executed, which in many cases leads to unwanted costs because things have to be redone…you could have been warned of this at an early stage but nothing happened simply because they do what they are told to do."

Despite all this, Ford appeared to have better control of the actions involved during the decision-making process, probably since their "structures come from the American military hierarchy where decision-making rules are very clear", a former Ford actor recalled. All in all, these Anglo-Saxon interviewees judged their system as highly efficient and purposeful with a powerful information flow through the organization. In their opinion, the opposite was true at VCC where the decision-making process was described as a diffuse process with limited control over the actions involved.

The biggest difference between the two ways of making decisions seemingly was that authority in VCC, in about the same way as in all other parts of *The Group*, as an actor noted, "was connected to what had to be done in a certain position or function but it was not particularly guided by a certain hierarchical level". Probably, in many cases, this had to do with the hierarchical position as well, but still, "in many cases, not", this person remarked. The Ford system, on the other hand, was much clearer in this respect, as a Swedish actor commented:

> "The Ford culture is in a way much more transparent when it comes to hierarchies. First of all, there are more hierarchical levels and secondly, there is no indecision about it. It is made visible in what Ford calls leadership levels, and authority is connected to the leadership level you are part of, and it is very clear what kind of authority one needs to have in order to act in a certain position."

The performance system at Ford apparently was also very much aligned with the leadership position one had, a performance system moreover that was very much bonus-oriented. This system was "very different from what they would have called our socialist-communist way of rewarding people", a Swedish VCC manager stated, which apparently was how this actor viewed VCC's remuneration policy.

6.2 Management Control Confrontations

6.2.1 The 'Honeymoon' Period

After the acquisition, finance at VCC rather quickly divided into two opposing parties, an interviewee recalled. One party was 'central finance', the area where almost all new members came from a background at Ford and also had mostly worked on a higher management level. The other party was made of the 'de-centralized finance functions' in the divisions, where almost all managers were original VCC actors. The central finance party gained in strength quite rapidly after the arrival of several former Ford actors shortly after the deal was closed. In fact, finance at VCC became the area with the highest number of Ford people since there were almost no Ford people placed in the de-centralized finance divisions of VCC.

This division in finance ultimately led to a sort of "polarization" within VCC, an original VCC actor remembered, as many people observed the beginnings of a "we and they" and "Swedes and Americans" culture. After a while, this polarization refined to a "we at the de-centralized finance functions" versus "the ones at central finance". This division, according to another Swedish finance person at VCC, explained why "many from central finance went to [*The Group*]…mostly at a key manager level", soon after the acquisition.

Nonetheless, past events seem to have prepared VCC employees at all levels and in most areas. Particularly, the key actors within finance and accounting appeared to know very well what would happen, and the stories told by the interviewed Swedish actors revealed a mostly positive attitude toward the situation following the acquisition. The following statement of an actor is rather representative of their general perception of the deal.

> "…it did not come as a surprise since I was mentally prepared for not being part of [*The Group*] for very much longer. During that morning, when it happened, we all thought that this was expected, that it was Ford. We found that Ford was doing fine, they made fantastic profits. We read the newspapers and we also could read that they had treated Jaguar in a very understanding way. They let Jaguar use its uniqueness regarding its brand values and all that stuff and tried to develop the trademark….I mean, Ford earned fantastic profits, around 10 billion U.S. dollars during each of the last seven years. So, this felt like a very reasonable owner. We looked very confidently towards the future."

The mostly positive first reactions to the new owner by the VCC people also seemed a reflection of their unsatisfactory relationship with their former mother company, *The Group*. A Swedish interviewee commented on this relationship:

> "... [VCC] did not count much for [*The Group*]".

Another Swedish interview elaborated:

> "I believe most of us were very positive when it came to this acquisition because we all were very displeased with [*The Group*] because [mentions the name of the CEO of the former mother company] invested more on the heavy side. ….When Ford came we could feel that much more resources were put into different projects. We were able to feel that directly. It was a totally different venture. It was incredibly positive…."

Hence, many at VCC saw the ties to the other parts of their former mother company already as very weak long before VCC was sold. An actor remembered: "I was there when they separated the company, which was in 1969, I think, and the separation came very fast. Within finance and accounting, we had hardly anything to do with the heavy side after 1969." Apparently, VCC was very much used to running their own business, and it seems as if, exactly due to this independence, they sometimes also felt a little alone. This feeling was most noticeable in several Swedish actors' comments about the positive reactions during early contacts between Ford and VCC. An interviewee, for example, remembered how VCC wanted to have some help from Ford regarding some issues on the development of new products. This actor said: "They sent over three American guys and it just worked fantastically positive". This was apparently his first impression and contact with the new owner, and since then he believed that the time with *The Group* was "nothing to long to return to".

There was, however, one main explanation why most 'original' VCC members experienced this first period as positive. The reason seemingly was that not much change happened during that time, at least no change that was experienced as negative. VCC was very much left alone then, which was the general opinion of the VCC finance people (the great majority of the interviewed Swedish actors). During the first two, if not three, years, Ford mostly maintained the status quo at VCC, letting them have "much freedom" or letting them "be alone", according to two other interviewees. The former Ford actors, on the other hand, described this early period as "more of an arm's length approach in terms of how things were operating". One Ford actor said that "at least senior management at Ford seemed to have been very protective of VCC" and that was the reason they "basically managed them on a portfolio basis".

Other people also described this initial timeframe as a "honeymoon period" during which VCC was treated like it was a "subsidiary company" that "kept its own systems" and "its own approach". Of course, there were some minor changes, most interviewees admitted, but after more than half a decade (beginning at the point when the interviews took place), none of the interviewees really remembered the new ownership having a great impact on daily business or the work environment during these two first years, hence during at least 1999 and 2000.

The most frequent explanation of the soft approach chosen by Ford related to a combination of three factors: namely, satisfactory results, satisfactory systems and processes, and the fear of destroying a certain fit. An actor with Swedish background, for example, believed that Ford had plans to change VCC directly but showed mercy because of the combination of exactly these three main factors. This interviewee explained:

> "I believe they took the decision [to change the accounting and finance systems] very early. However, they showed mercy when it came to the implementation. That is what I believe. That is my picture of the integration at least…and, I mean, we did ok financially and because of this, there was no reason for hurrying. But if we would have been in another position, and it would not have been as dangerous to hurry, they would probably have gone on with it much faster."

In general, the Swedish actors' overall evaluation was that the Ford management did not want to change a winning concept – a concept that also included a financial system that appeared to be more integrated than was the case with the systems at Ford. A Swedish interviewee with a relatively negative view about this first *laissez-faire* period, discussed later, defended Ford's behavior as follows:

> "…they didn't want to go in because they didn't want to disturb too much. Primarily, [VCC] has always been a profitable part of *The Group*. When you look at the financial processes at [VCC], unlike at Ford, we do have SAP in all our companies with all the different parts, with an accounts receivable ledger, with an accounts payable ledger, fixed assets, and the general ledger. In these areas, Ford has a much more shattered picture with different system application providers. Hence, they are rather working with interface solutions…. So, I believe they were rather impressed by what they saw at [VCC] and by many parts of the system. And they had the opinion that things were working well and that we had a good structure. In such a situation, to enter and say that you have to change to our Ford systems quickly, that was something that seemed to be much too risky. And they did not want to make too much of a mess."

As is obvious from that quotation, this actor particularly referred to the advantages VCC had due to its newly implemented finance systems. In fact, VCC was the very first pilot unit within *The Group* that tested the new common finance concept (CFP) in December 1996. It was therefore the one entity within the entire *Group* that probably was most advanced in implementing financial tools, for example, the SAP system modules, as of March 1999 when VCC officially was sold to Ford. Largely because of these achievements in integrating its financial data in the new created Shared Service Center of *The Group*, the VCC Headquarters was, particularly at the time of the acquisition, the base for relatively few accounting and finance people. A 'newly arriving' Ford member, for example, stated: "When I came to VCC, there was an accounting area of four people or so, and the old *Group* did all the accounting."

As an 'accounting and finance' entity at the time of acquisition, VCC was therefore between a headquarters for the separate car manufacturing entity and a very de-centralized car division in which the former mother company did much of the accounting and finance work. Hence, some finance and accounting activity took place in the de-centralized parts of VCC while *The Group* did the financial statements consolidation work. This division of finance and accounting responsibilities was perhaps the reason 'finance' at VCC, immediately following the acquisition, was somehow ignored by Ford. A Swedish actor remembered the situation:

> "We only had introduced CFP at VCC in the middle of the 1990s. But when we were bought by Ford, many things simply stopped. [*The Group*] did not do anything for about a year. They did not know what Ford wanted to do in the future."

However, two other Swedish actors explained the lack of changes during these first two to three years more in terms of physical barriers since VCC was a large and very de-centralized organization.

> "In [the particular country], when Ford came in, it had very, very limited influence. When you, as a CFO, are sitting somewhere out in a particular country, it takes a while until some sort of integration or change comes to you. …. Actually, I did not experience any change before I came back to VCC."

Another Swedish interviewee interpreted Ford's first actions, or rather the lack of them, as well as its delay in eventually implementing change, in very similar terms. This interviewee painted a vivid picture containing even more elements of a physical and social nature as s/he took an even larger view.

> "I mean the reason [that Ford did not make many changes during the first years] is that they acquired an entire company. Then, you are taking over a company's philosophy, its processes, its personnel, its strengths and functions, in short, a functioning enterprise on its own, functioning well in more or less every aspect. We have existed for such a long time period, and then you cannot change everything simply over night, whether you want to or not. You simply cannot reach out physically with your message, this takes time."

These quotes illustrate clearly that different explanations were provided by these actors regarding the lack of large changes during the first two to three years after the acquisition. One can see that these explanations range from ‘did not want to change’ to ‘were not able to change’ to ‘did change but these changes could not be implemented’ as these actors expressed different understandings of Ford’s real intentions. Also, most actors with a ‘former’ Ford history explained that the ‘hands-off approach’ was attributable to ‘mercy’ or ‘cultural respect’ and to some extent ‘fear of destroying a functioning system’.

However, several other actors were convinced that the situation could have been very different if Ford really had had the desire to make changes. Instead, Ford had “other priorities elsewhere”. An interviewee, for example, recalled that most accounting functions, which had been performed by *The Group*, were to be transferred out of Sweden in order to centralize them either in the UK, in the U.S., or in Asia. These were the plans, this actor recalled, but at the end it was possible to “talk them into letting things remain here”. Apparently, this persuasion was only possible because Ford was occupied with other, more important issues then. Since the situation was good at VCC, it did not matter much, this interviewee concluded, continuing that such persuasion “would have been impossible today” (at the end of 2005).

6.2.2 The Internal Construction of the Acquirer is Shaking

It is often difficult to say exactly when changes really begin in an organization or elsewhere as people probably only remember the dates when certain projects officially started or when systems were introduced. Such actions, however, do not automatically represent the real changes as they only are the obvious or articulated starting points for something, but often are not the real ones. As mentioned earlier, in the case of *F/VCC*, most interviewees remembered the first two years were “calm” or “without many changes”, at least compared with the time thereafter. Still, several Swedish VCC actors remembered that during these first (about) two years, pressures for changes began. This pressure apparently most often was exercised by middle management, simply because middle management, two actors felt, was always trying to make changes. One of these actors described the situation as follows:

> “When you come further down in an organization, where the middle management is and even lower, there is always a certain effort to expand personal domains. So it is more at those levels where the pressure is. This pressure is always that implies: ‘Take what we have, it is better.’”

Most interviewees remembered the beginning of 2002 as the starting point of far reaching changes at VCC. At the time, Ford was experiencing huge financial problems as the result of lawsuits in the U.S. against Ford and against the tire company, Bridgestone/Firestone. The Ford Explorer, a sport utility vehicle, had Firestone tires that failed, causing it to roll over, resulting in numerous injuries and deaths. According to several managers, these lawsuits may have been the trigger for Ford to take a closer look at their own financial situation. The lawsuits eventually costs Ford several billion U.S. dollars, a further downgrading of their credit rating, and the termination of their 95-year long association with Bridgestone/Firestone.

For one Swedish manager, however, there was a clear turning point at VCC on September 11, 2001. As this actor claimed, the world changed dramatically that day and Ford recognized this change. This Swedish actor remembered that the events of 9/11, 2001 occurred before he went on holiday. Before his holiday started, he recalled, his boss went through a bonus program with him, indicating the amount he could expect to receive. "Fantastic money it would have been for me…", this manager mused. However, after the holiday, an internal memo told him that the plans for the bonuses were simply shut down. This was the turning point, at least for this actor, and from that time on, "changes increased gradually at VCC".

In addition to Ford's troubled financial situation, owing to its legal problems, there was another 'reason' for the cancellation of VCC's bonus system. The events of 9/11, 2001, as the Swedish manager's bonus narrative suggests, signaled the starting point of a strong downturn in share prices of many U.S. corporate giants in general and in the automobile industry in particular. To sell their products, Ford, like several other automotive companies, was forced to lower their prices even more than usual, further increasing competition, especially among the low cost product providers, as another Swedish actor explained. The General Motors "Keep America Rolling" campaign led this new era of price cutting that arrived in the fall of 2001 as a way to keep sales volumes from plummeting in the aftermath of history's biggest terrorist attack. Apparently, the companies' mega incentives reached levels averaging upwards of five thousand U.S. dollars per vehicle.

Therefore, together with the lawsuit damages paid out, September 11 appears to be an important reason that Ford had not been able to really recover, according to one Ford finance actor: "Since then, Ford has not made big profits anymore; they are simply managing to survive". This financial crisis was, according to this interviewee, the biggest difference between the first two years after the acquisition and the years that came thereafter. Also, beginning around the year 2002, several original VCC actors believed they were back in a situation similar to that of the late 1990s, before the acquisition took place and when they still were part of *The Group*. Now, the financial situation of Ford had changed rapidly and radically.

Suddenly, in every respect, the situation appeared critical and vastly different from the earlier time when Ford was financially strong. "Almost from nowhere", a Swedish actor recalled, "Ford managers themselves could immediately see the problems within their own organization". Another finance actor, with a good knowledge of the way Ford handled their management control issues in the past, self-critically described the changed environment:

> "All the good years [during the 1990s] probably made us blind. We did not look at our financial situation closely enough. I think we focused on the easy parts and built up an enormous bureaucracy and very heavy administrative processes. We let different parts of the organization do their own things [here mostly referring to the different acquired brands that are part of Ford] without trying hard enough to look for synergies. This, of course, meant that Ford compared with many competitors had a higher cost structure both within administration and within purchased material, simply because we didn't do things smart enough."

What earlier had looked like a clear picture of total cost consciousness at Ford, externally as well as internally, even to the finance people, was now blurred and uncertain. Was this historical cost consciousness and cost leadership, expressed and promoted around the world for many decades, in reality not as perfect as it appeared to be? Until that time, it seemed as if many, if not most, original VCC actors had been impressed by Ford's cost controls even though they did not always agree on the need for such cost consciousness in their 'own' brand where they apparently pursued different goals. However, now it became visible that cost control, the Ford Way, was not perfect either. Ford began to demand even tougher expenditure controls, not only across all other brands, but also within Ford itself.

Life now "definitely started to change" at VCC because "the new owner did not want to accept differences any longer". One action was to increase commonality across functions and business areas, and even across the different brands that made up the entire Ford family. The goal was better cost savings overall. So began the turning point for the two organizations, Ford and VCC, now changing course at the same time.

6.2.3 The Project SPEED

While 9/11 and the Ford-Bridgestone/Firestone lawsuits were ultimately the decisive factors in triggering Ford's financial crisis, even at the end of the 1990s and in early 2000, Ford was having more and more problems, both domestically and globally. Different action plans were therefore developed in order to prop up declining profits. Within the area of 'finance', one such action plan was a project in this study called '*SPEED*' (its real name has been disguised due to confidentiality reasons). The intention of the Ford management apparently was, even at that time, to implement the core ideas of this project into the different brands around the world in order to streamline global finance.[56] The 'real' introduction of *SPEED* at VCC took place at the beginning of 2003, when a key decision was made to adopt the plan. An actor, this time from the former Ford team, remembered an important event that again happened during a holiday break.

> "I can remember that we got to a point where we had to make a key decision. Reluctantly, [mentions the name of a former manager] had managed to tell everybody that we are doing it [*SPEED*] because the owner expects us to do it; it is part of the integration. It is part of achieving a common finance system. He gave all the good reasons to do it. The [VCC] people were unhappy about it, but one by one we tried to get them to accept what we were going to do. But the person who did not accept the plan was [an actor of a particular function] who raised all kinds of objections. And I was interrupted when I went skiing, I think in week seven in 2003, with a phone call, actually the only phone call I had on holiday. And it was the [actor] and the [actor] of [that function] calling. We had a final discussion - Are we gonna do this or not? It was the last piece with the stones, as it were."

[56] There were, of course, many other financial projects running at VCC, both before and during my interviews. During 2002 and 2003, for example, when I had my first contacts and 'unofficial' and 'off the record' talks with some VCC members, the magic number of 72 projects was mentioned all the time. No one, however, seemed to really know what all these projects were about. During the time most interviews were held at VCC and other places, during 2005 and 2006, about ten different projects were mentioned to me, from which I have chosen to provide details about *SPEED*. All others, however, are part of the general headings in this document as the accounts provided were diffuse. The reason is that these projects were much interwoven and, in addition, sometimes were also of a rather complex nature. Given the limited space available in this thesis, other projects cannot be described in detail.

Ford intended to introduce a special VCC adjusted *SPEED* before the end of 2003. The major aim with this adjusted *SPEED* project was, according to the written project description and also according to information from the interviewees, to align VCC finance reporting with Ford's financial structure. The main message to the finance people at VCC therefore was that *SPEED* should supply the organization with the relevant business information that supported the pro-active decision-making they were actively engaged in. The key objectives with *SPEED* furthermore were to implement Ford's income statement and to improve its analytical capability. The reasons given for these changes were that Ford needed a common language, and that the speed, accuracy, transparency, and comprehensibility of the information collected within the finance functions would be increased. Consequently, financial statement analysis would be enhanced. Another key objective was to augment the link between companies. Since VCC prior to that date, according to several interviewees, was still working with the 'old' VCC income statement, the VCC accounting and finance employees were limited in their ability to 'communicate' with their Ford counterparts.

Therefore, the goal was first to build a parallel structure in the VCC consolidation system that aligned with Ford's. But reaching the agreement on implementing *SPEED* and allowing the project to go forward, as the quote above has indicated, took a long time. According to the source of the quote, "they probably spent a year or two at discussing it [*SPEED*] even before" the decision really was made during that phone call. As "there was a huge resistance" to the project, its introduction was long delayed. Apparently, many of the original VCC managers felt that this was the first time Ford went too far or made too heavy demands on them. *SPEED* was described by numerous interviewees as one of the most critical changes in this entire alignment process. Many original VCC actors were not satisfied with the content of the project particularly because they felt that it was meant to change the way the entire organization would be managed in the future. To several original VCC actors, this project was doomed to be a major mistake. A 'Swedish' VCC actor, for example, complained:

> "The project was not about changing systems and such things but about changing management and the way we should manage our business".

Some other actors also described *SPEED* as exactly one of those projects that did not have a real start. The reason given for this feeling was that "everybody talked about it for a long time, but there was nothing really implemented". Moreover, the major problem during the implementation appeared to be that there was not enough "real guided" communication. People on both sides did not really understand what all this was about. The Ford actors felt that the VCC originals often simply were resistant to whatever they proposed, whereas the original VCC actors themselves felt that this resistance was the result of not knowing what these change issues really meant. And this was not strange at all because *SPEED* was relatively, or even totally, new to many of the former Ford managers at VCC. Since the entire Ford 'finance' function was in change due to the cost savings policies overall, *SPEED* also challenged old structures and known practices at Ford. This mixture of poor teaching and poor understanding was described by one of the former Ford actors who particularly focused on the line-by-line change approach:

> "All Ford people were now pushing this and that. They did not understand it and the [VCC] finance people were probably not unreasonable in resisting it. It was likely the [VCC] people did not properly understand the new system, but the line-by-line Ford approach would diminish or actually remove the [VCC] holistic focus on the bottom line, which was a perfectly valid reason for concern."

In order to make *SPEED* more understandable at VCC, training sessions were held for more than 750 finance and operating personnel. Finance professionals were targeted first and the message was delivered in auditorium sessions. Middle and senior managers in all functions were included in the second wave of this training package. Half-day consolidation workshops were held during a later stage in order to reinforce this training.

Despite this training, or perhaps because of it, many of the original VCC actors did not favor this new finance system. For managers both at VCC and Ford, it appeared more or less impossible to implement it without the acceptance of some key managers at VCC, as the 'holiday phone call' extract evidenced. This phone call regarding the *SPEED* project moreover highlighted an attitude shared by many Ford representatives. Particularly Ford people at higher levels were even more keen to work with arguments and they therefore tried to persuade the Swedish actors of a course of action, rather than "push them to do something".

This new finance system, was apparently successful since, beginning in 2004, several Ford actors started to see significant differences between Ford and VCC actors as far as the persuasion required to really drive change projects forward. For many Swedish actors, it was clear that certain tasks were necessary because, quite simply, that was "the way it is after acquisitions". Nonetheless, one had to hold onto certain fixed points as well, which a Swedish actor summarized in the following way:

> "If you are an executive, you can make decisions very quickly. But most often you don't do that because normally you go first into a listening and thinking phase. And this way it has worked very well. Actually, we haven't been rushing into some things, really. And I mean, certain things simply have to be done, this is the way it is after acquisitions. And you can never win all battles, that is never possible in any dialogue. Some fixed points, however, you must try to hold unwaveringly. But it is give and take, it really is."

To this Swedish interviewee, it was important that people at VCC always tried to find the four or five "core" strengths of the company and then defend them in about the same way that Ford defended their "core" strengths, trying to find a balance. This was seemingly the way, many original VCC actors believed, to find and complement the best management control practices of both sides. But still, it sometimes appeared as if this typical Swedish way of trying to find a diplomatic solution frustrated people from the other cultures. This frustration is apparent in the metaphor used by a former Ford actor:

> "I remember we tried to push it and one of the things that I was involved in was just trying to really take the horse to water and also try to get the horse to drink. And I could take the horse to water, you know, get it take it to look at it, get it to stare at it, but the horse wouldn't drink. It just did not want do it."

Clearly, this actor was frustrated. Despite his seemingly genuine conviction that people needed to understand what they were doing and that you could not just expect them to obey orders without questions, he had difficulties with the way Swedish finance people sometimes reasoned.

6.2.4 The SOX Act: A Catalyst or a Resistance Driver

The *SPEED* project increased the speed of changes within the area of finance and control at VCC to some extent, but the alignment with the Ford's 'management control' system was even faster, according to several Ford actors. The reason may have been that there was a force that speeded up the process, namely, the Sarbanes-Oxley Act (SOX). This piece of U.S. legislation was intended to achieve better accounting and financial control at U.S. companies, and, of course, also at VCC. After years of VCC-Ford discussions on aligning their management control systems, the work required to comply with SOX increased the speed of the integration for control processes and corporate procedures. A Ford actor, for example, stated during an interview in autumn 2005:

> "Quite frankly, 18 months ago, [VCC] didn't recognize the majority of what I would call the Ford corporate procedures. They were still operating under [*The Group*] procedures. But part of the requirements of SOX is to have the company follow consistent policies and procedures at an organization. So we had to implement the corporate policies of Ford."

The quote illustrates that SOX was implemented at VCC out of necessity because U.S. law required compliance for all companies that traded on U.S. stock exchanges. Hence, from now on, external demands required that the finance and accounting work be the same within the entire Ford family. There was no longer any choice. The management control 'reality' now looked different, at least in the view of a former Ford actor who described this change in the following way:

> "But then reality does catch up with our organization when external demands say that we have to make sure that all the reporting procedures must be the same."

According to the majority of the interviewed Swedish VCC managers, SOX changed the entire picture at VCC because "SOX was the real reason for Ford people to start pushing", in the words of a Swedish actor who reflected the experience and attitude of many of her/his colleagues. A former Ford actor agreed: "SOX was the reason why things changed dramatically -- from taking an arm's length approach to [VCC] to making it a part of Ford, full stop." From now on, finance would have zero tolerance for accounting and control differences. There was an increase in manpower within the finance and accounting function in order to enforce this policy as well. As “ten internal control experts from North America were brought in”, some Swedish actors saw this increased manpower as a “challenge” and initially wondered why they needed this whole team of employees from North America.

SOX is legislation that deals mostly with internal control issues. Nonetheless, these internal control issues with their legislated requirements apparently can mean very different things to different people. At VCC, this was exactly the case. The new legislation for ‘internal control’ clearly meant something different at VCC than it did at Ford. A VCC actor with a Ford background, for example, took a rather sceptical view of the new internal control procedures:

> “I know what I am doing every day. I don’t need to write it down, you know. Why don’t you trust me?”

Ford had a different opinion of internal control. The same actor said SOX supported the Ford view that one should “mistrust accounting data in general and make sure that you are on the safe side”. Therefore, this actor also believed it is better to check and recheck all accounting data, not least since internal control simply is about “good business”.

Many VCC actors, on the other hand, saw internal control, at least the way in which Ford actors presented it at VCC, as another layer of bureaucracy and control resulting from management’s suspicion of the employees. Many VCC actors understood that the new legislation required changes; however, they believed that Ford was applying SOX in a rather excessive way, as they wanted to be “top of the class”. A sarcastic comment of another actor, for example, was:

> “It is almost as if they said: Well, we [Ford overall] can’t sell cars anymore so we will do Sarbanes-Oxley instead.”

This actor also felt that “if everybody had interpreted it [SOX] the way Ford has done, most companies would have gone bankrupt.” Even strong advocates of the implementation of SOX agreed with this view to some extent:

> “All external auditors interpreted the legislation a little bit differently. They were very tough on interpreting the legislation and put us to probably one of the highest standards in the industry. It is probably one of the benchmarks for the others to follow.”

SOX compliance for Ford was an expensive journey as well, as this actor explained:

> “SOX, I mean the company spent millions and millions, and the industry probably billions and billions of dollars, to implement SOX. And then you got organizations like Toyota that don’t really…, or a lot of organizations that, because they are smaller and because they weren’t listed on the U.S. exchanges, they are taking their billions of dollars and they are making their business, you know, they are bringing out new products.”

Overall, however, former Ford actors at VCC could not really understand all the negative feelings about increased control issues. To them, internal control was more a question of doing the work correctly and efficiently rather than a question of more or less internal control. This was more a matter of accepting the new reality or not.

> "You have to have a mature attitude because you can look at everything and say, this is bureaucracy and I don't like this, and someone is checking me, and …you know this is life. But our job is to do it [improve internal control] efficiently and I think you can do that."

For the 'internal control experts' at VCC, at that time, the former Ford actors, it was clear that better business controls would result in more efficient operations. To them, there was a pay back that VCC was starting to see, to some extent at least. One of these actors said:

> "There are success stories, people start to see the benefits of all the efforts, not just from the standpoint of complying with the laws but actually benefits to them and their job."

Even if most former Ford actors saw at least some negative effects due to the rigorous implementation of SOX, they were afraid to resist. Several VCC and also a former Ford actor believed that many Ford executives were "scared as hell" and that this was the reason they were wearing "suspenders and a belt at the same time". Some of these Ford actors warned that the consequences of not complying fully with SOX could be rough. "Some people are happy to send CEOs to jail" was one such comment. Nevertheless, most Ford actors agreed that SOX helped increase internal control at VCC and legitimize changes that otherwise would not have been possible.

> "It worked because of the advantage of the legislation coming in, there was no choice. I think if this had been a choice, if they had sent me over to convince them that this is the right thing for the business, but they had a choice, I think I would have failed, absolutely failed."

As internal control tasks were implemented, however, much seemed to be left to do as this new control procedure was not "the flavor of the month", an expression used by a former Ford actor at VCC. Hence, further integration work due to SOX "wouldn't simply go away". In the opinion of several former Ford actors, the new ways of internal control had to be continually reinforced. Until that time, around 2005, internal control was a minor issue for people, but now it had to become part of people's whole work life.

> "We need to keep reinforcing; it needs to become a part of people's day and night, the way they operate. We have more work to do to make it more sustainable."

Several actors experienced their biggest culture clash as a result of SOX. They felt that two different worlds were colliding. Original VCC actors believed that there was no need to seek "acceptance four times" for a certain task such as, for example, ordering particular materials or approving a certain step in the chain of the projects. Therefore SOX, as several interviewees mentioned, exemplified the American culture, where there is "no trust" and where "you have to build the culture into the system". An interviewee therefore supposed that SOX was a piece of cake for Ford people themselves because they already had all their controls in place. Tight internal control, at Ford, was already practiced even prior to the new legislation.

At VCC, on the other hand, SOX implementation meant that internal control policies and procedures had to change "dramatically", a word used by several Swedish actors. Many 'originals' felt that this was their biggest change since the Ford acquisition. They thought the strongly informal and personal relationships established prior to SOX worked far better, and this new legislation seemed to be hindering rather than helping such relationships. Increased bureaucracy was therefore perceived as the chief result of the changes, to say nothing of a feeling of being distrusted and being watched over.

Another major problem with the SOX implementation work was that it coincided with all the other work in progress concerning the alignment of the two management control systems. This only intensified the perception of cultural differences. In order to control costs better, former Ford managers started to implement new and different management control tools and techniques in projects such as *SPEED*. At the same time, the new internal control focus required by SOX legislation meant that every step in the different processes had to be documented in order to assign them to certain employees and to establish accountability. Both change elements together, of course, intensified the experienced change and increased the workload immensely at VCC.

Nonetheless, the biggest problem may have been that the original VCC actors had a different perception of control (internal control but also cost control) than the original Ford actors. A manager who had worked on both sides for a long period of time, for example, explained this difference:

> "I also believe that at [VCC] they often experience that somebody wants to control them, wants to interfere with what they do at [VCC]. But I believe it is simply about two different ways of working. It's not like somebody is sitting here saying: Now let's go and control what they are doing at [VCC] - that is not what I believe they are doing. It is only that they are used to this way of doing it. They have worked with this during their entire careers and they want to continue with it."

6.2.5 More about Systems and the Change Processes

So far, much has been said about the different elements at VCC and Ford that constitute their management control systems -- how their key designers and users judged and experienced them. Hence, the elements described have touched upon many issues regarding the system-technical nature of the colliding two structures, but there has been no deeper analysis. In this section, however, a more detailed picture of this area is provided in order to illustrate the main difficulties experienced. The term 'system-technical' largely refers to the different descriptions given by the actors that they labeled as "systems". However, these descriptions covered a range of different systems, for example, ranging from a simple '*Invoicing System'* to the most complex '*Enterprise Resource Planning System (ERPS*)'. Such systems required the use of, for example, SAP/R3 and Peoplesoft, and a relatively small but complicated, process of combining '*Actuals'* with '*Forecasts'* and '*Budgets'* so that the entire management control system could integrate the engineering, purchasing, manufacturing, ordering, invoicing, sales accounting, and inter-company transactions necessary for consolidation in financial reporting.

As far as use of the word 'system', it appears very clear, from the interviews, that the actors in general and the actors at VCC in particular have both similar and dissimilar interpretations. These actors tend to use their own words to label certain system elements and apparently these elements, even with the same label, can be mean quite different things in reality. This will be illustrated in the following sections that are about the more "system-technical" side of management control systems. However, they are judged and presented by actors who are part of the socio-behavioral side.

Ford is one of the world's largest companies and its enormous size had a great impact on certain matters during the alignment/integration process, particularly when it came to 'system-technical' issues. Because of their size difference -- Ford is about ten times larger than VCC-- some interviewed former Ford actors assumed that VCC should, more or less mechanically, adapt to their system applications. This was the prevailing view as well in many other questions, not only system-technical ones, although perhaps less obviously expressed.

For instance, several former Ford actors had difficulties in understanding why the original VCC actors believed that there could be another way than to simply align their systems to the Ford systems and standards. To the Ford people, it was rather "impossible to think in other terms" since "the tail simply cannot wag the dog", as one interviewee concluded. Why should an organization that is ten times larger than another adapt its systems to those of the smaller organization? It did not, at first glance, seem possible that Ford could adapt to the VCC systems. However, VCC was a large organization itself, and therefore the situation was not as clear-cut as it appeared to some. Thus, a Swedish VCC actor with far-reaching insights into IT questions challenged such 'predetermined physical laws' using the following argument:

> "It is not easier to change a system in an organization with 30.000 employees compared to changing it in an organization with 300.000. It is exactly the same job that must be done. Hence, it costs the same amount of money to change at [VCC] as it costs to change at Ford, so to speak, because it is the same job and involves the same obstacles."

Hence, this original VCC actor had difficulties with Ford's way of looking at the situation because company size was not reason enough to require information system changes. Rather than size, this actor preferred evaluations of the quality features of the two systems as the basis for negotiations in accordance with his conviction that VCC had superior systems in many respects. This actor summarized his and many other original VCC actors' attitude: "You are big, so what? - we are good". The attitude of 'being good' in system applications in general permeated most discussions among the different actors at VCC. None of these 'originals' liked to make the situation worse for themselves if only to make a change that fit into something else. One of them summarized:

> "I mean you do not like to change [system solutions] for your company for the worse. When you are going and changing one thing at the time, then you at least want to be at the same level afterwards or preferably at a better level. That is something an acquired organization has to guard against."

Again, the problem appeared to be what is better and what is worse, who decides, at the bitter end, and on what basis such decisions are judged and made. From the interviews, it became very obvious that some managers liked to talk about certain preferred attributes of particular 'system-technical' support tools at VCC. Other, less desirable characteristics, however, were left out in order to advance the superiority of the favored system. A large and confusing issue furthermore was that most, if not all, actors argued for their preferred system as it existed in its original setting only. This was predictable since they had worked only with their own systems. The argument was also made that as systems normally were constructed to fit a certain setting, the major problem was how to evaluate different systems' functionality in different environments. When such evaluations were made, 'culture' became a problem in 'system-technical' issues. A Swedish actor, for example, described the culture problem:

> "…culture comes into the picture when people judge the different systems' superiority or not; there it is where the culture comes in. When you have to evaluate,…from both points of view [VCC and Ford]. I mean, one is looking at this objectively - what do we have, what do our colleagues have, which one is better. But of course the subjective thing with this always is that one's own system is better in one's own environment, which is something one always arrives at."

This quote illustrates quite well that, at least to this interviewee, there should have been an objective evaluation of the two systems. Their performance could have been measured and evaluated, most likely expressed in some quantifiable terms and then ranked. Moreover, their characteristics could even have been described and evaluated in more qualitative ways to determine which appeared better. The chief problem with this type of comparison, however, appears to be that in such evaluations, you tend to conclude your system is better simply because you judge it yourself in its particular environment, an environment you as an examiner furthermore are quite familiar with. This evaluation could then still be objective, however, but only if more criteria are used in the analysis, leading to a decision that is more contextual and human dependent.

Furthermore, concerning the company size issue and the automatic preference given a larger company in an acquisition, a Swedish VCC actor countered that in many ways VCC applied more global IT solutions than Ford. According to this interviewee, this explained why VCC people often felt that their company was more integrated than Ford and hence why there was resistance at VCC.

> "We at [VCC] are a more global actor in the way that we act from a global perspective. We are very de-centralized….whereas at Ford they are rather regional in their behavior. They talk Europe, U.S., etc., which is rather contradictory. We say we are de-centralized but global and Ford is regionalized but at the same time centralized. The parts inside, product development, production, sales and after-sales, are more integrated when it

> comes to IT in [VCC], maybe because of the size. … uh… when it comes to the value chain, the stream, they have more different entities …uh…purchasing, product development".

The main discussions regarding the different systems took place around 2003 when the actors from the different sides at VCC seemingly dealt mostly with these two questions: Who has to change? What and why are these changes needed? Original VCC managers thought the system at Ford had fewer different pieces but had more different numbering applications. Hence, they needed to translate between, for example, production and the market. Ford therefore appeared to be more effective since it had fewer different system applications. However, the consensus of some original VCC actors was that the systems at Ford were very old. An original VCC actor stated: "I mean, when you compare our systems with theirs, theirs are pure Stone Age for us." The explanation for this observation apparently was that, in the past, Ford's strategy had been, prior to an updating of the systems, first to align most applications. This meant that there could be quite some time required for the updating of the entirety. The conclusion by actors with roots in both organizations was that Ford's systems were out-dated.

In the discussion over which system was superior, the most common theme was 'old but integrated' versus 'young but shattered'. Depending on the focus one chose, a particular solution appeared better. But there was a further dimension to this discussion. The general belief of original VCC actors was that their organization's system applications, which were strongly function-oriented, to a large extent, were superior since they integrated between the functions far better than the Ford system did. They observed this was a major reasons Ford had not changed the systems during the first two years following the acquisition.

Nonetheless, this hands-off approach, even regarding systems, was not a given at the beginning. Actually, a Swedish actor remembered that Ford, in a very early stage of the process, tried hard to persuade VCC to change most of their accounting and finance systems in order to achieve alignment rather quickly. To this actor, it appeared that most expatriates at VCC simply wanted to establish common systems and processes since they believed this to be a business necessity. Swedish VCC actors, on the other hand, were not as convinced of the need for commonality; they questioned why communality was needed, as this actor described:

> "Common systems and processes are what easily can be understood as something that is necessary. They [expatriates] wanted us to do that, but we asked why? We questioned things, we have different attitudes".

Apparently, the former Ford actors were rather surprised by these questions from several original VCC actors. Moreover, the more the originals questioned certain changes, the more some former Ford actors felt the originals simply did not want to change anything. Seemingly, originals expected explanations and sound reasons while expatriates expected more co-operation. The expatriates felt that, for about the first two years, their initiatives were generally refused, almost regardless of the impact they would have had. This situation led to a working climate at VCC that was characterized by the expatriates as "huge resistance" from the originals where it simply was not possible to really change much.

The original VCC actors mostly felt that while they did not want to change to something worse, they recognized they had to make some changes. Still, the changes had to be in the right order, "piece by piece" rather than all at once. To them, a 'grand solution' was impossible because the organization had to keep on going during the time of changes. As the systems were intertwined, changes of this kind were very large and complicated. An original VCC actor used a jigsaw metaphor to describe the environment:

> "It is like doing a jigsaw puzzle, so to speak. And it is about knowing which way is the smartest way to complete the puzzle, which piece to take first. Of course, you would like to take everything at once, now we have this and we go there. But that would mean that one company [Ford or VCC] would have to take time out for a year, and that of course is not possible. That is why we have to work, piece by piece, so to speak."

For the original VCC members, a big advantage of the VCC information system compared to Ford's was that, partly with help of SAP, they could collect information about the different products and processes on their way from purchasing or production to the market. Thus they were able to collection this information in a much more sophisticated way than Ford could. The reason for this advantage, these actors revealed, was that VCC used the same numbering structure within most parts of the value chain.

The parts numbering system (PNS) is a particular way to describe the different products and this is done with codes using between 12 and 36 digits. VCC had, according to several original VCC interviewees, a system that included most of the different processes within the different areas, from production to the market. This meant that "production can talk to the market and this talk is then about the same thing, it is enough if you mention the same number within [VCC]." Hence, most original VCC managers felt that even though the de-centralized structure of VCC in general allowed the different parts of the organization to have their own systems software, they more or less used the same language, namely, the same parts numbering system. This system was considered much preferable compared to the Ford system. Therefore the numbering system was a 'hot topic' when suggestions for changing it appeared on the table from time to time during the overall alignment process.

However, very different opinions existed. Whereas some original actors at VCC saw the numbering system as an advantage worth defending at all costs, a few others were simply unhappy that they would have to make a change now, more than six years after the acquisition. To these actors, it was apparently obvious that changes needed to be made in order to arrive at a common language, since this is the fundamental element of all finance and accounting information. It was rather clear as well in what direction this change would have to go, as the statement of a Swedish VCC actor illustrated:

> "Ford's mistake was not to start with the harmonization of the parts numbering system already from day one, or at least with the first projects. I believe that in an acquisition situation like this one, you simply have to step in and harmonize your businesses."

Apparently, the parts numbering structure is at the bottom of this controversy as it is the language of a business, at least within the automotive industry. It is a fundamental element of the entire production and marketing process, and when an organization has used it for decades, change is difficult. The former Ford actors understood the VCC resistance as they knew what it would have meant if they themselves had faced such a change. One of them described this complex situation in a rather figurative way:

> "The parts numbering system, that is a very fundamental issue, a basic building block, fundamentally different concepts. It is so fundamental that it gets into everything, and it is enormous. So I am not sure if we can really comprehend what it takes to change it. And of course, the Ford guys just say [VCC] should just do it, but if you walked into Dearborn and said, yeah well, we would like you to change the parts numbering system, people would be jumping out of windows and all sorts of things. It is so fundamental."

Earlier sections have shown that these key finance (and also IT) actors at VCC understood rather clearly that many issues with system-technical questions had to do with the 'human factor'. Actors simply often tried to emphasize certain issues and tended to forget about others in order to find an easy solution. Former Ford actors, for example, mostly focused during the interviews on the shattered picture of different VCC systems within one and the same function, purchasing or production. This picture appeared also to be a true one. Different VCC managers often implemented separate system solutions in different parts of the organization, because they were, historically, allowed to do so and because updating these systems regionally was then more important than having more universal applications. From the point of view of some former Ford actors, the Ford systems in general were therefore more centralized and hence were more suitable for an integrated future solution together with VCC. Here, Ford appeared to have an advantage compared with VCC vertically as the same systems were used in the same functions. Horizontally, however, VCC systems were more integrated as they combined the different functions better.

Additionally, this debate about 'vertical' versus 'horizontal' could be extended to an even higher level. 'Vertical' could then be applied in the form of the co-operation within a business entity, such as VCC, where it could represent the process from product development to the marketing and sales function that could be measured by how well these areas were connected by the systems. 'Horizontal', on the other hand, was about connecting the systems within the entire Ford group and then combining the systems for all different brands. This way of looking at the systems was thus about the opposite of VCC's traditional practice. 'Horizontal' had meant connecting the different functions within the company in order to support "process thinking".

'Horizontal responsibility' furthermore was introduced as a term that was to become important at VCC in another way. The term meant that members of VCC management and the finance leadership team were supposed to take responsibility for a specific line in the income statement. This type of accountability was introduced at VCC about three years after the acquisition, at the same time as the *SPEED* project. This assignment of responsibility, the Ford management believed, would increase the cost focus and would clarify responsibilities as these managers then would "be able to answer for all the units' impact on that line". This was seen as an action that apparently also would intensify co-operation and collaboration between the units' functional CFOs.

Moreover, from a finance perspective, SAP/R3 was obviously much better integrated than the system Ford used for their financial processes. However, from a more production-oriented view, Ford was more integrated and applied fewer different system solutions. Hence, again depending on the view taken, finance or production in this case, each system had its advantages and its disadvantages. Opposing terms such as ‘vertical’ and ‘horizontal’ moreover were used sometimes with similar meanings although the setting or context implied differences.

Apparently, mostly due to the enormous complexity of the system issues, these actors were not always able to explain how things really were, and sometimes, if not often, they had no ‘desire’ to do so. It also became apparent from the interviews at VCC that these actors always were able to find arguments to support their preferred systems and to ’knock‘ the other ones. An interviewee admitted this in describing one of the biggest problems during these alignment processes.

In addition, not only were VCC’s product codes and their “product development language” different, but even within Ford of Europe there existed some nine different ways to describe vehicles. At Ford of Europe, however, the situation was functionally different (marketing and sales had a different language and a whole set of different codes than the warranty people had) since these systems had developed functionally. Therefore, when they attempted joint programs, they had huge problems because they simply did not share the same language. “It is like English and Swedish”, a Swedish actor explained, illustrating the negative aspects of all this:

> “There are approximately a hundred people in Ford of Europe whose entire job is to convert between these languages. All they do, day in and day out, is to translate and decode data from one system into another so that the process is moving. And that is extremely inefficient. If we reorganize and we re-engineer so that we only are using one set of codes and one language, than those jobs can go away and we will have a lot more accuracy and a lot fewer problems that are caused by all this inefficiency.”

Apparently, during the earlier years, Ford had put much effort into “getting Jaguar and Land Rover similar to Ford of Europe, similar to Ford of North America, and similar to the rest of the world”. From some former Ford actors’ point of view, it was now VCC that looked very different compared to everything else. Ford was at the crossroads now, and that meant starting the work with “getting [VCC] in and putting [VCC] into the same processes and systems that Ford uses”. Also former Ford people recognized that this step might appear a gigantic one to VCC people:

> “…they will have high costs and they will perceive that the benefits kind of go to Ford in terms of efficiency and they don’t really help [VCC] in terms of their business profitability, so why should they do it?”

Again, the problem of having different perspectives appeared to be a major issue causing conflicts. What might be best from the view of the entire Ford enterprise might not be the best for VCC only, as an actor explained:

> "… that is a huge step because that is such a fundamental system language that it would drive changes to all the other systems within [VCC] and if we change that, a lot of other systems downstream will have to change, and so the cost is huge. And [VCC] does the calculation and they say. Well, we don't think there is a good pay back on that, it costs too much, there is not enough product improvement, so why should we do it. But Ford does the calculation on an enterprise view that says. Well actually, it will be a lot more efficient in terms of communication across the brands so as an enterprise such an investment makes sense. But if you just put on your [VCC] hat, that investment doesn't make sense."

Above all, in situations like this one, several former Ford managers were surprised that VCC people behaved somewhat strangely, almost irrationally. Ford managers thought VCC people behaved as if they were only partly owned. A Ford member described this VCC attitude thusly: "They forget that they are wholly owned by Ford Motor Company". With this attitude, VCC sometimes reminded some Ford people of Mazda, the Japanese car producer, which is only partly owned (Ford owns a 1/3 interest). Ford felt that the VCC people's opinion often was that "Ford is driving too much of their business and is causing them to make too many changes in too many areas and, to some extent at least, they view some of the Ford integration as interference".

Several years had passed since the first real discussions regarding the product numbering systems when a gigantic project, called *Himalaya* in this study (its real name has been disguised due to confidentiality reasons) was launched in order to collect and align most of the different systems. Hence, the strategic goal of Ford then was to have the same system worldwide, but the project by the end of 2005 was not a total success owing to the problems described above. VCC did not want to give up their modern system applications that had a more integrated approach and were connected to the parts numbering system in a well-functioning way "only to go back to less functionality". They were willing to go towards the same system but only if they themselves would not lose anything.

This VCC resistance, of course, meant that Ford would have to be willing to wait even longer or simply force VCC to change their systems all at once, at the risk of intense resistance from the original VCC people who prioritized this issue. In that case, Ford would also lose some of the functionality that characterized VCC's information technology solutions. Therefore, during 2005 and 2006, more and more the only solution seemed to be to align the systems in two steps. The first step would align processes and practices within the entire sphere of Ford-VCC; the second step would de-fragment and consolidate information technology solutions within the entire sphere. Even in this second step, two more steps would be needed: first, collecting all systems within VCC, mostly in SAP, and second, aligning with Ford.

Once all these steps were accomplished, the entire data structure, including the parts numbering system, would be in a format that could be aligned with the Ford system if, but only if, they made some new system applications, as an original VCC actor explained. Due to the time required for these plans, there was talk of the year 2010 or even later as a completion date. It seemed as if some original VCC actors, and several former Ford actors even more so, would have preferred to make these changes in a different way. Their preference was to have started from the very beginning, particularly with aligning the common logic, the parts numbering systems.

> “If I had been Ford, I would have acted much more aggressively in the beginning and started up the processes at once. You have to initiate possible solutions for all the heavy systems within production, product development, parts, sales and marketing, etc. in order to keep their common logic together as well, and this also at the very beginning. If Ford had done this from the very beginning, we would by now already be some steps ahead.”

VCC, according to several interviewees, now planned to collect all their systems, beginning internally. Thereafter, they would see what needed to be done in order to comply with Ford’s demands. Changes were on their way, however, but these were changes on both sides simply because a one-sided approach appeared ‘system-technically’ but also ‘politically’ impossible to accomplish, as an actor commented. Moreover, these planned changes would take time, to some extent because the changes started as late as they did, but more likely “because issues of this complexity and importance simply take a long time”, in the words of another original VCC actor. To this interviewee, however, it was not even possible to really grasp what all this would have meant during an earlier stage of the process, and therefore, there was basically no other option.

6.2.6 More about Actors, Structures, and the Change Processes

A great asset at VCC apparently was its people and it was therefore not unexpected that some of the greatest problems related to them, as earlier discussed. A former Ford actor at VCC, who agreed that most dilemmas had to do with people, summarized this idea: “The greatest challenge is probably people and their history and experiences”. Apparently, it was exactly this combination that both made things happen and not happen at VCC, depending on whether people resisted the changes or not. People became frustrated as they resisted, clashed culturally, talked, persuaded, and argued. In all this, the actors’ relationship to their company largely determined their views simply because of tradition. As one manager said, people were historically anchored.

A major problem with the different ways of ‘cost allocation’ was, of course, comparability as the two companies used different methods. However, even after having changed some ‘ways of cost allocation’, people still talked about different things even though they believed they were talking about the same thing. An explanation is that ‘cost allocation’ is a human construction that means something specific to the ones who construct it.

An original VCC member, for example, remembered that “high position Ford people” had one particular measure that was important to them when visiting VCC and “the markets”, namely, PF3 (Profit Forecast 3 for markets and vehicles). In the Ford finance world, this measure was a key measure and, according to this actor, it was almost as if Ford people were reluctant to consider any other possible measure.

> “Every time a high ranked Ford manager visits the markets he wants to see PF3 because he does not understand anything else than PF3”.

However, the ‘new’ PF3 at VCC was a construction or imitation that was made in an organization other than where it originated and was used. This automatically led to problems at VCC:

> "…they [Ford] allocated costs that did not exactly show reality. And this in turn created mostly problems for the managers at the places [the markets] because they could not really describe what they themselves couldn't understand properly since they do not really know what it means to them….there is nobody who really understood how it worked and which allocation principles to use."

Hence, to this finance person, PF3 in practice was not used at Ford as it was at VCC because the VCC interpretations of PF3 apparently were wrong. In addition, "Ford has their local systems that follow up on things in detail, systems that were based on volumes whereas VCC handled such issues regionally". As a result, at VCC there was a lack of information centrally. Hence, some managers claimed the Ford systems in general were easier to use and more logical because of this momentum. "They do their volume prognoses centrally" and then "They have all the other systems which support that. You then simply connect all information to the real cars produced, where you put all the different parts together".

Another original VCC actor even stated that it was time period you had been working for a particular company that determined how strongly you felt about particular ways of doing things. To this interviewee, it was therefore quite rational and not at all strange that the "old ones" (here this interviewee could have meant either old in age or in working years) often were replaced with "new heads" after acquisitions. As he expanded, "The new ones do not care as much, hence there is less resistance".

More than half the interviewees had a long career behind them in their respective organizations and their 'big knowledge' was probably also a major reason why they were in these particular positions. Several actors from both sides felt that resistance often was driven by personalities. The higher in the hierarchy, the more important the relationship with the organization. The way to the top, however, was not identical at VCC and Ford, a difference that caused some negative attitudes about the acquisition since many people felt that it was impossible to build long lasting relationships in the Ford world, as a Swedish actor commented:

> "What I personally suffered most from is the enormous changes at Ford when people change their positions all the time, after 12 or 18 months, and sometimes even after shorter time periods. This way, you are not able to build long-lasting relationships with anybody. …So I have had very little contact with my buddies, and they all are so bloody busy all the time as well."

Many actors, mostly original VCC people, of course, mentioned that they themselves were resistant towards certain changes. Rather often, these actors then also confessed to using a "we" expression, probably in order to avoid revealing very personal opinions or to appear somewhat more confidential. Former Ford managers, however, for the most part talked about the resistance from subordinate employees or also from their colleagues, often, of course, because they were in high management positions. However, subordinates' resistance was then normally seen by these expatriates as the reaction to the increased workload rather than to a reluctance to make changes. And apparently, the workload had increased significantly during this integration process, and continued so for more than half a decade, up to late 2005. A former Ford actor described the increase in work:

> "People got crazy about the increased workload. Driving such things [in this case increasing the connection between physicals and financials and achieving a line-by-line approach] in [VCC] has not been done before by the employees. So it takes them much longer time to do it than when you have done it for many years [like at Ford]. People are not trained, and at the same time we are trying to do things with fewer resources and this leads to a lot bigger workload. That is also something that works in the short run but not in the long run. The result is: people quit or they have health issues and this is one of the most important matters right now, because it cannot stay this way."

Training sessions for learning this line-by-line approach were too few for employees, at least according to several VCC actors. Consequently, some accounting and finance staff were dissatisfied, burned out, and/or left the organization. Additionally, a complaint was that these training hours were not as efficient as intended, owing to the de-centralized organizational structure at VCC. Due to insufficient knowledge in the different areas, people rather often did not know what to do and so for at least a quarter of a year the organization almost did not know where they were financially. Hence, "people just didn't understand the new system versus the old and how it was working", an actor said. S/he described that difficult period by emphasizing the underlying differences between American companies' ways of working compared with Swedish companies' ways of working:

> "We went through one quarter of absolute pain, anxiety, criticism from operating management, etc. It was really painful. It was horrible….The hours were ridiculous, the morale was low, and we still suffer from that a little bit today. We have recovered somewhat but we have lost a lot of people from my department because during the really busy period people worked an awful lot overtime. Since we loosened up a little bit, they relaxed a little, and they thought, oh well, let's try something else. But we lost a lot of good people from the company who just thought, oh hang on, that is not the way I want to live my life with the workload, and stress and pressure the way a North American company expects. And they think, hang on, we are going to go back and work for a Swedish company."

Another reason was offered, besides the increased workload, which explained why several actors left VCC. This explanation related to the different forms of power within the organizations. Historically, *The Group* was a company that was managed with reliance on interpersonal relationships and trust and less with reliance on formalized processes and hierarchical structures. Following the acquisition, there was a different organizational culture in place and many interviewees said this culture difference was the reason for various personnel problems. VCC's de-centralized organization versus Ford's centralized organization also caused some differences in the distribution of this power and how power was experienced. The Ford system was described by some interviewees as very much built on "delegated authority" where a clearly stated document instructed those responsible on what they could do independently and where and when to request authorization. A former Ford actor at VCC, for example, described the Ford system compared to the VCC system:

> "I saw this as a very empowering thing … it is a very clear document that tells you what you can do and when you have to go and request authority. I know up to X-million dollars I can approve and get on with it, and I know what my scope is. And when it gets over that, then I go to a certain other area. I can claim, and I can work within that, rather than some… uh, … maybe it is based on relationships or other things."

Swedish VCC actors, on the other hand, apparently had difficulties in general with this system of delegation. To them, such actions were mostly disempowering because the actors were not able to make the decisions alone and without a lot of paper work involved. Swedish actors seemed to have problems with many kinds of issues that were simply normal business routine to former Ford actors. Swedish actors connected negatively to terms such as 'structure', 'order', and 'control'. A former Ford actor, for example, experienced that VCC people sometimes seemed to have problems with the term 'control' on the whole. According to this interviewee, however, it was simply illusionary to believe that there was no control before Ford entered VCC's picture.

> "The perception [of Swedish VCC actors] that everybody was equal previously isn't right. …I guess they had control. It was probably different control and probably not documented in the same way, but all the same, they had control. And maybe the control environment was more personality based than formal."

However, regarding this VCC culture of delegation and control, there was apparently a great variety as far as the different entities around the world. Since VCC was a very de-centralized organization, an original VCC actor, for example, believed that the VCC culture was particularly Swedish in Sweden but not in, for example, the different companies abroad that were part of VCC. For example, in Germany and in other European countries, this actor thought *The Group MC Way* was probably not the same as in Sweden since other countries' business traditions strongly influenced how VCC operated there. According to this actor, "the more de-centralized a multinational is, the more influence the culture has in the particular country". This explanation was also offered as the reason managers who have worked abroad for quite some time do not experience cultural differences to the same extent as managers who have only worked in Sweden.

Other interviewees supported this Swedish interviewee. They believed, for example, that the longer Ford expatriates worked at VCC, in general the more positively they talked about the way of working at the new company. Many often talked about defending values and particular practices that represented the VCC Way, although there were exceptions among the most frustrated actors. These 'more mature' expatriates furthermore applied a language system in their narratives that indicated that 'we' was seen more often than not as 'we at VCC'. In contrast, managers who had only been at the company for a short time period often used 'we' instead of 'we at Ford', as the transcripts of the interviewees documented. The interviewees did not, however, demonstrate a clearly visible acculturation the other way around; the original Swedish actors, then working at Ford in the U.S. or other places within the Ford sphere, had become stronger defenders of the Ford Way. The language used in the interviews furthermore demonstrated that the 'original' Swedish VCC members also began speaking differently of these expatriates. Hence, many of expatriates were eventually seen as trustworthy people and were considered real "buddies" at VCC.

Nonetheless, sometimes the relationship simply did not improve between, for example, a former Ford actor and the 'original' team at VCC. As a result, there might be a 'soft' withdrawal of the expatriate in order to return to a reasonably effective work environment.

> "I was brought in to deal with this. My predecessor, no matter who he was, was always an American. I can tell you that, he was very much, he had very much a military approach. When I was coming to [VCC] I heard that that approach was not working. Well, people would become fed up with it, uh…, the morale was low. … One of the things I was asked to consider was: What is my management style, and to listen, and to work with these people by consensus. And that is what I have tried to do, to take time, to listen to people and then to try to solve problems one by one. People have got issues that probably are real issues to them, and we need to deal with them."

Different actors apparently did have issues that appeared real to them, although they were not always seen as real by others who did not share the same background. This was also the reason several original VCC managers pointed out that it was important to have a better knowledge about who these others were, how they saw things, and why they saw such things in that particular way. A better awareness of cultural differences was what a group of actors believed important if one wanted to solve problems faster and more easily. However, the tasks of really taking a genuine interest in cultural issues and of calling the attention of key managers to such initiatives were apparently not so easy at VCC. The main reason, an 'original' actor suggested, was that, on the surface, people appeared the same, but there were important differences:

> "On the surface we believe that we are the same and we forget that there are basic differences that play a role. They [Americans] are not the same, they have different habits, different ways of expressing themselves. And we [at VCC] have not really talked about this and informed the people how different the cultures are and how things really relate to each other."

The interviews revealed that there was some demand, particularly from the side of some original VCC members, for investing more time and resources into 'human and cultural issues'. However, apparently there were too many other priorities that were more important and more urgent. Because expatriates already worked at 110% all the time, things on the cultural front were postponed constantly, as a frustrated actor complained. It furthermore was not obvious to all VCC finance members that these cultural differences really were important enough for the major agendas.

Apparently, many finance members were not sure what to expect from putting time and money into cultural issues. There were several actors, however, who believed that the gains from knowing each other better and having a better understanding of the different aspects of the different cultures would be much greater than the losses.

> "I believe that one underestimates the help one could get when investing more time into discussing culture differences. People are not aware of them, but then they do not understand why others behave like they do."

Actors in most parts of VCC were, an interviewee recognized, under time pressure all the time and they therefore "could only dream of finding a moment to gather the employees and to discuss such issues or to get to know each other really". Cultural issues were "issues that have not been highly prioritized at all during the integration projects that have been going on", but some felt that there was some light at the end of the tunnel since they had started to work in "small groupings instead".

6.3 The Management Control Changes and Their Impact

6.3.1 The Improved Role of Finance, Cost Control, and Cost Squeezing

Customer focus and the importance of the *The Group's* brand seemed not to have been questioned by any of the managers at VCC. Even the new managers who had been brought in from Ford were not interested in turning a VCC car into a Ford car. One of these expatriates, for example, strongly underlined the importance of the premium price position:

> "…if we turn a [VCC] car into a Ford car, we can shut down. We have to have a premium price position, and to have a premium price position, that is all in the brand… Ford can make a [VCC car] tomorrow. It is not hard, it is not rocket science….so, it is all in the brand; it is all in the perception of it. So, we have to maintain that, that is what our business is all about. And I think Ford is very conscious of that."

However, 'visionary' statements such as this one are often rather abstract and have to be translated into more concrete and workable ways of actions in practice. And, as always, it is easier to state what will be done than to really do it. Strongly different opinions, for example, existed at VCC about the role of cost control. The fundamental question for many of the interviewed actors was: How can you hold the premium price position by focusing more and more on costs? It appeared that many discussions from 2005 concerned the general role finance should play in the organization and the problem of costs. For a VCC actor with a deep background in *The Group* domain, it was clear that there should be a more balanced view at VCC regarding the focus on costs and other parameters, as the following quote illustrates:

> "Ford's culture is to reduce costs, management control is there to reduce costs. [VCC's] culture has been to develop a good product, a qualitatively good and safe product, and that with focus on bottom line profitability. Now, I hope that [VCC] has taken a step closer towards a more balanced view. More balanced because I believe we did not have a balanced view previous to Ford, we were too much guided by engineering thoughts. …

> Costs came very far down as a parameter. Together with Ford, we are forced to have a more balanced view, which is very healthy."

Other original managers at VCC made similar statements, indicating clearly that many finance actors understood that VCC historically had been too much engineering driven and too little focused on costs. Furthermore, the understanding of several original VCC actors was that you just cannot be totally differently organized after an acquisition; certain processes simply have to be more formalized, not automatically just the decision-making itself but also the overall processes. This, they felt, had taken place in some areas, but to some it was not even certain that this happened because of Ford or because VCC wanted to make the change themselves. In fact, a number of original VCC actors assumed that they probably would have increased some management control functions independently of the new owner. An interviewee argued that globalization was a factor:

> "It is not enough anymore to say 'drive home the money', that will not work any longer in a global company, at least not in the heavy industry."

Therefore, this original VCC actor believed that VCC in any case would have been forced to structure themselves differently during recent years in order to become somewhat "better managed/controlled".[57] This in turn would have led to some increased centralization as well, this actor assumed.

In addition, several key MC designers and users from both sides agreed that the biggest change that had taken place was within "internal audit" where VCC apparently received much help from Ford in introducing better control functions. However, these increased controls also meant, at this stage of the process at least, a greater workload and, according to several original VCC managers, slower processes. As a result, VCC people responded negatively and offered considerable resistance, which was not unexpected, as people from both sides acknowledged. Moreover, the power of the finance function at VCC Headquarters appeared to have increased, a situation appreciated by many, if not most, of the interviewed actors. An original VCC actor, for example, stated:

> "Finance is a good deal stronger today than it has ever been before during my career at VCC. We are able to make better decisions and know where things are and where they go. We are now very integrated and linked together".

Nonetheless, sometime during 2006, seven years after the acquisition, the integration work was incomplete in many areas because VCC was still "not as integrated as Ford expected them to be", according to a former Ford actor. Several other expatriates shared this view. Actually, a manager stated that Ford assumed that the companies were integrated and that was why they simply were expected to comply. Particularly after all work with SOX, Ford apparently required "standardized controls" including the certification of top management and the CEO, an actor explained. However, this actor added that Ford had higher

[57] Here again, the Swedish word '*styrning*' is translated into English.

expectations than VCC actually was able to deliver. In the opinion of this interviewee, the reason for this delay was that "they [Ford] have missed some opportunities and have started too late with many projects".

At VCC, most managers approved of the increased cost focus during these years, which finance actors on both sides acknowledged was important to increase profits. VCC was doing well compared to the other brands within Ford although investors were not really impressed with this return. A relatively critical original VCC manager elaborated:

> ”The results of [VCC] have been much better than the ones of the other brands in the family. However, these results are far from good enough to be seen as a good return on your investment …particularly not when many close competitors have net profits that are more than twice as high. Seen from that perspective, [VCC] is not making enough money to be competitive when there are tougher times ahead."

This emphasis on return on investment was also one of the key arguments made by the finance managers with Ford backgrounds in order to demand even tougher cost controls. VCC was compared unfavorably in this respect with the German car manufacturer, BMW, which was the VCC brand's closest competitor and the leader in this premium class. Jointly, these were reasons enough, former Ford actors believed, that tough cost controls had to be applied even at the profitable VCC organization. However, there were many clouds on the horizon of which the biggest one was probably the concern several original VCC actors had that this cost focus and these cost-cutting demands were becoming too rigorous and were no longer really proportionate. They felt such cost-cuttings were sometimes also made in the wrong areas. "They cut costs and take away things that belong to projects that are needed in order to gain money in the long run-- simply to save money in the short run." Another original VCC actor who also felt that cost-cutting demands simply had gone too far commented:

> "At [VCC], we are very Swedish, with a little just right ['*lagom*' in Swedish] feeling and that stuff. We are relatively free and sometimes do things that are not always cost efficient. With the help of Ford, I believe we have become more efficient, but then there is the question: When does anorexia start?"

Furthermore, cost-cutting issues had started to become the central point of many if not most discussions at VCC, a situation that had started to bother several original VCC actors. Tougher cost controls, in the same way as SOX-related control issues, were presented by former Ford members at every occasion just to make the issue part of the day, and of the night as well. Several former Ford members at VCC typically compared the VCC brand with the BMW brand as this successful German brand was the best possible comparison in terms of growth and profitability. These expatriates assumed that BMW had applied better cost controls in the past than VCC. Accordingly, this history explained the German success in approximately the last ten years.

Not every VCC actor agreed with the explanation of BMW's success in terms of its cost measures. These VCC actors presented 'evidence' that was related strongly to the revenue side of BMW's income statement: brand perception and customers' willingness to pay, ownership structure (BMW is pre-dominantly a family owned company) and company traditions. Again, even if most Swedish actors agreed on the importance of tougher cost controls and the increased role of finance in general within VCC, they did not agree with the way some former Ford actors had tried to implement these changes at VCC. In fact, many Swedish actors experienced that Ford had acted very tough on the cost side already, in fact, too tough regarding some issues. Additionally, it was the way cost-cuttings were made and less the issue of being cost efficient that created the problem area.

Several VCC actors felt that the changes came repeatedly and had just become overwhelming during 2004 and 2005. An interviewee, for example, recalled what was to her/him a "shocking example" of cutting costs that had became a rather big story within the company. Apparently, VCC used to give away free headache pills to the employees at a big factory, at a cost of 30.000 Swedish crowns a year. However, this cost was eliminated when employees were told to buy their own headache pills. From a Swedish perspective, this action was simply "too much". VCC people felt that Ford had gone too far; such savings were the wrong savings.

Another rumor that spread among VCC actors had to do with the cakes at the Friday coffee breaks that the company traditionally had paid for. These free 'perks' apparently were eliminated owing to Ford's rigorous cost-cutting policy. The reaction of some originals apparently was intense and almost violent. Former Ford actors had difficulty in understanding this response, as one Ford actor explained: "So what, I mean, I then simply bring my own cake with me." For some 'originals', however, the free Friday coffee cake and headache pills were very symbolic of company goodwill. The ill will that resulted from their elimination had nothing to do with the personal expense for employees. Rather, these cost-cutting actions, so minor in amount, symbolized the way these employees felt they were treated by the new owner. "They were squeezing very hard, and the atmosphere simply became bad", a Swedish manager remembered. This actor also recalled other bad times in *The Group'*s history when they were forced to cut costs. The evaluation of this interviewee, however, was that such measures were "never down to such a level as it was the case now." All this, moreover, happened while VCC was making large profits for Ford, as most original VCC actors stated.

> "Many people were irritated and they wondered, how can Ford do all this? [VCC] is profitable; we know how to run our business, why should we suffer?"

Apparently, for some former Ford managers, these cost-cutting measures were necessary because Ford was in very bad financial shape and so a tough cost-cutting policy was applied to all brands in company worldwide. All brands had to be treated the same way and no exceptions could be made, one interviewee recalled.

6.3.2 The Crossroad and the Supposed Danger for the Brand

During 2005 and 2006, when most interviews were held at VCC and other places within the Ford sphere, conditions were still not stable and the integration was far from over. Taken as a whole, however, the interviews paint a picture that showed some differences in Ford's management style compared with only about a year before when cost squeezing apparently was so strong. On the one hand, it seemed as if a certain equilibrium between the two companies had been achieved, in some areas at least. Ford, for example, showed signs of a willingness to accept a two-way solution for major systems and technology changes, which of course delighted many original VCC members. However, on the other hand, some actors expressed anxiety about possible future changes, as the integration, which was not wholly successful, was still ongoing. Tougher measures were expected. A former Ford actor summarized how he "sensed" the change control process and the actions of the Swedish VCC people:

> "They can understand where we are going but they are not sure if they need it. They think they have already done a lot of process work, they think they have a very well developed change management process already. So there has been more a push back in the sense of 'Why do we need this new change control process at [VCC]'?"

Therefore, former Ford members still felt that they had to continue pushing the change process forwards. Several expatriates at VCC believed they had reached a crossroad now as they simply expected VCC to make "significant progress in more integration" and they wanted to have "a couple of enablers in place". Hence, from this perspective, the crossroad meant that they had to decide if they were going to take that next step and "put in some of those enablers and force those enablers to act so that we can get on to a higher level of integration with [VCC]", an expatriate explained.

At this stage, most key actors from both sides apparently realized that there was nothing else to do regarding a closer and more intense co-operation unless they moved on to the next level of integration. And that next level meant combining fundamental ideas about finance and accounting activities in general. Essentially, this meant better linkage of the operational level to the higher levels in order to control all functions and processes. As long as there were differences at the operational level, not much more could be done within accounting and finance overall, as the following statement of a former Ford actor revealed:

> "I mean within the accounting and finance system space we have done some integration with them but we can't go much further until some of those operational decisions are made."

But there was yet another crossroad encountered. This crossroad required a decision on whether to return to the original cross-functionality that characterized VCC before the large change projects (adoption of *SPEED*, International Accounting Standards, and *'Himalaya'*, etc.) had their impact. Cross-functionality and a process view were the cornerstones within the VCC organization, if not really explicitly, then instinctively and automatically. As time went on with Ford, however, several originals and some 'new ones' at VCC recognized that their environment was also changing more and more toward functionality. To these actors, it now became obvious that progressively they had started to replace their cross-functional approach with a quite different approach. Cross-functionality previously has been almost invisible, but suddenly it became noticeable when it began to disappear. According to several actors, this disappearance posed a great danger.

Different opinions existed regarding the reasons behind this change. One original VCC actor concluded that a major problem seemed to be that there was no real master plan at the beginning for how the overall integration process should work. An original VCC member, for example, claimed, “When Ford bought the company, there was no such plan”. This manager thought the organization somehow suffered still today because “the process was driven mostly bottom-up”, which in turn led to pushing and squeezing without always having a real direction. This lack of direction, many originals believed, was reason enough for resisting these initiatives.

For the former Ford actors at VCC, the originals’ resistance was “most visible”. The explanation given was that “they [VCC] have not been very active in trying to convince Ford of their better ways of doing things, and hence they have not been very good at exporting things”. An original explained this in the following way:

> ”Sure, we can hear this from people at Ford and their management. We are poor when it comes to fighting for our good stuff, and this the entire company is suffering from. It is a little Swedish, we are very discreet. You cannot hear us and we are not visible when we are sitting at meetings together with the Americans and the English people. And these things are going on for years and something has to change, we have to make sure that things happen and argue for our views. If we do not change this, Ford sees us only as somebody who says ‘hands-off’ all the time.”

But this non-productive, so-called ‘hands-off’ response by the original VCC actors over the years did have an impact on what actually happened at VCC, simply because human behavior can change quickly when the right ‘conditions’ exist, especially where there is previously only ‘passive’ resistance to change. For example, an actor who had worked in senior management positions for around 20 years, mostly within the full sphere of *The Group*, was astonished by the speed of changes in people’s behavior during this integration process. Concerning the change in the calculation method from a ‘gross profit’ mindset to a ‘contribution margin’ mindset, this manager commented:

> “When the calculation method [from gross profit to contribution margin] finally was changed, everything happened terribly fast. There were people I was absolutely sure wouldn’t change their behavior. But it took only some months, and they had already changed their behavior. …They changed because it was what they were rewarded for. And if they wouldn’t change, there would be too many arguments and they would get beaten too hard. ….If everybody in the organization simply says: Hell, let’s focus on maximizing our contribution margin, back in the chain, you simply don’t have the power to go against it. In fact, you can really ask yourself if you are doing your job at all when you are working according to the old philosophy.”

However, the very ease with which such changes were made was seen as a great danger by this actor because of the possible implications for how VCC overall was managed. There could be an impact on how they operate, or even survive, in the future. As this actor worried:

> "In a centralized system, such as the one Ford has, decisions are taken further back. So you always have to go back to Headquarters and tell them - this quarter I think I will sell so and so many cars. And then it will soon be very clear that, I mean, they will tell you, but hell, lower the price and you can sell so and so many more cars. And we will say, but hell, we cannot lower the price, we cannot earn anything then. And they will say: We don't care about that, you will take in more money and make exactly the same contribution!"

What this actor moreover felt was that the accounting and finance people were a little special as they were not strongly supportive of their way of doing things. S/he believed that engineers, for example, should have fought harder to defend their core values, such as, for example, safety, quality, design, etc. Accounting and financial people, this actor felt, gave up relatively easily. It is unlikely; however, that many Ford managers shared this view as most of them believed they had experienced considerable resistance.

A further element that seemed to have an impact on the loss of cross-functionality was the increased importance of the Shared Service Centers. These relatively new back-office functions were physically isolated from VCC, possibly in order to reduce the holistic view. An actor underlined the big advantage of VCC's arrangement compared to Ford's:

> "…we simply could walk over to our colleagues and talk to them about things that were unclear, and check with them in the hallways, whereas in the Ford world, they sit separated from each other, not even in the same town."

Several VCC actors saw their organization's way of looking at the value chain as having a focus on the market: "If you succeeded there, you were able to 'pull' volumes, which in turn will 'pull' new investments; you will simply 'pull' whatever it is." This way of looking at the value chain, however, was not easily explained to Ford people since they did not share the view. An original VCC actor explained why:

> "…it is easy to measure lower costs and that is also what Ford is focusing on. It, however, is much more difficult to understand the reasons why sales go down due to, for example, savings in material costs or bad quality or bad design. Hence, I believe that, because you are able to control them [costs] much more easily than anything else, you focus on that. It is much more difficult to understand the reasons for lower sales, for example."

Hence, this actor noted the danger inherent in areas easily controlled. The focus from other, less obvious, but actually more important measures may be diverted. From this interviewee's perspective, control systems (or the actors) then automatically focus on the area that is seen as most easily manageable, which does lead, of course, to a greater competency in that particular field. At Ford, cost control was the area in focus.

In addition to the lack of commitment to the integration process by some VCC finance and accounting actors, there was another factor that contributed to the deviation from the original VCC course, namely, Ford's new leadership levels. And this change had apparently gone quickly as well.

> "The culture changed very fast. What is the major driver for their career now is the level of the position rather than the job content."

As a result, it became more difficult to get people at VCC to change positions between functions. Prior to the arrival of Ford, changing between functions often did not mean a hierarchical change upwards, an interviewee acknowledged. The Ford system with hierarchically placed leadership levels therefore had led to a more and more functional focus overall. Moreover, leadership levels at Ford were often most connected to volumes and budgets, which apparently was normal in mass-production companies, according to a Swedish interviewee.

Numerous problems therefore arose when Ford tried to align the two leadership level systems, and the result mostly was that, as in many other areas, Ford's ideas weighed more heavily than VCC's. Ford had followed a logic that was difficult to beat, namely, the one used by the American military hierarchy with its clearly defined and transparent decision-making order and authority codes. There were problems with this strategy, however. A change in the system meant that different people were now asked to take part in certain meetings and that information was spread to a leadership level that now included a new group of managers. One interviewee describes these new problems:

> "There are examples where people experienced that they were not invited or not welcomed to meetings since they were not at the right leadership level, but others, with lower levels, still were there.

All in all, several factors in combination apparently led to a second crossroad that was perceived mostly by original VCC members and some former Ford actors as becoming more and more cross-functional, and hence, more and more 'Ford-like'.

6.3.3 After the Crossroads and Combining 'Best Practices'

This crossroad apparently was interpreted differently by actors at VCC and Ford. Everyone had her/his own conviction that a certain way was best for VCC. The internal discussions during recent years had led to an 'unofficial,' formulaic framework that several actors used to summarize the status of the integration process. This formula was '80/20' and meant that Ford actors often only saw the 80% of the cases where VCC people showed signs of resistance to the proposed changes. Ford actors did not see the remaining 20% of the cases because they were not presented in an understandable way. Regrettably, it was exactly these cases that concerned areas where VCC actors actually wanted to preserve *The Group MC Way*, or at least preserve some elements of it.

Hence, from the point of view of the 'formula illustrators', it was unhelpful to resist on issues where there was no point in resisting, that is, in about 80% of all cases. Instead, the strategy should have been, these originals stated, to change and adapt in most of these issues and to get on with the integration, or at least the "convergence" work, in order to facilitate the co-operation. "End of the discussion" was, for example, an expression used by a number of original VCC actors in order to summarize what apparently was difficult to achieve within VCC in general, that is, knowing when to stop discussing and debating. Not only Ford actors but also a number of original VCC interviewees thought that Swedish actors in general were used to opposing whatever management proposed. Such opposition had its good and bad sides, at least according to an original [VCC] actor:

> "Swedes have a tendency to refuse until nothing else is possible anymore and particularly if control comes from the top it almost feels like a legitimate thing to be somewhat troublesome. … Moreover, when decisions have been made already, Swedes often question them anyway, even afterwards, and refuse to accept them."

Former Ford actors apparently thought of the original VCC employees most of the time during the years after the acquisition in the same way. Of course, they had only 80% of the entire picture. Therefore, this crossroad related to both parts of this 80/20 formula: accepting change in 80% of the areas simply because there was no alternative; and influencing Ford to accept change in the other 20% because of tradition as well as the possible transfer of *The Group MC Way* throughout the Ford world. The "major know-how" of VCC, its skill in focusing on process and cross-functionality, would strengthen. This was the area, 'original' VCC members and also several 'new' ones considered to have suffered most during the years after the acquisition.

Beginning around 2005, some VCC actors themselves concluded that they had to get back on track. Several original VCC managers saw it was now time to return to their roots by doing what they did best, namely, focusing more on the processes and streamlining them further. A new organization within VCC, called "Process & Operations Excellence", was therefore created with the purpose of recapturing and strengthening this process view. It was a view that apparently was supported by some members of the Ford sphere, particularly at senior levels.

Finding ways to "converge" the different mindsets and ways of working was the goal of the new organization. The word 'convergence' furthermore had mostly replaced the word 'integration', at least in the narratives of several original members at VCC. Many actors preferred converging with Ford instead of really integrating in a process that seemed to go in only one direction; integrating VCC into Ford. From now on, the guiding idea was that VCC and Ford could meet somewhere in between, or even in the sphere of VCC control working practices, possibly in some key areas, that is, in the 20% area.

The integration process, by the end of 2006, when my last interviews were held at VCC, had taken more than seven years. Yet the VCC management control system still looked about the same in many areas, particularly in the system and technology parts. System-technical changes had not yet been realized to the degree Ford had hoped for, and plans had to be made for the next four to five years in order to align them further and to facilitate other integration tasks regarding accounting and finance. It moreover seemed as if many, if not most, original VCC people began around 2005 to support the major ideas of the 80/20 concept. One explanation, mentioned by a Swedish actor, was the somewhat worsening financial situation at VCC. Profits had started to shrink to some extent, and the future for the industry in general and for VCC and its product line in particular looked increasingly less optimistic. This situation in all probability caused the original VCC actors to take a more balanced view of their own achievements.

Despite the major impression of most original VCC actors that management control had greatly changed towards the Ford Way, a number of originals, to their satisfaction and pride, felt that they had won some “battles”. On the other hand, they also acknowledged defeats, as one actor recounted:

> “…certain things simply must be done. That is the way it is as you never can win all battles, that is never possible in any dialogue. Nonetheless, you must try to keep some fixed points unwaveringly.”

Apparently, these ‘battles’ were normally fought in groups of three to five actors on each side, as “there were always some with about the same ideas when it comes to four or five certain core things”. This way of ‘fighting battles’ was seen as a good negotiation process since the two sides were then able to achieve a balance among these different core ideas, a Swedish actor explained, continuing that this kind of consensus helped convince the ‘other team’ and resulted in ten core ideas that probably were good for everyone.

> “If you find these core things, these ten new ones, five from each side, then you have really good indications that this will become something good.”

In this way, the integration process appeared, after a relatively long period of struggles during 2005/2006, to change into a relatively ‘balanced’ change process where the driving force for transformations appeared to be a simultaneous mix of ‘political’ and ‘functional’ agreements. ‘Balance’ was a key word mentioned by many interviewees on both sides, by both original VCC people and former Ford people. It also seemed as if ‘balance’ was not simply used as a rhetorical trick, but as a positive description of the experience at VCC. The narratives given by members of the finance and business control team showed that original VCC people succeeded in keeping some of their fixed points, and they started to make headway with some of their core ideas.

Moreover, the people exhibiting the greatest resistance left the acquired organization at the same time as new positions opened up for those people waiting for promotions. Contrary to the typical perception that acquisitions have only a negative effect on personnel turnover, in this case one could see some positive results. During 2005 and 2006, several key positions within VCC finance were filled with original VCC actors who often replaced Ford expatriates returning to the U.S. This change in personnel suggested a more balanced view since Ford showed it believed in the capabilities of its ‘Swedish crew’. Hence, trust seemed to have been built to some extent during the years since the acquisition.

6.4 Summary and Analysis

6.4.1 The First Contact and the Awareness of Needed Changes

The *F/VCC* case illustrates that key MC actors at VCC, originals and new ones, experienced this MC confrontation as having three phases during which certain MC integration issues were the major reasons for conflicts or problems and where particular MC differences were shown to play a major role. During the first phase, from 1999 to around 2002, the 'hands-off' approach was most visible, at least to those people still working at VCC. During this time, there was not much change to *The Group MC Way,* at least compared with what happened thereafter. Three different actor groups experienced this first phase of co-operation, however, rather differently. The main reason for this difference was that not everyone had direct contact with the other organization's system of management control.

A large group of key MC actors, for example, experienced this first phase as generally positive. This group included the managers who felt quite alone after the separation from their mother company, *The Group*, at the end of the 1960s. They wanted to be taken care of and viewed the acquirer as a rescuer who would take care of VCC in a more active way than *The Group* had. Mainly, key MC actors in the more operational and production functions of VCC experienced the major advantages of this "taking care" environment. They therefore saw this time as a near perfect situation during which the positive acquisition effect was increased attention: the negative effect, however, was not yet visible. The narratives by this group of actors thus described this phase mostly in positive terms regarding interface solutions rather than problems. Moreover, the accounts include, as opposed to findings by Jones (1985a, 1985b 1986), rather positive stories about operational control changes and changes in certain planning procedures where managers from both sides placed emphasis on increased cost awareness. To this group of actors, this phase only meant an increased cost focus that VCC actually needed and could be achieved by reducing some of the freedom, particularly for the engineers. Action planning had to be much more rigorous at VCC and engineers and projects leaders in general had to be more financially responsible.

There was, in addition to this group, another group who witnessed these first two years with Ford as having either positive or at least minimal negative impact. Mostly financial managers in the divisionalized areas, predominantly located abroad, were part of this grouping. Apparently, these original VCC actors did not experience much control change simply because they were too far away from where 'things' happened geographically or structurally. This is a finding that earlier studies in the field of MC/M&A have had difficulties evaluating since such studies have mostly dealt with acquisitions/mergers of a much smaller size. The finding in this study, where very large companies are involved, underlines the uniqueness of this particular setting (large organizational size in combination with strong divisionalization) and the impact this setting has on integration issues after cross-border acquisitions.

These two groups of original managers at VCC were rather unaware of the differences between the Ford Way and the VCC Way of management control. They were therefore also quite unaware of the changes such differences would require during this first post-acquisition period. However, a third group of actors experienced this first contact completely differently. They confronted the Ford approach almost immediately and in a rather shocking way. This group consisted of several original VCC finance managers who were situated centrally at VCC and who, apparently from the beginning, felt that this acquisition would result in large changes, not likely to be undertaken using the soft approach of 'taking care.' Some of these actors were sent to Dearborn to learn the Ford Way of management control and had already experienced a large culture clash between the two organizations in the first discussions on management control integration issues, mostly in Dearborn but also in Göteborg.

This third group of actors recognized relatively quickly that *The Group MC Way* of management control was completely different on most issues compared to the Ford Way. Some apparently sensed right away that this Ford Way would be difficult to resist as it was an approach that clearly was stronger and more direct, and, as such, was more dominant in more or less every respect compared to *The Group MC Way*. However, some believed, even then, that there was an option for VCC other than to follow Ford's legal mandate, assured by its 100% ownership, and to make the management control changes required. Others felt that nothing really could be done to maintain *The Group MC Way* because of the powerful force of an acquirer like Ford. It therefore would be illusory to believe you could resist.

Apparently, to this third group of actors, the long separation from *The Group* made them feel they were supposed to take care of themselves using their own initiatives. Because of this long-held attitude, the imposition of a new way of thinking felt like interference. This group of key MC designers and users felt they were "being controlled" by the new owner. These original VCC actors therefore experienced this first period, otherwise described as the 'honeymoon' phase, quite differently. Seeing the future, post-acquisition, some people left the company because, as they said, they were unwilling to accept such changes or because such changes would mean dramatically worsened management control for VCC.

Nonetheless, altogether, not much really changed in the management control system at VCC during this first post-acquisition phase, for a combination of three major reasons. First, Ford management, seemingly most at top levels, appreciated *The Group MC Way* of doing business in general and saw it as an approach worth maintaining for the immediate future. Second, Ford seemed to pay close attention to post-acquisition problems by emphasizing cultural issues. Particularly in this deal that included ingredients of large national and also organizational culture differences. Third, its 'hands-off' approach apparently was the result of the internal problems at Ford during that time, diverting top management's attention to quite a large extent.

Due to all this, in the years between 1999 to around 2002, some actors witnessed a strong MC ideology collision, but the majority of them did not experience such a clash. Direct contact was only possible for some key MC actors at VCC, originals and new ones; for all others, however, it was a while before they became aware of the real MC differences. While some structural integration work had started during this phase and many projects were initiated (the number '72', referring to the projects, was often mentioned), nonetheless not much was really integrated as viewed from a system-technical point of view. On the behavioral front, however, the situation apparently had begun to change as some original VCC actors by then favored parts of the Ford Way.

6.4.2 A One-Sided Change Initiator and Communication Process

During 2001/2002, most key MC actors on both sides actually started to sense the real problems with the different system languages, the different ways of doing things, and the different mindsets and cultural habits. Ford had avoided intervening strongly in such issues earlier, and they therefore did not experience large culture clashes at VCC up to this point. The size and form of the organizations involved moreover seemed to delay many change issues as information in general traveled relatively slowly through the different functions and areas of VCC. This was probably also the reason why it took a while until there was proper feedback provided from some of the large, common projects that had been initiated almost directly after the acquisition (a large platform project at Ford of Europe). Therefore, during

2001, when evaluation of new common projects really began, the pros and the cons of the acquisition integration first became visible to a larger group of key actors.

During 2001, when Ford's change demands became louder at VCC, partly as the result of increased Ford staff at VCC, many key MC actors found out about the particular fit of the management control system overall as they started, for the first time really, to look at these issues more closely. They discovered if they started to make a change at one place, change would occur in many other places. Such relatively spontaneous changes in a particular matter could, many original VCC actors believed, therefore worsen the 'holistic' approach of the management control system at VCC. Above all, the original VCC actors wanted to apply a well-thought-out approach, where small steps would be taken, steps that would not jeopardize the core business. These steps, furthermore, should be financially responsible and feasibly possible. Moreover, decisions taken should then be based on the typical Swedish consensus idea and should include all areas, a process, of course, that would take quite a long time.

Ford and their representatives at VCC, on the other hand, were used to a different approach when making decisions. Decisions were made at the top and were transmitted downwards, an efficient approach where the consequences, if bad, had to be dealt with later. The assumed greater transparency of the Ford management control system, however, its advocates believed, would outweigh any bad decision-making. In addition, compared to the VCC system, at Ford, the information flow was assumed faster due to the existence of formalized channels and the amount of detail was assumed higher. Ford key MC actors therefore believed their top managers would have the information needed to make the right decisions, whereas this would not have been the case using the VCC control model.

Around 2001/2002, when Ford experienced increasing internal problems and financially bad years, more pressure was exercised, particularly from middle management at VCC, in order to align systems but also to achieve cost savings. Adding to the pressure was the increase in all internal control functions following the SOX legislation. During this period, most involved key actors at VCC, originals and new ones, became fully aware of the differences in the two management control approaches used in the organizations simply because they now were actually confronted with the two alternatives for the first time. Although some original VCC actors knew the Ford Way from earlier contacts, these two control ideologies now started to collide as actual alignment or integration results were expected to actually happen.

From now on, the differences in the two control systems became more and more visible as the new management, initiated by former Ford actors, introduced different alignment and integration projects that were more concrete and truly accounting and control related (such as, *SPEED*). First, the actors now began to understand the more task-related differences. Here, major problems were found in the dissimilar ways of calculating, for example, standard costs for products in general. VCC applied a full-cost model whereas Ford applied a line-by-line model with detailed cost management in all functions. Another major difference appeared to be the Ford contribution margin approach versus the VCC gross profit approach, both concepts that are very typical for mass-producers and premium brands. Most other tasks were related directly to these two major streams of thinking that the original VCC actors often described as the logic behind the 'pull-system' versus the 'push-system'.

Original VCC actors were now mostly concerned about their system of management control. They described this system as holistic, cross-functional and customer oriented, as well as financially smart, since it used a model expressed in small margins (gross profit) that would send a clear message along the entire value chain and ultimately lead to increased cost consciousness. To former Ford actors at VCC, on the other hand, the prime issue was to make this model more explicit and more reliable since they did not believe in employees' cost consciousness if there were so few facts at hand (that is, only the one number of gross profit). Therefore, Ford actors wanted to increase the level of details along the value chain and to augment the amount of information available in order to enable better and more pro-active decision-making and also to increase the cost focus. The conclusion was that the Ford Way of management control was assumed to provide more detailed, more accurate, and more transparent information, at a higher level, throughout the company and all its functions.

Early in 2002, the original Ford management control idea (ideology) was, with the help of large projects (*SPEED*, *IAP*, etc.), distributed to hundreds of key finance and operating personnel at VCC. This ideology had its roots with Ford's Whiz Kids of the 1950s and was a powerful analytically and statistically influenced system of management control. Attributes such as more detail, better focus on line items, increased analyzability, and faster reporting appeared superior compared with the relatively vague and much more de-centralized and bottom line focus of the VCC approach. Such a comparison clearly favored Ford. If implemented at VCC, the Ford Way of management control would automatically raise management control to a higher level at VCC.

In short, the VCC management control approach was judged vaguer and less defined than the more precise and more clearly defined Ford approach that was described with praiseworthy adjectives (bigger, better, faster). Probably most important, the Ford approach was written in a mainstream language (in English, using a typical Anglo-Saxon control framework). In addition, the presenters of the Ford Way, themselves native English speaking finance professionals, quite clearly applied strong rhetorical devices, most likely stronger than the more product oriented, process-view admiring and group-based original VCC decision makers. Therefore, likely due to all these factors, several original VCC actors had quite a positive perception of the Ford approach within a month after they understood the required change, as presented to them, in projects like *SPEED*. Hence, some key individuals, even during this second phase, apparently changed their behavior and adopted the new Ford management control practices relatively directly.

Most other VCC originals, however, understood this required change rather differently. For them it was not a matter only of becoming more specific, more detailed, and better. Since, the Ford Way also included the move away from 'gross profit' to 'contribution margin' thinking, they understood the gross profit mindset would no longer be supported from that time forward. This intended change was not simply a 'system-technical' improvement but a change of the entire management control ideology, as some originals confessed. Furthermore, this intended change would standardize procedures and practices as well as centralize forecasting, business planning, and other analytical tools and processes. Therefore, this new direction was in sharp contrast with the process and cross-functional view VCC had applied in past decades and which had typified *The Group MC Way* but also how they operated and produced cars in general.

This was an ideology, however, that was rather difficult to describe to people who were not used to it, such as Ford actors and, for example, newly arrived Swedish managers, as its power apparently rested in the fundamental ideas behind the approach itself, namely, holistically and philosophically. Its power laid less in particular attributes that were easy to document, such as detail, accuracy, factuality, and speed. People who were acquainted with this approach considered it as a more modern approach than Ford's approach. However, most Ford actors thought exactly the opposite was true, simply because they often were not able to see the particular advantages of the VCC approach.

In general, during this second phase of the MC alignment or integration process at VCC, many of the (remaining) original VCC key actors now seemed to work more purposefully in groups in order to defend certain key values. Predominantly people who had worked at VCC for a long time, knew and supported *The Group MC Way* questioned the changes in the more strategic aspects regarding how the company would be managed and controlled in the future. These were the people who apparently were astonished to see that some of their colleagues changed their behavior so quickly.

In summary, beginning in 2002 and continuing thereafter, many new issues were pushed forward by Ford that automatically meant tougher controls (the SOX framework), more paper work, and particularly more authority changes that were interpreted as "disempowering" by many 'original VCC members. Many of these issues were, however, not really in line with the goal of bringing the organizations closer to each other in order to simplify management control or to make processes better, at least not in the view of most original VCC actors. Managers on both sides seemed to have worked hard in order to satisfy all the new demands, particularly regarding SOX, but many of these intended changes did not make the situation better, in the short run at least. The problem apparently was, during that period, that the tasks undertaken did not have a superior goal but only the lesser goals of the various projects. As the major direction at that time was not clear, it first appeared somewhat more obvious to go to VCC managers on both sides during the future years.

Therefore, many change initiatives during the years between 2002 and around 2005 were seen by the originals at VCC as increasing the control focus, as increasing cost focus, and as reducing their own initiatives. The new environment meant disempowerment and more centralization, with power being lost to Ford in Dearborn. During this period, increased resistance was the response to this experienced change, most often passive resistance that was expressed simply by not conforming to what was expected. Sometimes, however, this resistance was somewhat more active, taking the forms of confrontation where different groups fought for their ideas. This apparently often meant that the vaguer, more de-centralized, more human-based, less facts-and-figures-oriented approach associated with *The Group MC Way* was at a disadvantage.

6.4.3 A Mutual Way of Co-operation and Group Compromises

About 2005, some six years after Ford's acquisition of VCC, one of the major issues raised was whether 'convergence' rather than 'integration' was the better process. For the first time, apparently, people really began to understand the whole picture of what it meant to work together in order to achieve management control synergies post-acquisition. During 2006, VCC invested heavily in the construction of a new organization and a working team that would deal with these integration/convergence issues in total. The new organization, "Process & Operations Excellence", therefore indicated for the first time that both VCC and Ford recognized that the work environment they had created was not in reality what they wanted. It moreover seemed as if this was the first time when Ford and VCC together tried to find a common main strategy for the convergence or integration process that now involved all major areas necessary in order to achieve this goal.

The new organization seemed to be the result of the crossroad several actors had come to during earlier stages of the process. Yet this was a crossroad that apparently was interpreted in two different ways. In the view of many original VCC actors, Ford simply pushed too much in a direction that the VCC people described as dangerous. They feared losing some of their major strengths, namely, the process focus and the pull-effect. These original VCC managers feared becoming more functional, and thus more like Ford. They feared losing focus on achieving the particular product characteristics their brand was known for. They thought Ford focused too much on detailed systems and information technology issues and too little on the overall process of building cars that satisfied customers. Many of these VCC people therefore resisted these detailed and specific system-technical and mostly supporting functions, and supported a more rigorously thought through process. Many originals therefore felt that the changes were in areas that did not really improve this process. On the contrary, they thought much change actually stopped the process flow, such as, for example, the delay created by more control points, more paper work, more details, the line-by-line focus, and the reduced authority due to implementing the SOX internal controls framework.

Ford people, on the other hand, met this crossroad from the opposite side. Conditions had not changed enough in the past and whenever they wanted to make changes, they felt that they met criticism and resistance. Beginning in 2005, the feeling was one of impatience and that something had to happen. The Ford people mostly experienced VCC resistance to most of their questions even when they tried using persuasive arguments, that is, “the soft way”. Ford did not apply “the hard way” which actually was their right as 100% owners of VCC. For the most part, former Ford actors wanted original VCC actors to understand that various functions could be performed differently and often simply more efficiently. A more common way of finance and business controls was, they believed, necessary in order to achieve synergies not only within the finance department but also in all functions in the entire organization. Hence, Ford people felt that “they talked about change and continued to talk but not much happened”. Finally, after more than six years, the Ford people felt that “enough was enough”.

7. ANALYSIS AND CONCLUSIONS

This chapter analyzes the empirical data from the two cases that were presented in the previous two chapters, draws conclusions regarding the major findings, and discusses their implications with reference to earlier chapters. It moreover makes suggestions for further research. The chapter begins with highlighting the important findings of the research with the ultimate aim of answering the three research questions posed in the first chapter.

7.1 Highlighting the General Empirical Findings

The two post-acquisition processes of this study, three if one counts the purchases of *RT* and *MT* separately, have many similarities but also many differences. The explanations for these similarities and differences, however, are often the same in all the cases, namely, ideological-rhetorical ones, as described in the four sections that follow (7.2-7.5). A broad overview of the research, depicted in Figure 11, highlights the empirical conclusions in general and guides the reader to the subsequent explanations of each of the four key findings, and their application to the cases.

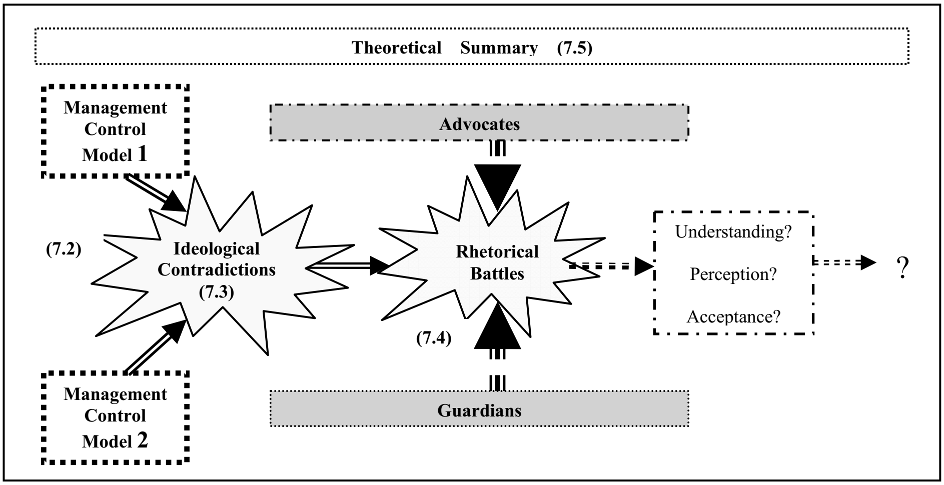

Figure 11: An Overview of the general empirical findings

Section 7.2 (*Different Management Control Models)* provides answers to the first research question (*What happens when management control ways are introduced that are inconsistent with the management control already practiced?)* as it introduces the company-wide *Group MC Way* (7.2.1) and compares it with other ways of management control (7.2.2). This *Group MC Way* was a powerful and commonly used business and control ideology that, at the time of the VCC acquisition by Ford, permeated VCC as much as it did the other original parts of *The Group*.[58] This particular management control system was quite different from systems used by many other companies, including the non-Swedish companies in this study -- Ford, *RT* and *MT*. One can easily state *The Group MC Way* ideology represented the exception rather than the rule in management control systems. The other three organizations in the study, however, all represented a similar and rather typical mainstream control ideology, referred to here as the 'mainstream MC way'.[59] Based on the descriptions from interviewed actors at the acquired and acquiring companies, these two acquisition cases demonstrated that there was consistency in the particular design and use of the management control systems applied, in the brand-specific core characteristics of the products produced (premium versus non-premium), and in the core values of the actors themselves. These distinctions became 'visible' to the actors when they were presented with clear alternatives. Sub-section 7.2.3 then closely examines the two models and the different focuses of the acquirers. Sub-section 7.2.4 summarizes the entire section.

Section 7.3 (*Ideological MC Contradictions)*[60] then offers answers to the second research question (*What are the consequences of such management control contradictions and what are the different responses of key actors to the pressures towards conformity exerted on them?)* as it describes the consequences of direct contact between these different management control models more closely. Here, the four aspects of management control actors' experienced reality, using an example, are named and defined (Sub-section7.3.1) before examining the entire picture of the different management control realities applied in the form of different topoi (Sub-section7.3.2). In addition, contradicting decision- and action-rationalities are evaluated (7.3.3) as are the contradicting concepts of logics and rationales outlined in more detail (Sub-section7.3.4). Sub-section 7.3.5 summarizes the entire section.

Section 7.4 (*The Major Influence of Rhetoric/Persuasive Power),* presents answers to the third research question (*How, if at all, are the subsequent conflicts resolved, what are the major elements and forces that thwart or enable the implementation or integration of such management control ideologies, and how strong are they?)* as it makes a closer evaluation of the elements and forces that both thwart and enable real changes in management control practices in cross-border settings involving acquired multinationals. Sub-section 7.4.1 provides some results on the physical versus the socio-ideological (or mental) MC changes. Thereafter, in sub-section 7.4.2, the visible processes (incremental approach) and their main actors (advocates and guardians) are examined more closely. In sub-section 7.4.3, the rhetorical battles that have taken place are examined and advocates' and guardians' use of rhetoric/persuasive devices are analyzed further. This sub-section therefore reveals where the real power lies in acquisitions, namely, in the strength of these rhetorical/persuasive elements. Similarities and differences, as well as advantages and disadvantages, are presented as well. Sub-section 7.4.4 explores the limited power of

[58] In this chapter, Volvo in general, counting for both VCC and *The Group* then, is replaced by *The Group* demonstrating that it actually is about the same control way, hence *The Group MC Way* then.

[59] I call this model "the mainstream" for three reasons. First, the three brands (Ford, *RT*, and *MT*) are rather similar, especially compared to the exceptional brand (Volvo). Second, interviewees have used this term themselves. Finally, the descriptions have mainstream character already, taking into consideration the earlier discussions in the theoretical discussion of this study.

[60] The word 'contradiction' is used in order to illustrate "the opposition between two conflicting forces or ideas" (WordReference.com), i.e., here the management control models studied.

coercive legitimacy that only works to a very small extent and only in particular situations and contexts, in certain directions, and for particular management control issues. Sub-section 7.4.5 summarizes the entire section.

Finally, Section 7.5 (*Theoretical Summary and the Study's Wider Significance),* is a theoretical commentary that concludes the chapter by presenting the most relevant aspects of this study from a specifically theoretical standpoint. Sub-section 7.5.1 first guides the reader through different worlds that require translations. Next, sub-section 7.5.2 discusses management control and intra- versus inter-organizational rhetoric, something that apparently was essential in the case companies in order to really acquire an understanding, perception, and acceptance of management control practices before most other things (installation or internalization) were possible. Sub-section 7.5.3 then turns to an area where the gap between practice and theory is examined more closely with assistance from the findings from this study (practice). Sub-section 7.5.4 compares the findings of this study with earlier studies and sub-section 7.5.5 finally presents the overall conclusions.

Section 7.6 makes suggestions for further research into the problems and issues raised by this study.

7.2 Different Management Control Models

7.2.1 *The* 'Common' *Group MC Way*

This study is particularly about one management control model, namely, *The Group MC Way*, and what happened to this model when it came in contact with the MC models of three other brands, Ford, Renault, and Mack. Despite the fact that several original VCC interviewees understood the reality of the divorce from *The Group* even during the late 1960s when the great division between VCC and *The Group* took place, the two cases examined in the study reinforce the conclusion that this divorce mostly was relatively weak, structurally and physically. Therefore, in many people's opinion one can group both approaches to management control, as used at VCC and at *The Group*, as one and the same management control way, at any rate when compared with the non-*Group* ways. Hence, VCC and *The Group*, before the acquisitions at least, had constructed a common management control way.

Historically, *The Group* was a Swedish company that began with a European distribution channel that became later, from the 1970s onwards, during the Gyllenhammar era, a global network of strongly empowered marketing and sales companies. The interviews for this study revealed management's strong Swedish anchoring and the historical background of the original *Group* that, in general, had promoted certain types of behaviors while restricting others (Kostova & Roth, 2002). Cognitive pillars of institutionalization at all original parts of *The Group* have therefore led to a shared social knowledge and to other shared cognitive categories such as values, beliefs, norms, and assumptions (Schein, 1995) about human nature in general, and, in particular, about human behavior. This commonality was therefore not unusual, given the institutional context and the setting that had formed this similar outlook and approach.

Moreover, there was a rather specific relational context between *The Group* Headquarters and the other original *Group* parts such as *VT* and VCC. The inter-dependency among these different *Group* parts was relatively weak, especially during the years preceding Ford's acquisition of VCC. Additionally, many actors at VCC sometimes felt alone and not really adequately supported by *The Group*. Yet VCC had wide latitude for freedom of action, consistent with one of the cornerstones of *The Group* management philosophy overall, namely, placing power in the business areas, where the actual business was conducted. Trust was an important factor in this philosophy and a fundamental element in *The Group's* organic growth over the years.

There were, however, other factors that strengthened the relationship between *The Group* Headquarters and the original parts of the company. Among these factors was the shared concern for strong brand identity, the common local history, the geographical proximity of the major organizational units at Hisingen, Göteborg, as well as the original actors themselves, most of whom were Swedish. In particular, group actors identified both individually and jointly with their brands even though, for example, the brand meant cars for VCC and trucks for *VT*. Independently of where these 'originals' were situated, it seemed the brand characteristics (quality, safety, and environmental care) provided the strongest common ground in this relationship. The importance of the brand was fundamental to company identity because it represented the values and the clearly identifiable goals the actors believed in, as the interviewees with VCC and *VT* maintained. As such, one can say that these product characteristics represented *The Group MC Way* more than anything else; this conclusion also appeared obvious when looking at the language spoken by finance and accounting people. Thus, the three product values, or brand identifiable characteristics (quality, safety, and environmental care) had a very strong effect on how most *The Group* people, not just the engineers, thought. In second place, were the values associated with the typical characteristics of people or business relationships. Still further down in the hierarchical ranking, it appeared, were the financial processes and systems that, in the past at least, always had to be mostly supportive and administrative rather than controlling.

Of utmost importance in *The Group* sphere, however, was that, despite the close linkage created by the shared values resulting from the dominant Swedish anchorage and history, *The Group MC Way* implied strong local empowerment. Above all, this meant that systems and processes were adapted to the needs of local circumstances, often by local management and local staff. *The Group* 'business logic' as such therefore appeared to be very locally oriented and worked in most cases according to the prevailing social values, ideas and conceptions of the particular context or setting. Hence, this management strategy was a very contextual adapted business logic that also had a major impact on management control in each business area. Therefore, the most visible power fields in *The Group* sphere took place between the local and central parts of the company. Importantly, it seemed as if local power was stronger most of the time.

Despite all this, *The Group* had historically been a Swedish multinational with a strong propensity for typical Swedish management and decision-making styles. Its main focus was on engineering that produced the (premium) 'value' of *The Group* cars and trucks in the form of well-known 'characteristics'. This was a view that apparently has been translated and communicated from generation to generation of car and truck builders, and therefore it has become the logical mindset of people working there, including those in accounting and finance. Hence, it was 'the way to produce these products' that historically had been at the focal point for VCC and the other parts within *The Group*. Sometimes this attitude was taken to its extreme in the occasional situations when the company struggled with achieving these 'characteristics', regardless of the money and time required.

Therefore, in the past, this *Group MC Way* had a high quality control function as organizational members apparently knew the different mechanisms required to strike the right balance between 'control' and 'steering'. Since the corporate ideology of *The Group* historically appeared to match key people's assumptions (Schein, 1995), the old way of management control at *The Group* was therefore also an action facilitator that was useful in making the right decisions. In this way, *The Group* MC ideology also had a strong motivational function because it encouraged enthusiasm and social commitment among the organizational members. Additionally, the ideology served a legitimizing function internally, as most of the internal organizational members shared the same beliefs and desires.

7.2.2 Real Alternatives Make MC Models 'Visible'

The commonly shared *Group MC Way* had generated particular management control practices that were different from those the actors from other companies were used to. Most actors, however, only noticed these differences when they really were directly confronted with this concrete alternative way of management control. The narratives in the interviews indicate clearly that actors often had taken controls for granted or they almost been blinded by practicing management control in a certain way over the years, or even decades. For example, *The Group MC Way* of applying its standard costing techniques in combination with the 'gross profit' steering philosophy was so habitual for most original *The Group* actors that they rarely thought about its real meaning or its pros and cons. Similarly, Ford's contribution method, together with its concept of 'actuals' and the core numbers representing PF3, was a control procedure of interest only when it was compared with a real alternative, such as *The Group's* 'gross profit' philosophy.

Apparently, a benefit of these acquisitions (VCC by Ford and *RT/MT* by *The Group*) was that actors could see alternatives to their working practices as well as define their own practices. Hence, by comparing and mirroring during the first contact phases, actors were forced to take positions on the control philosophies. At the beginning, this probably occurred in a rather uncomplicated way, as the summary sections in Chapters 5 and 6 have illustrated, when they recognized a certain fit, coherence, or connection existed between the different management control elements (actors, ideas, systems, structures, environment, practices, etc.). It was then that these actors most likely started to make sense of their organizations and the way things worked through processes. Weick (1995) has described this process using his seven sense-making characteristics (Section 3.2).

As mentioned previously, Ford used the mainstream MC way more effectively than *RT* and *MT* by applying it in a very sophisticated and committed manner. Therefore, the Ford model appeared to be strongest in contrast to *The Group MC Way* with which it collided directly. Actors' comparisons, their mirroring and contrasting, were therefore as straightforward as possible, similar to how the integration process worked in the *RT* and *MT* acquisition. Thus, seeing clear alternatives enabled comparisons, evaluations, and also a definition of one's own way of management control. As these differences between the different management control models became apparent, the contradictions arose that would become problematic later on.

As has been described, *The Group* actors, both at VCC and at *The Group*, apparently focused their attention on the characteristics of the vehicles produced (quality, safety, and environmental care), seemingly sometimes to extremes. System-technicalities were then only used as support tools to achieve set goals related to these characteristics. Within the mainstream MC way, hence at Ford, *RT* and *MT*, it appeared, however, as if functions had been for decades the drivers of business, although 'finance' and 'IT′ had actually gained very strong positions in the companies.

Ford, for example, applied, or at least historically had applied, a 'finance and information technology' view, according to the Swedish actors at VCC. This meant conducting business with the aim of reducing costs rather than taking a process view. System-technicalities therefore were central to Ford. As a result, they adapted their way of working in general as well as their processes to the system-technicalities (IT, storage capacity, system performance drivers, etc.). To several Swedish actors, this way of working where control functions had such a strong role was seen as typically "American" or "Anglo-Saxon". Neither finance nor information technology apparently had achieved the same status at VCC as at Ford, at least prior to the acquisition.

The narratives also demonstrated that *RT* and *MT* applied an organizational methodology that was very similar to the one used at Ford. Apparently, *RT* and *MT* were historically used to a rigid control framework with explicitly defined procedures prior to their acquisition by *The Group*. Above all, people described *RT* as a very structured company where systems, although rather old, generally played a strong role in the aggregation and transfer of data. Actually, information technology systems, prior to the SAP implementation at *The Group*, were more integrated in many respects at *RT* than at *The Group*. *RT* members seemed also to follow a much more rigorous and detailed information collection in their areas than *The Group* did.

To achieve controlled conditions, Ford, for example, created all kinds of standards against which other conditions could be compared, almost as in scientific experiments. The narratives about the "Whiz Kids" perfectly revealed this methodology that gave the appearance of rationality based on 'facts' from which 'logical' conclusions could be drawn. Swedish managers also often emphasized the Americans' belief in the power of details, statistics, and numbers in general. It appeared that more 'facts and figures' were simply better in an American context than fewer such numbers in the Swedish context, as was often the case, the Ford actors said.

Overall, the mainstream MC system, particularly as exemplified by Ford, seemed to have gained in strength to such an extent over the decades that it had reduced the freedom of the individuals to quite a large extent. The typical individualistic American worker (Hofstede, 1980) did not seem to have much opportunity to behave independently at Ford since the system itself governed most behavior, certainly when compared with *The Group* system. Within the Ford world, for example, deadlines meant deadlines, whereas Swedish managers at *The Group* were more relaxed about them. Moreover, the system was the frame of reference at Ford rather than individuals' needs. Personal relationships were more important in *The Group* world, on the other hand, and rules of how to work at a certain place or subdivision were more adapted to the particular situation and often to the particular management team. Thus, it was difficult to write clearly stated and universal rules for all *The Group* areas.

Moreover, it seemed as if the system at Ford was structured in a way that enabled a higher predictability about the future and the individual's role in it. Hence, the system maintained its strength, for example, by offering certain career paths and by promoting a particular responsibility clearly in a certain position. Ford actors, for example, for the most part experienced this career structure as 'being taken care of'. Original *Group* people, on the other hand, interpreted this career structure as a control function simply because they did not look for responsibility to the same extent in *The Group* world as people did in the Ford world. Therefore, within the mainstream MC model, there seemed to be less space for moments of judgment and validation than in the original *The Group* model which had been 'shortened down' with the help of certain rules, certain layers of authority, and certain required procedures.

All in all, the mainstream MC model appeared to be much more norm-based than *The Group* MC model. These financial norms were historically exported to different areas within the mainstream MC organization with the help of strong formalized and organized structures, particularly at Ford. *The Group* information system in general seemed rather informal compared to, for example, the Ford system. It was furthermore, in *The Group* system, much more uncertain what the message had to look like and which way it had to go, since this could vary from place to place.

In *The Group* sphere as well, the individual was closely defined in her/his professional role as someone with broad financial responsibilities. Thus, a *Group* management control original was a person and a professional at the same time whose professional role was to support and administrate, in certain cases to steer, and sometimes to softly manage the processes that led to the production and selling of premium cars and trucks. A mainstream MC actor, on the other hand, seemed to focus much more strongly on a particular finance job than her/his *The Group* counterpart. This actor therefore did not experience being controlled on a personal level to the same extent the Swedish actors normally did. Hence, a mainstream actor saw the introduction of SOX, for example, only as a means to organize working matters, not as a way to control the individual, contrary apparently to how Swedish actors perceived the legislation.

'Control' in general seemed to be a negatively charged word in the Swedish sphere of *The Group*, while Americans and French actors reacted positively to the word, or at least more pragmatically. According to most interviewed non-Swedish actors, management control was all about controlling and that was exactly what a management control actor was responsible for. At Ford, for example, controlling costs most of all had achieved a high status not least since cost control had been the company's foremost goal for decades, or actually, ever since the company's founding. For *The Group* actors, on the other hand, management control was about a mix of 'business control', 'leadership', and 'steering', which the Swedish word "*ekonomistyrning*" probably best summarizes.

Many original *The Group* actors described the structural characteristics of the Ford system as hierarchical, where decisions were made only at the top. They saw this system as 'old-fashioned' and believed that such communication would include the risk of wrong translations and hence be similar to telling fairy tales. Ford actors, on the other hand, saw this system as a major strength where the structural form allowed high transparency and the fast transmission of formalized and standardized information (such as PF3). The Ford financial language was a precise and almost technical way of business control, in the opinion of the Swedish actors. For others, the language was more detailed and more accurate than the language used in *The Group MC Way*. Ford actors as well felt the need to find the 'real costs' and 'actuals' instead of standards only, an issue some Swedish actors questioned as being possible at all.

Moreover, the communication systems at VCC were not what Ford actors were used to. Expatriates at VCC felt lower management at VCC gained nothing when sending information upwards in the organization. Original *The Group* actors, however, believed the focus should be more on the actual use of the data collected and not only on the data per se.

They felt that Ford was mostly interested in gathering data, and the use of this data was secondary in importance. The more hierarchical structure within Ford could explain some of this difference as decisions simply were made higher up in the Ford sphere than in the VCC sphere. Ford actors also argued that in order to be able to make real use of data, you first had to have reliable and detailed data. In fact, you had to have large amounts of it, the more the better. VCC actors, on the other hand, believed that vast amounts of data prevented them from 'seeing the forest for the trees'.

The different processes of decision-making were closely linked to all the above-mentioned arguments. Swedish actors, for example, believed that internal friction among members of groups at different levels would filter away bad decisions in their systems (pro-active decision-making), whereas the mainstream system, again best represented by Ford, was built on finding 'facts and figures' in order to make the right decisions (at the top) and to execute things quickly (and then deal with the consequences later). Ford actors, for example, seemed to believe in powerful, positive words and expressions such as purposeful, clear, actual, and full control that all were goal directed and therefore had immediate appeal. Conversely, *The Group* actors were often rather sceptical regarding such superlatives and preferred a more nuanced language, somewhat more typically Swedish, hence '*lagom*'. This in turn was interpreted by mainstream actors at Ford, *RT*, and *MT*, as diffuse, vague, and lacking in total commitment.

Most mainstream actors considered hierarchies and control points as ways to increase transparency, an opinion some Swedish colleagues within the original *The Group* sphere shared. The majority of the Swedish actors, however, regarded such characteristics as old-fashioned, bureaucratic, and, above all, dangerous. The danger apparently lay in the different information flows because the Ford approach increased the tendency to direct information from *The Group* towards the new Headquarters only. This tendency could reduce the cross-functional approach that was one of the cornerstones regarding the cross-functional processes needed in building cars at VCC.

Therefore, the major problem appeared to be that the mainstream MC way compared to *The Group MC Way* reflected different views on the kind, quantity and purpose of the information that had to be accumulated by the management control systems. The two methodologies had apparently somewhat different visions regarding the use of the information collected. Mainstream financial managers focused most of their attention on cost issues, directly and whole-heartedly, while *The Group* financial actors had other concerns. They therefore balanced between a cost focus and a focus on revenues, something mainstream finance actors, according to some Swedish actors, apparently had given up on a long time ago.

Of course, all this meant that during the post-acquisition processes there were at least two possible courses of action. Management control practices had simply followed the logic of the practitioners, and this had created two different ways of management control in which certain terms and expressions had different meanings and importance. Moreover, the interviews revealed that the biggest problem was not the 'factual' way of doing things but the underlying assumptions for why certain things had to be done in a certain way.

7.2.3 The Models and the Different Focuses of the Acquirers

Apparently, in older organizations such as Ford, *The Group*, *RT*, and *MT*, there is a close connection between key management control designers and users and the models themselves.

The cases show that these particular organizational actors, in order to adapt to the particular environments, had to respond to certain problems in order to facilitate the efficient production of certain products and to support the processes needed for management control. Therefore, these actors with management responsibilities have, over a long period of time, tried to find the best possible solutions for harmonizing and adjusting management control work in their organizations. This is most likely a statement probably all interviewed actors would agree with. One can therefore declare that the models and many key actors in the case companies have generally ‘evolved’ systematically and logically over the decades, but even sometimes by accident.

Both management control ways, *The Group MC Way* and the mainstream way, seemed therefore to represent two particular consistencies, namely, an internal and an external consistency (Figure 12 below). Most ideas as illustrated in Figure 12 are unoriginal since they chiefly summarize what we already know from numerous textbooks and articles, as discussed in the theoretical framework of this study.[61] What is new, however, is the illustration of the two separate management control models where we discern the major role of actors. Contingency ideas most often have left out this major variable (very evident in the overview of Chenhall, 2003).

The internal consistency, for example, is made up of the particular actors and their MC ideas (strategies, visions, and control ideologies), which in combination with the actors' constructed management control structures (systems and processes) have led to particular management control practices. Management control practices never exist without practitioners, hence the actors. Normally, or at least in the good cases, there is internal coherence between the MC ideas, the MC structures, and the MC practices as they develop together over time. MC structures, in their most artifactual way, could hypothetically exist separately from the actors, while MC ideas and MC practices, on the other hand, are always tied inseparably to them, as Figure 12 illustrates.

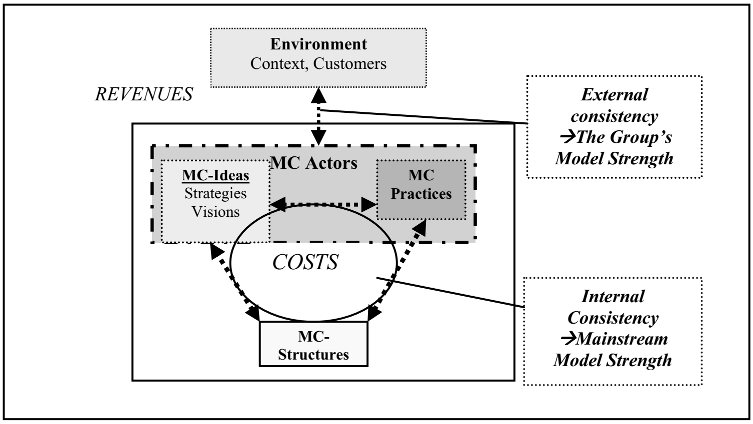

Figure 12: A consistency model - The coherence between actors and more contingent factors

[61] Particularly the new edition of “Issues in Management Accounting” (Hopper et. al., 2007) is enlightening regarding this figure since this version includes contemporary research and tries to avoid a conservative and simply technical orientation.

The external consistency, on the other hand, is created by the interplay between these internal parts and especially by the environment of the organizations, which, broadly defined, includes the combination of external physical conditions that affect and influence the organizations as well as the complex of social and cultural conditions. These social and cultural conditions then affect the behavior of the actors within the particular organizations.

The interviews showed that the major strength of the mainstream MC model was its orientation towards internal consistency. MC structures were then formalized and standardized as much as possible in order to attain commonality, and actors' behavior was streamlined as much as possible with the help of rules and descriptions. The goal was a controllable internal environment. Moreover, MC ideas were made as visible and clear as possible in order to appear rational and also to effect a more formal structure. As a result, MC practices became more routinized and formalized. These aspects were most visible in the case of Ford where internal consistency was much more evident in the narratives of the interviewees than at VCC, for example. But also the cases themselves spoke a clear language as the narratives in the *F/VCC* case strongly focused on internal consistency issues overall, in fact much more strongly than the narratives in the *V/R/M* case did.

In the *V/R/M* case, the situation was the opposite as the major strength of *The Group MC Way* appeared to be its external consistency, hence contextual dependency. Particularly, however, the link to customers was very visible in *The Group MC Way*, although not in the mainstream MC way. This difference underlines the genuine customer focus of *The Group* overall. In addition to this, *The Group* applied a de-centralized and locally anchored organizational structure that also resulted in rather different MC practices, hence local MC practices, as the narratives regarding the FPP white-book perfectly illustrated.

What, moreover, the interviews showed was that the internal fit to *The Group MC Way* had limitations precisely because *The Group* actors were oriented strongly externally and ranked switching customers' demands higher in their priorities than the other three brands did. A too stable, too formal, and too standardized internal system would than jeopardize the entire pull system, as *The Group* actors believed. *The Group* Headquarters actors therefore wanted business areas to deal with their problems themselves as long as possible since they felt that the entities close to the customers had better ideas of how to solve customer issues. Hence, one could see that *The Group* control ideology was rather shattered on a global scale simply because they strongly supported the idea of solving control problems regionally.

Ford, on the other hand, acted quite differently since they tried to increase this internal fit to the greatest possible extent in order to achieve coherence, commonality, transparency, and, by extension, a totally reliable and controllable central and internal management control model. Certainly, the Ford MC model collected data about external environmental changes and customers' demands, but the information, as it seemed, was still transported to the center, where, in an accumulated form, it was compared with data mostly from production. The major reason seems to derive from the core idea of the founder Henry Ford, namely, to produce cars in a highly efficient manner, even if the cars do not always satisfy the customers (push system). This at least was what *The Group* interviewees believed, since many Ford actors considered themselves to have the same strength as *The Group*, externally as well as internally, when translated into the language of the model described above.

As far as the two acquisitions, there was a large difference regarding this internal and external consistencies and the way the acquiring organizations tried to proceed. Ford, for example, after a period with no large change intentions for two to three years, around 2002 began to increase this internal consistency at VCC as much as possible in order to implement a more efficient and reliable management control model. Therefore, much of the work at VCC exactly had to do with 'increasing and improving' this internal consistency, as the narratives clearly reveal since most descriptions and stories were about such issues. *The Group*, on the other hand, after the acquisition focused strongly on exporting the ideas of this external consistency. They wanted *MT* and *RT* to focus more strongly on customers, prices, revenues, and the like, and less on internal costing techniques and administrative tasks.

For most mainstream actors, it was almost impossible to do too much work internally in order to achieve this internal consistency that increased efficiency and reliability and provided a basis for real decision-making. Furthermore, such an internal focus did not mean taking your attention away from your customers or competitors since you were able do both at the same time. *The Group* actors, on the other hand, were rather sceptical regarding the true focus on both areas and they therefore chose to keep their orientation primarily on customers, apparently sometimes by paying the price internally. From their point of view, a great danger during post-acquisition work was focusing ever more strongly on internal matters and relaxing the focus on customers.

Hence, when management control actors tried to increase the internal consistency with the help of all kinds of integration work, the external focus was at greater risk some original *The Group* actors feared. This logic was visible in the case of *The Group* during most of their post-acquisition process, but at VCC, however, this logic became strongly obvious only after around 2003. Integration work automatically seemed to put a pistol to the heads of most responsible actors as the focus was on connecting internally. This in turn, according to these Swedish actors, could lead to blindness to external affairs. One therefore had to be careful that discussions overall did not deal with integration issues too much at the cost of customer focus. Again, *The Group MC Way* advocated a balance between having rather efficient systems, processes and practices in place internally when combining the three brands, but not, however, at the cost of allowing the different parts to focus on customers externally, which the competing strategies best illustrated. Thus *The Group* actors believed that there was no choice except to maintain both focuses. Ford was given as a typical example of such a failed project.

But this '*The Group'* concept had been challenged during the post-acquisition period as Global Trucks intended to improve the internal fit considerably with the help of the increased use of performance measurement systems, more transparency, and an augmented focus on details. This, however, did not work at that time since the organization was not ready for that. Actors' narratives, however, demonstrated that the situation looked somewhat different around 2005/2006 as the three truck brands seemed to have matured somewhat. Some increase in internal consistency seemed possible or even unavoidable (back-office functions, at least) in order to achieve some balance between internal and external consistency.

Within VCC, however, the situation was different. Many original *The Group* managers, beginning around 2004, felt that the holistic approach that focused on customers as much as on internal processes to achieve the more efficient and also cheaper production of premium cars was in great danger. The company was at a crossroad. However, as the acquired organization, they were subject to the change demands of Ford and their extended arm, the expatriates at VCC.

Furthermore, the largest challenge was that after acquisitions, two separate models, both with an internal and an external consistency, regardless if good or bad, and regardless of their strengths, had to be brought together. Various options were possible, ranging from doing nothing at all to doing everything at once in the integration of MC ideas, practices, structures, and actors. Decisions had to be made regarding these different possibilities, decisions that ultimately would have an impact on the internal and external consistencies, at least if you wanted to achieve synergy gains. Here, problems eventually arose as the external environment and customers, for example, could not be exported together with the internal environment.

After the acquisitions, the external consistency therefore always seemed to be tested to a great extent. This is also the area that in the past has attracted the most attention by researchers in the explicit area of MC/M&A (Jones, 1985a, 1985b, 1986, 1992; Granlund, 2003; Nilsson, 1994, 1997, 2000, 2002). Nonetheless, the cases in this study illustrated that it is the combination of both, the external and internal consistencies, that is the crucial point when organizations differ. That area has been little examined simultaneously.

Moreover, the interviews illustrated that the external consistency always appeared better in its original environment than in the new organization's model, which is the premise of contingency theory (Donaldson, 1995). The interviews, however, also demonstrated that it not necessarily that this external consistency was better from an objective point of view. It was enough that things appeared so to the actors who had been part of the building of these MC structures, a finding most visible in the case of the *VT* actors. The appearance rather than the reality determined how actors felt and acted.

Actors had to experience both, internal and external consistency, or the lack thereof. Formal written statements and other texts concerning these topics did not solve the problems. The way these models (the physical and non-physical parts) in both organizations had developed over time was therefore consistent with how these actors thought, acted, and reacted in order to achieve the favored consistency, internally and externally.

The acquisition cases also illustrated something else. MC practices apparently became 'visualized' for the actors when real alternatives existed that could be used when mirroring and contrasting. Management control systems and more physical processes in large multinationals, as in this study, on the other hand, had become so complicated and complex that single actors, and often also larger groups of actors, regularly could no longer see or make sense of the entire picture. These systems often became more obvious only when breaking them apart and loosening up processes in order to integrate them with other systems in the acquired/acquiring organizations. An example is the project *'Himalaya'* at *F/VCC*. At the same time, however, all the problems in the alignment/integration process became visible as well. As a result, the range of difficulties increased, as was especially true at VCC.

7.2.4 Summary

The previous sections have illustrated that there are primarily two main models in this study. Actors have noticed the characteristics of the new models, but also of their old models, only when confronted with a real alternative. By mirroring and contrasting, these actors then gained a real understanding of their own ways of management control, allowing them to define and label their particular ways. At this moment the consistency and coherence between these actors and their practices became obvious to them. In addition, the logical connection between actors and practices also were the reasons, in most cases at least, that certain practices were seen as better and others as worse. As actors observed colliding elements, they began either to co-operate or to resist.

Table 4 below summarizes the characteristics of both models. Most organizations and their actors at least try to work as efficiently as possible (or to appear that way to the outside world, in any case). In order to do that, practices in mature and well-established organizations simply are developed in a way that appears to have the best fit, as in an orchestra. But precisely this vital connection between actors and the other elements of the management control model is what contingency studies (e.g., Donaldson, 1995) for the most part have overlooked.

Characteristics	The Group MC-WAY	The Mainstream MC-WAY
Control philosophy:	-Special & rather unique -Typically Swedish	-Mainstream - Anglo-Saxon/Continental/French
Object of Control:	-Ends (output) strongly	-Means (behavior) strongly
Type of Control:	-Strongly cultural control (Shared norms of performance and philosophy of management)	-Strongly formalized control (Company manuals and formal performance reports)
Feeling/control tool:	-Business feeling at most places	-Budgeting at most places, -HQ is thinking business
Management control focus:	-Externally (customers) and internally (less)	-Mainly internally (systems and processes)
Control motto (e.g. SOX applications):	-Reduce depth but increase width (balanced view) -Generalist	-Go into the depths as much as possible
Key technique used is:	-Gross-profit and Bottom-line accounting -Drives 'cost consciousness' backwards	-Contribution-margin thinking -Cost control 'evidence' from the beginning
Standard costing policy:	-Get as many costs out to the customers as possible -Rather too much accounted for than too little	-'Actual' standards needed, precisely -Rather know what the lowest needed contribution is than anything else
Control content:	-Appropriate clear	-As clear as possible
Focus/work way:	-Cross-functional, process	-Functional, hierarchical
Main driver for business/projects/product development:	-Work ways and processes necessary to achieve core characteristics	-Finance and IT –tools, system technical possibilities within organization
Business Control as:	-Steering function -Forward driving activities mostly -Future oriented	-Control function -Strongly backwards looking -Past oriented
MCS and Brand:	-Should generate Premium Price Products (Premium-brand) -Major goal is to achieve as high price as possible	-Is generating Price Conscious Products (Mass-market) -Focus on producing as cheaply as possible
Status/function of Finance	-Administrative & Supportive & then Determining -Sell solutions to business areas	-Key role in determining what projects to invest in -Force business areas to do certain things
Information needed:	-De-centralized (business areas & units)	-Centralized (Headquarter)
Power lies mostly in:	-Actors/Behavior	-Systems/Formalized
Decision-making is:	-Focus on consensus -Done close to customers -Focus on the content of the discussions (means)	-Hierarchical, management levels -Done at Headquarter and high levels mostly -Focus on the decisions (ends)
Information must be:	-Easily accessible & understandable & situation specific everywhere	-Aggregated & precise and same format and formal in order to deliver upwards
The key actors are:	-Financial "business partners"	-Financial "professionals"

Table 4: Typical Characteristics of both Management Control Models

7.3 Ideological (MC) Contradictions

7.3.1 The Four Aspects of MC Actors' Reality: An Illustrative Example

The immediate implications of the case studies and the discussion above are that these organizations have developed different patterns for communication but also for understanding the content and meaning of such communication. This finding is most visible in the case of *F/VCC* where the mirroring and contrasts were most noticeable. The actors' narratives very often differed, depending on the historical background of the interviewees; they were apparently not always understood by those who had 'grown up' in another system. These actors constructed their realities by speaking about them (Czarniawska, 1997) and what they mentioned and described was how they perceived and made sense of what was and had been going on (Weick, 1995). Apparently, different actors made sense of the changes that had taken place in the multinationals after the acquisitions in different ways. On an aggregated level, however, clear similarities and dissimilarities were apparent in the two acquisition cases, permitting a closer analysis.

Previous sections of this study have illustrated that *The Group MC Way* was moderately different compared to the mainstream MC way (at Ford, *RT*, and *MT*). *The Group MC Way* was the exception rather than the rule. As such, the control ideologies revealed in the different multinationals can be translated into the model of reality proposed by Norreklit et al. (2006) in order to illustrate the similarities and differences of these dissimilar communication patterns. Thus, both acquisition cases showed that key management control actors actively acted, shaped and reshaped the structures within the multinationals. However, different rationales were offered for such actions. The model by Norreklit et al (2006) was outlined in the methodology section of this study, but no further explanation was provided thereafter in order to avoid the excess detail and unnecessary complexity that would have detracted from the original story with its focus on the 'integration cases'. Nonetheless, as now explained, one of the major 'issues' described in the empirical chapters closely illustrates how actions, and the obstruction of intended actions, during after-acquisition-alignment-work, can be the result of a rather complex inter-dimensional integration process in individuals, called "topos" (Norreklit et al., 2006).

Let us take the case of the crossroad encountered when aligning MC systems and processes at VCC. Apparently, the different product numbering systems at Ford and VCC were the generators of many problems experienced within the areas of management control where different steps might have solved the problems. Typically, historical data and experiences are raised by organizational members in order to discuss necessary changes. Such data often is presented in the form of gathered empirical evidence, hence 'facts' using a word from Norreklit et al. (2006). Ford managers, for example, provided the empirical 'facts' that Ford of Europe employed around a hundred people every day to translate and decode data from one system into another, at a cost of much money and time. This was also a 'fact' or an epistemological objective statement (Searle, 1995, p. 8). In this case, these were 'facts' that probably were recognized by most actors on both sides, independent of who had to pay for the resources since the evidence seemed rather clear. In many other cases, however, there may have been in-depth and long discussions about the validity of certain facts as some people may have had an interest in showing larger or smaller numbers in order to achieve a certain purpose.

Mistrust of facts is very common as the quotes concerning the numbers from the consulting company and Global Trucks in the acquisition case of *V/R/M*, for instance, illustrated. For a year or so, people from the different brands questioned certain 'facts' as the evidence given did not convince everyone. The 'facts' presented were the products of different accounting techniques and different arrangements resulting from dissimilar costing methods. Hence, what was behind the facts made the difference and not the facts themselves. The same numbers furthermore did not automatically mean the same thing because they had been produced by different systems and different actors, as the *F/VCC* case with the problems regarding the key measure PF3 illustrated. Therefore, these numbers represented not only different physical elements but also many elements with non-physical characteristics.

A fact that was recognized as a fact by a certain actor or a certain group of actors was therefore questioned by other actors as they valued this 'possible' fact not as a fact. Apparently, the validity (the word 'validity' is derived from value!) of facts never is independent of the constructors or the observers of these facts. All this is dependent also on the methods used to produce, visualize, and observe as was clearly evident in the discussions that followed Global Trucks' attempts to make performance measurements. Therefore, the great challenge during these post-acquisition processes seemed to be that facts always needed to be recognized and established first by the different actors from the different sides in order to be called facts (Norreklit et al., 2006). This is precisely one of the greatest challenges following M&As because the lack of trust in people and in numbers may be the rule rather than the exception.

Despite all this, 'facts' are past (and present) events that have happened (or exactly happen as we speak or recognize them), We see their results relatively clearly, which is why some believe such results already constitute reality. The past itself, however, never is reality and facts alone never constitute reality themselves (Norreklit et al., 2006). It is not really helpful knowing that we have spent a certain amount of money or time doing something in the past without having some idea why this information is relevant and useful. Hence, 'facts' have to be brought into contact with possibilities, a meeting that cannot be accounted for empirically. 'Logic' comes into play here as people start to systematically reflect upon what should be done and what the possible options are.

In this case, it appeared as if most managers from both sides at VCC agreed on future action. Most faced a crossroad simply because the problems of having different product and system languages were obvious to almost all involved actors. These actors now started to construct certain possibilities that were based on the 'facts. These were "factual possibilities" that derived from the facts with the help of reflection, logical operations, "which open the world to all kinds of alternatives, some of which are real possibilities while others are merely imagined ones" (Norreklit et al., 2006, p. 46). Factual possibilities are likely what Searle (1995, p. 8) would categorize as "epistemologically subjective matters" as they already are dependent upon the managers' attitudes, feelings, and values.

In the case of the product numbering systems, one possible alternative, in short, was to align them quickly towards Ford of Europe. This was an alternative favored among former Ford managers because it was quite logical since only 20 % had to change in order to fit into the other 80 %. The ratio '80/20' also spoke a clear language and provided the logical base. A different logic, however, seemed possible from an IT-viewpoint, as apparently the same effort was required to change systems and processes for organizations employing 30.000 people as for the ones employing 300.000 people, This probably was a 'fact' to the actor (expert) who expressed this view.

Another alternative was to align towards the VCC systems as their 'Product Numbering Methodology' had great advantages since it apparently was more process-oriented than that of Ford of Europe. This was a solution that seemed to be the most logical one if Ford, as an entirety, intended to become more process-oriented in the future. A further logic that supported this alternative was that you normally did not change towards something worse, an argument original VCC members often made during the interviews. It made no sense to change to a poor alternative, they believed, illustrating the similarities between logic and sense-making. In the long term, however, this logic appeared illogical, particularly to Ford members, as you had to give up a small part now in order to get back something larger in the future.

Despite the fact that most actors felt some action was required, the alternative of doing nothing and continuing with the problems was still logical since new problems would arise as changes were made when fitting the pieces of the jigsaw puzzle together. Not doing anything was logically valid since change projects of this kind required enormous amounts of money, "probably hundreds of millions of dollars", and great amounts of time. Everyone in the sphere of Ford feared expenses, in the progressively deteriorating financial situation more than ever, it seemed. This choice also appeared a logical option as neither company, Ford nor VCC knew for certain how long their relationship would last and what the pay back period then would be (this uncertainty, by the way, always seemed a disadvantage compared to organic growth investments as it seemed to be part of many actors' day and night).

These few alternatives, but there would be many more, demonstrated that possibilities did arise through the constructive use of logical operations and the recognition that such possibilities were then largely automatic and the result of previous learning (Norreklit et al., 2006). The alternatives also showed that logic seemed to correlate strongly with the positions and perspectives of the particular actors involved, in this instance, as an employee of either the acquired unit or the acquiring unit. The logic that also appeared to be strongest was the socio-economic one where actors simply wanted the financially best solution for their favored entity, represented by their brands. For the expatriates at VCC, this entity was Ford and not *The Group*, however, since the integration mission was more strongly visible in the narratives of the actors than in some newly gained brand loyalty.

This new learning process furthermore built on the reflection that applied elementary logic in the sense that it challenged and negated known facts and studied the outcome. Hence, such logic was dependent on a particular perspective, and hence was epistemologically subjective (Searle, 1995), but apparently also was dependent on certain time frames (time and space dependent). What appeared rational in the short term for one side could be irrational for the other, and the same principle could be applied in the long-term. In this regard, the interviews clearly showed that many Swedish actors applied a logic that included longer time frames than former Ford actors did.

The case studies exemplified most clearly the third element of reality, namely, values. Key management control designers and users applied their 'values' when they needed a reason to choose between the different alternatives and possibilities (Norreklit et al., 2006; Searle, 1995). Hence, 'values' were the motivating force and gave these actors the energy to search for 'new facts' in order to make even stronger arguments for, and better evaluations of, the different possibilities. Actors furthermore worked with these arguments afterwards as they 'polished' them in order to position themselves later when they wanted to "win the battles", as often had been the case at VCC during the period after 2002/2003.

These values were subjective. However, social institutions objectify values simply in order to enable organizing and to provide stability but also to motivate individuals to support the goals of the institution (Norreklit et al., 2006; Schein, 1989). In this respect, one saw clearly that *The Group* actors' preferred to value their product numbering system (PNS) as process-oriented; their system therefore played a fundamental role in delivering products that satisfied customers. This structure had to be defended at almost all costs since a change for the worse could jeopardize the entire pull system, they believed. Overall, *The Group* finance actors' values were closely tied to the process that resulted in particular product characteristics in most questions, whereas most Ford actors, for example, applied their value scheme more directly to finance technicalities and costing techniques. In taking such a pragmatic view, former Ford members therefore could not really understand all these 'value-laden' arguments of the VCC members. The PNS was then mostly about achieving the same numbers, which of course was difficult, and it was less about customers and different ways of steering the processes and ultimately the company.

Nevertheless, values themselves, in the same way as facts and logic, did not have any value unless interrelated with meaning, facts, and logic (Norreklit et al., 2006). And it was here that the last of the four elements of reality likely came into play most strongly, namely, 'communication'. This took place when the actors used language and communication tools in general, or other kinds of support tools, in order to package and deliver a message or idea to other individuals and groups with the intention of establishing some sort of inter-subjective reality. At VCC it appeared, from around 2003, that three or four people needed to share this inter-subjective reality if they were to have a chance to "win battles". Hence, individual reality was not enough. You had to move to a higher level, namely, to common reality in groups, if you wanted to influence the integration process in this question (product numbering systems) and in many, if not most, other questions as well.

Apparently, to achieve real changes, inter-subjective reality was required since formal power was not legitimate enough in many questions to effect change, as discussed later in more detail. Hence, inter-subjective reality in groups was necessary to execute the actions you wanted, but also, and this was even more obvious at VCC during the years between 2002 and 2004, to halt unwanted actions. Language and communication as such had the unique ability to generate new status functions or new institutional facts (Mouck, 2004, p. 531).

7.3.2 Contradicting Management Control Realities: The Different TOPOI

The PNS problem, as described in the previous section, was a fairly pragmatic example that illustrates the quite theoretical topos model. The problem demonstrates that management control actors will only act when they have integrated facts, logic, values, and communication. To co-ordinate these elements, inter-personal communication is necessary as it allows the objectification of values and reasoning. This in turn establishes social values and implements a social logic that determines which management control concepts and models may be used in the organization (Norreklit et al., 2006).

Today, because of the *F/VCC* environment and the *V/R/M* environment, *The Group MC Way* is challenged in many ways. The ideologies of Ford, *RT*, and *MT* are based on different sets of assumptions. People at these organizations, using other rationalizations and defining their current realities in different ways, employed different decision-making processes. Hence, these other ideologies simply facilitated other actions, motivated people dissimilarly, expressed legitimacy in other ways, and controlled the behavior of their organizational members differently. These differences have been explained in earlier sections.

This section will, however, examine these ideological contradictions more closely and provide an extended analysis of the differences between the two major conflicting forces or ideas, namely, *The Group MC Way* and the mainstream MC way. Hence, even though there was an ideological confrontation on management control in both cases, the nature of these confrontations was quite different. Of course, much of the dissimilarity can be attributed to the fact that VCC was acquired by Ford, whereas *The Group* acquired *RT* and *MT*. This two-way confrontation of *The Group MC Way* then will be the major issue under evaluation here.

Earlier sections have clearly shown that the two different management control models, *The Group MC Way* and the mainstream model, were obviously distinct in their patterns of communication and in their understanding of the content and meaning of such communication. This can be translated into the topoi-model of Norreklit et al. (2006) where original members within the original *The Group* world mostly applied topoi that were, if not holistic then at least strongly value and logic related. The topoi of the Ford financial actors, on the other hand, were generally focused more strongly on the empirical facts assembled with their own business logic, as is illustrated in Figure 13.

The Group business ideology seemed to represent most importantly values that were primarily exemplified by the product characteristics and, secondly, by other values such as personal or organizational values, often described as *The Group* culture or the Swedish culture. Actors collected these values into a business logic that mainly included ideas such as listening to customers in certain decision-making situations (and then pushing as many costs as possible to these individuals as well) and focusing on gross profit primarily since this generated cost consciousness overall. Of course, also within *The Group* control model, the logical rationalizations were made with the help of, or in combination with, 'sufficient' facts. But still, facts were needed mostly as a basis to achieve 'forward driving activities', hence new possibilities, and less to carry out performance management tasks or to achieve control, both of which were considered rather backward oriented activities.

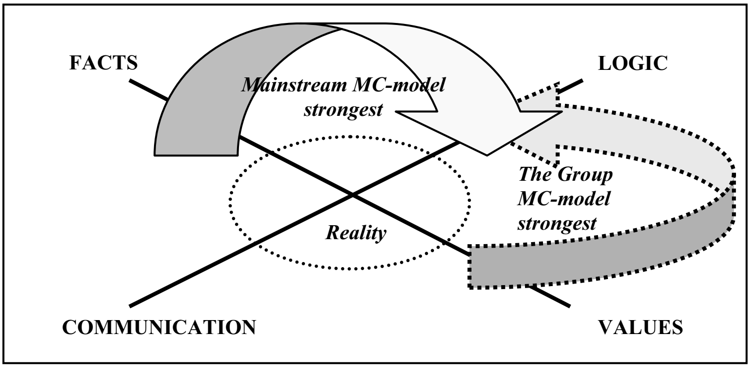

Figure 13: The major strengths of the different MC-models

Ford, on the other hand, probably the most developed of the three mainstream MC organizations as far as the aspects of 'facts', had a strong focus on details and the collection of data precisely in order to increase the amount of 'facts and figures'. This was evident, for example, in projects that increased 'actuals', the line by line accounting, that provided more transparency and accountability. All these projects existed to empirically produce more facts, which in turn, it was assumed, would guarantee a better basis for making logical decisions. Former Ford actors' narratives illustrated that facts were often believed to be rather close to reality and therefore independent of different actors' opinions. As such, these facts played an enormously important role overall. Together with the facts, there was a common business logic applied within Ford that mainly meant, for example, that more was better than less (more facts, more details, and more numbers), faster was automatically better than slower (budgetary process, decision-making, etc.), and larger and more impressive was better than just enough, expressed by the Swedish word '*lagom*' (projects, visions, etc.).

The greatest difference between *The Group MC Way* of management control and the mainstream MC way was the importance of the aspects of 'facts' and 'values'. However, there were large differences also regarding the aspects of 'logic' and 'communication.' Concerning 'logic', it appeared as if *The Group MC Way* presented a more shattered picture in general than the Ford model did, for example. Again, the de-centralized and locally anchored *The Group* steering philosophy seemed to permit the use of different logics at different entities whereas the socio-economic logic at Ford, in particular, was clearer and more homogeneous. Concerning 'communication,' it was a similar picture since Ford, for instance, gave the appearance of a very strong and united communication system, especially when transmitting a particular type and format of data (numbers more than narratives, formal more than informal, etc.). Also here, the topoi of *RT* and *MT* appeared to have more similarities with the Ford topos, in an aggregated way at least, than with *The Group* topos. Hence, Ford, *RT* and *MT* all followed the logic of mainstream control approaches.

The (financial) communication patterns at *The Group* lacked the same sense of unity and streamlining as at Ford, for example. At *The Group*, communication most often centered around and within the business areas and was chiefly about product characteristics. Communication was therefore more shattered and more qualitative in *The Group* model than in the mainstream model. However, communication as such appeared to be a more important element in the original *The Group* environment than in the mainstream spheres. *The Group* actors were historically used to 'shared decision-making', empowering employees, and achieving broad support in general before any action was really executed. It was the custom to ask many questions even after decisions were made.

This shared decision-making, empowerment of employees, and questioning occurred at the lowest levels and therefore these activities were as de-centralized as possible. *The Group* communication system strongly worked from the bottom upwards where operational questions often became the drivers of the changes that followed. At Ford, and even at *RT* and *MT*, on the other hand, decision-making, that was more authoritarian and had a more hierarchical pattern sometimes very much formalized in "the military style", influenced communication. Decisions were made, following a top-down strategy; facts and figures were delivered up and decisions delivered down in this hierarchy. Thus these 'facts and figures' formed the basis for decision-making at Ford and at the other two mainstream brands, far more than at VCC. The implication of these two different strategies was that communication, and hence decision-making, at Ford, and also at *RT* and *MT*, seemed to many to be clearer, faster, more transparent, and certainly more communalized.

The mainstream model, again best represented by the Ford system, appeared to apply very strong and formalized communication devices in order to promote the core ideas from the center at, Dearborn, to the different parts of the global organization which in Ford 's situation, was indeed a very large 'business world'. Hence, it seemed as if the Ford communication system overall, since they had worked globally and also with multi-branding for many decades, was one in which a clear business language had played a dominant role. Many Ford financial actors had probably become 'rhetorical masters' in using these devices as well. Ford's enormous size and the great distance between its different entities, in combination with the rigorous control and detail required, had simply not allowed a different set of communication channels or another language that could transport the central knowledge to the action centers. And the same was most likely true in the opposite direction. The Ford Headquarters, in order to make the right decisions and to determine the right action necessary, needed well-structured and well-formatted information from the entities in order to be able to act centrally in a way that made sense.

Regarding communication overall, the situation was fairly controversial, particularly in the *F/VCC* acquisition. Ford actors, for instance, used the word 'transparency' to mean the better visibility into their systems compared to VCC's. The Ford system was then, for example, characterized as a system where one knew where information normally moved but also knew the kind of information that moved. This was simply because the structural devices, by which information moved, were clearly predetermined and made visible through formalization. The Ford communication culture also implied having little trust in people. To *The Group* actors, on the other hand, this evaluation of Ford actors was incorrect. First, original VCC managers felt that Ford actors simply were not used to their systems, and they therefore could not see all the details and precision in them. Moreover, VCC actors believed that their formatting of the information used was different, making it difficult for Ford actors to really understand it.

Thus, in reality it seemed evident that these communication systems were different, but neither was necessarily better or worse than the other. At VCC, the finance people within production said they did not trust marketing people, but these comments seemed rather in jest. Generally, they had significant confidence in the human factors that probably explained why they had less rigorous control mechanisms overall compared to Ford, for instance. Hence, it was not only the form and content of the systems that were different but also the way the system designers and users interpreted information owing to their different backgrounds. Therefore, different communication systems made sense to them. It was quite obvious then that the level of transparency of a system was rather dependent on those who judged it a sensible one.

Therefore, communication in the organizations differed in form rather than in amount. Whereas Ford, for example, applied a strong formalized communication system overall, *The Group*, on the other hand, preferred to use more informal systems that differed to quite a large extent from place to place as they were strongly dependent on the type and strength of the leaders in these various places. Communication at *The Group*, compared to Ford, often took place in de-centralized groups, normally with much less standardization and with relatively less transparency

Both Ford and *MT* actors believed they themselves communicated directly and quickly whereas *The Group* originals appeared to talk forever. In reality, however, perhaps there was not so much difference since when *The Group*'s informal talk system was replaced with Ford's formal communication mechanisms. It still took time to get the information through. French actors at Renault, on the other hand, seemed to follow the Swedish logic rather than the mainstream logic in this question as they, if given the chance, talked even more than Swedish actors, often without reaching any decisions. Nonetheless, these French actors, unlike their Swedish counterparts, also often accepted decisions when they were made by 'real' authorities.

7.3.3 Different Structures and Decision versus Action Rationality

In comparing the two cases, the *F/VCC* and the *V/R/M*, one can see a rather clear difference in the constructed structures and the possible information flows that caused contradictions to arise and become visible. Ford, for example, wanted to be as action-oriented as possible, but divisive internal politics among employees, however, was the result of most structural and non-structural work. Rather the opposite seemed to be true in *The Group*'s acquisition of *RT* and *MT*. This difference was the outcome of how the two acquiring organizations managed the acquired entities in order to achieve synergies.

In the case of *F/VCC*, Ford saw VCC as the entity where such synergies could be achieved. VCC as such was then the particular 'project organization' or 'special unit' within the main organization Ford, and finance at the VCC Headquarters played a major role. It was at VCC where new activities had to be undertaken in order to secure the pay back for this large investment, the acquisition. The flow of information (orders, decisions, reports, etc.) was absolutely strongest between the Ford Headquarters and VCC Headquarters. Ford of Europe and PAG (Premium Automobile Group) had only minor roles to play from a management control perspective; at least, this was the impression of the interviewees.

The Group, on the other hand, constructed separate entities after the acquisition (3P and Powertrain, and also Global Trucks at the beginning) in order to create special main activity centers where actions could be carried out that would achieve the synergies that had been promised to the shareholders (see Figure 14 below). As this was the largest re-structuring in the history of *The Group*, such actions were new to more or less everybody as well. By contrast, VCC was just another brand that was supposed to become part of Ford, and hence a small player that had to be integrated into the larger Ford finance world. It was precisely this conception of the minor importance of the VCC brand which explained why Ford, as contrasted with *The Group*'s dealings with the two new truck brands, took little action at VCC during approximately the first two years following the acquisition. This inaction by Ford in the these first two post-acquisition years was interesting since Ford was described in general as having a more determined way of getting things done than *The Group*. It seems as if Jemison & Sitkin's (1986) list should be updated regarding this matter.

Obviously, even at VCC there were units with similar functions and also with similar or even the same names as in the sphere of *The Group*. From a management control perspective, however, these VCC units did not have an explicit role, such as a particular function as was the case at *The Group*. The PAG was moreover a middle level function in the *F/VCC* construction that had been experienced as rather weak by the interviewees. It was rather unclear what the real role of this entity would be in achieving the expected synergies.

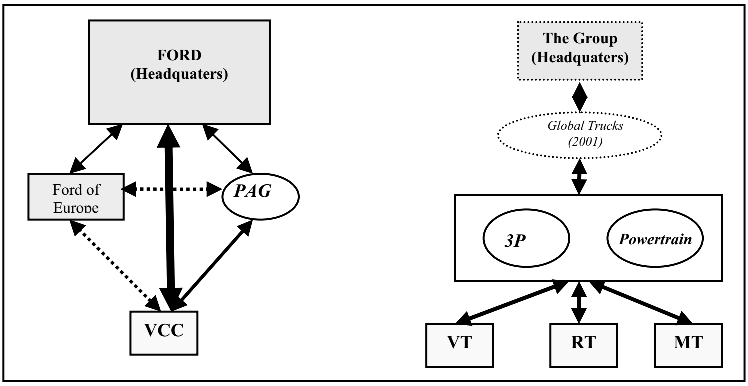

Figure 14: The different constructions

The different organization structures, moreover, had a large impact on actions and decisions. At VCC, for example, actions as well as decisions were made at the VCC Headquarters mostly, as far as these decisions were not made overseas in advance, although this was apparently not often true during the initial years after the acquisition. Later, during the integration process, internal office politics governed at VCC directly since many expatriates who represented Ford worked there. Therefore, action rationality and decision rationality over the entire integration process (as described in Brunsson, 1985) were located centrally at the VCC Headquarters.

In the *V/R/M* acquisition, by contrast, the entities 3P and Powertrain appeared to represent the action rationality mostly because the projects were responsible to them. *The Group* Headquarters was supposed to have the decision rationality, as this location would provide legitimization, often in the form of the CEO's personnel engagement and the Headquarters' financing power. This responsibility, however, was originally delegated to Global Trucks during the first post-acquisition year, but without much success, as there were too many conflicting power spheres. Politics, rather than practical work, ate up the time.

After Global Trucks disappeared, *The Group* Headquarters was supposed to regain the decision rationality. To some extent, but not entirely, this occurred. From 2002 until around 2005, there seemed to be a struggle between Headquarters and the different company Boards of the three truck brands. It moreover seemed unclear where decision rationality really belonged. Clearly, *The Group*'s historical empowerment structure that focused on de-centralized 'business areas' with full responsibility for their work did not make the situation any easier, especially in a time when the focus was on 'integration'.

The interviews also revealed that company politics constantly and strongly affected the post-acquisition work. Likely, this influence of internal politics in the two cases examined here represented only the norm in such post-acquisition, cross-border environments. However, the two acquiring companies appeared to deal with such politics differently. At *The Group*, it seemed quite obvious that certain organizational structures at higher levels predominantly worked with the political issues, notably the GIB (Group Issue Board) versus the more action orientation at lower levels of the hierarchy, at the level of BBC (the Business Control Committee). Whereas the political issues seemed to remain at the top levels mostly in *The Group* acquisition, they seemed to move further down in the hierarchical levels in the Ford acquisition, hence to the middle management level. The explanation for the positioning of the political issues was probably that finance was becoming more and more centralized at VCC, while remaining rather de-centralized at *The Group*.

In order to achieve action effectiveness, companies must be free from too much political influence (Brunsson, 1985). In other words, if ‘parents’ took care of most politics, ‘daughters’ could have higher action effectiveness. However, it was apparently not easy to do this in practice. Especially in the case of VCC, the major issue after 2002 seemed to have been to separate the necessary actions from the unnecessary politics, which the formula 80/20 probably best illustrated. Also, at *The Group*, ‘action rationalists’, on middle levels of the organizations and then in the business areas mostly, criticized the political discussions that had taken place on the levels above. These actors felt that the political discussions did not add real value, took time, and simply were not needed.

Nevertheless, the solution *The Group* chose in the separation of action and politics, using Brunsson’s (1985) separation methodology, appeared to work rather well taking into consideration that the organization was an acquisition neophyte. In their model, politics could mostly be kept to a certain level and hence need not infect all organizational entities to the same extent as appeared to be the case at VCC, at least after 2003. The business model at *The Group*, as illustrated in Figure 14, was deliberately constructed initially in order to enable synergy and profitability gains in the long run. This model, however, was in line with their earlier structural ideas of de-centralization and empowerment. The ‘hands-off’ approach by Headquarters, after the rough start in the politically infected climate at Global Trucks, was therefore only a logical continuation of a 30-year-old tradition. In the case of the *F/VCC* acquisition, however, the job of separating the two rationalities did not seem to be an easy task since the separation was a political problem in itself. That may have been the reason as well why PAG did not take the role it could have had.

Furthermore, when comparing the two systems of management control in this study, the mainstream way and *The Group MC Way*, one can clearly see that the major difference between the two approaches stemmed from the underlying assumptions about what decision rationality meant. The Ford way of decision rationality existed somewhere between the ideas of the scientific management school and the more bounded rationality framework (Simon, 1976). Ford, for example, was devoted to visible decision-making processes by detailed regulation of all actions. The special procedures necessary (formal meetings with votes and reservations), and the different tasks, roles, and authority the participants had. As such, responsibility was established by the clear relationship between these actors and the actions they performed, and their authority was connected clearly to the hierarchical levels. Such responsibility delegation followed their administrative theory (Simon, 1976).

At first glance, the Ford decision-making approach suggested that managers really assumed responsibility, which is also the way former Ford managers, for example, in general described their decision-making approach compared to the one they saw at VCC. But this matter could be looked at from another perspective as well. Decision-makers can avoid taking responsibility when they can follow rational decision-making processes. In fact, Brunsson (1985, p. 183) believes that managers do not have to show a strong attachment to a chosen alternative when there are rational decision-making procedures available. For Brunsson, such procedures replace personal judgment to some extent since the computer or the model itself makes the choice. This, on the other hand, may reduce the role of the manager who can simply state that there was no other choice in a particular decision situation.

Moreover, in all this, the historically developed framework of rationality appeared to be 'the model' itself as, for example, more rationality in most cases automatically was seen as better than less rationality in decision-making and also in organizing in organizations.[62] Probably these conclusions were the logical results of decades during which strong positivistic and systematic methodologies were valued as more reliable or more valid than others (see the discussion in Baxter & Chua, 2003). Hence, it appeared not so unusual that organizations (or their representatives) often tried to paint a picture of total control and full rationality, not only for the outside world but also for their own members.

In this respect, a clear difference could be seen between *The Group MC Way* and the mainstream way as well, at least internally, which the many 'gut feeling' quotes well illustrated. Many *Group* actors revealed a scenario of action and politics, something that apparently would be seen as a kind of failure in the categories of the purely rational action model (Brunsson, 1985). And the two cases in this study demonstrated that after acquisitions, politics and action often became mixed, as they were no longer organizationally separate. Past action is what accounting information tries to illustrate. Hence, accounting information, in its best possible version, depicts the results of past actions, presenting this information as the empirical evidence of what has happened in the organization, expressed in numbers mostly. It is information that is indeed necessary for making good decisions. Accounting numbers probably give the appearance of action more than politics, and as such they at least make a show of being action- oriented.

However, earlier sections of this study demonstrated that the true picture of the past (and present) in the form of facts is only one of several ways to present an integrated picture of reality. Moreover, a factual representation is a way that is not valid to everybody to the same extent. Historical data needs to be brought into contact with the future and it is then when the other aspects of reality enter the picture. This happens when historical data is translated into premises (Perrow et al., 1986) or future possibilities (Norreklit et al., 2006) and when organizational actors, such as the key finance and accounting managers in the case companies, applied the other three aspects of human life, namely, logic, values, and communication (Norreklit et al., 2006). Hence, what happened in the past, happens in the present, and will happen in the future was all dependent on how organizational actors interpreted these historical 'facts'. Their major tool used to make rational decisions was their personal logical framework.

Their interpretation also was dependent on how they valued these different possibilities but also how, with whom, and by which means they shared this knowledge in order to determine future actions. Possibilities or premises can arise from ideological heterogeneity and inconsistency and from conflicting and contradictory demands on organizations. This, however, is only possible as long as problems are regarded as normal, and hypocrisy is seen as a solution rather than a problem (Brunsson, 1982, 1985, 1990). However, when every action has to be rational, consistent, and clear, ideological homogeneity among organizational members appears to be the key to successful organizational actions.

[62] In personal life, the situation is somewhat less clear, I believe, since the word 'rationality' then rather often can be experienced somewhat negatively.

The two cases, *F/VCC* and the *V/R/M* case, clearly illustrated that the two acquirers applied different logics in their overall management control models. Apparently, *The Group* had historically been an organization with demands that were inconsistent, rather conflicting and sometimes contradictory. Yet this way of management control seemed to have worked well as long as everybody understood this way to drive the business and as long as the autonomous managers "drove home the money". After the acquisition of the two truck brands, *RT* and *MT*, it appeared as if *The Group* model continued to work relatively well as long as most actors accepted that problems were normal. Until around 2005/2006, most actors apparently did, at least after the dissolution of Global Trucks. However, as soon as they started to behave more rationally and more consistently, this ideological heterogeneity began to be a problem. The malfunction was visible during the year with Global Trucks and it started to reappear during the last years when *VT* started to demand more transparency, more communality, and the like. The future will occur if this can be combined with ideological heterogeneity.

Ford, and to some extent *RT* and *MT*, seemed to have been more consistent in making less contradictory demands on the organizations. At Ford above all, rationality, consistency, and clear rules were the fundamental principles of their management control philosophy. These characteristics apparently required ideological homogeneity in order to be efficient, and this homogeneity was nowhere as visible as in the finance function. If Ford wanted to implement a similar management control logic based on rationality, consistency, and clear and uniform rules at VCC, it may have been difficult to accomplish this without sharing this organizational ideology.

7.3.4 More on Contradicting Logics and Rationales

Various sections above have already illustrated contradictions and other inconsistencies, but there were other issues raised that require a closer evaluation. The term 'integration', for example, is normally associated with a certain expected action, but *The Group* acted unexpectedly. Their integration approach in many cases did not follow the expected path. Integration to most actors meant bringing the companies closer together, which then clearly meant there would be fewer entities after the integration was complete. However, such was not the case, particularly at *RT* and *MT* since both organizations were restructured in quite the opposite direction after the acquisition. De-centralization that had been around for about 30 years within the original sphere of *The Group* was 'exported' to the new entities, and in addition, new entities were created, namely, Global Trucks and 3P.

Moreover, Powertrain was broken out of the original structures in both new truck brands in order to use it in the same way as it was used in *The Group* brand. The rather shattered picture of *VT* overall regarding their hierarchical and horizontal structure probably was also not really integrated by the new truck brands. As a result, the actors who were used to the mainstream MC model did not experience real integration. What they saw was an integration that was not really 'logical', as the interviews revealed.

This increasing de-centralization furthermore gave the appearance, at least to many non-original *Group* actors, of a high cost structure, which was another illogical element and as such a contradiction in their point of view. *MT* actors at the Headquarters in Allentown, for example, elaborated, using the word "sponge". For some time, they felt they had to absorb all the (newly) created costs that arose in the different areas. The narratives overall showed that it was rather clear to most mainstream actors that centralized organizations were more cost focused than de-centralized ones, and the de-centralization was somehow the wrong strategy.

Essentially the same was true at VCC, only the other way around. Former Ford actors working at VCC had difficulties in believing that there was really a strong cost focus at VCC basically because the structure was much more de-centralized. There were other aspects as well. The financial work of different functions was less obvious and VCC people did not talk ‘costs’ to the same extent as Ford people did. To the Ford people, it was difficult to understand how VCC people could describe themselves as ‘cost conscious’.

Closely connected to the above contradiction, there was another area of opposition between the original *Group* actors and the non-*Group* actors that related to *The Group MC Way*. After Global Trucks had disappeared, *The Group* wanted to export their ‘way of thinking’ about management control to the newly acquired entities, *RT* and *MT*. This meant being more like “business men” and thinking more in terms of profitability, growth and cash flow instead of, for example, costs, control, volume, and market shares. This in turn meant that the acquirer wanted the acquired entities to do less ‘number crunching’ and to focus more strongly on “forward driving activities”. Many new actors at the new *The Group* brands apparently saw these same demands in a different way. Less checking and less control did not seem to be a way of doing a better job that would increase the reliability of the system. To these actors, this change was experienced as a change for the worse, not the better.

The problem was that *The Group* Headquarters did not tell the new entities how to become real “business men” as this was up to the business areas themselves to decide on. Hence, the new entities had to find their own ways (‘means’) to achieve the ‘ends’ as *The Group* attitude was ‘not to point with the whole hand’. Seemingly, there was so much freedom given to these entities in choosing their own ‘means’, above all at *RT*, that they were not able to see the ‘ends’ either. They sometimes even felt that this situation would, because of the non-interventionist approach chosen by *The Group*, result in Renault SA becoming their owner again. *The Group MC Way* of empowerment and delegated decision-making was apparently not translated well enough to the new entities, especially *RT*. In short, there was too much room for the entities’ interpretations.

In strong contrast to this, Ford, after a period of making no serious intervention at all, took action that had exactly the opposite purpose during the post-acquisition process with VCC. Ford wanted to export their ‘means’ to VCC rather than the ‘ends’. They started to increase all kinds of management control techniques and tools in order to make the system more reliable, to increase the level of detail, the frequency of reporting, etc. They did all this in order to create a more specific finance role and to have a greater knowledge of activities and processes in the organization. This was their attempt at exporting their way of ‘doing’ management control and not the way of ‘thinking’ management control. Thus, Ford acted quite the opposite with VCC to how *The Group* did with *RT* and *MT*.

The Ford attempt corresponded with the mainstream idea or logic of ‘integration’ or of ‘cost focus’, used to achieve synergies, to a much greater extent than *The Group’s* attempt. It was therefore probably difficult for former Ford actors to understand why many original *The Group* actors had problems with their approach. The Ford intentions seemed to have been to make VCC finance actors ‘better professionals’ in their role. They wanted to provide them with the needed information in the form of facts and figures so that they could make really professional decisions, from a specifically financial point of view. In the opinion of former Ford actors, the required change to achieve this goal was not strange at all; it was a necessity.

However, to many Swedish *Group* actors, more ‘facts and figures’ was not automatically better. It all depended on what you did with all the information and for what purpose you collected it. These actors believed that it was more important to see the entire picture (the forest) at as many levels as possible rather than from the top, looking at details only (the trees). The major contradiction here seemed to be, according to Ford actors at least, that if you could not see the trees, you could not see the forest either. Data and facts had to be generated in order to have a reliable basis for decision-making. *Group* actors, on the other hand, pointed out that this "management in detail" was exactly the reason large organizations in general, and seemingly Ford in particular, rather often ended with a large bureaucracy with its associated enormous overhead costs.

Ford, apparently, was the brand that drove hardest towards specialization and centralization, which by several actors was described as "immensely bureaucratic" and comparable with the "communist" system of the former Soviet Union. And all this seemed to have its negative sides, sides which the founder of the 'bureaucratic theory', Max Weber (1921/1968), had outlined. Hence, the biggest problem with this form of managing an organization was that it often led to an increase in the power of its advocates. As a result, organizations would set goals that were different than satisfying and maintaining the interest of the customers (or the public) that had been the organization's original goal. Hence, in the long term, as Ford's over 100-year history probably proves, bureaucracy therefore would lead, not only in public organizations but also in large multinationals, to the construction of a structure where the power was transferred from the customers and those employees working for them, such as engineers and other experts, to the bureaucrats.

Henry Ford I, in introducing rationalization in the way Weber (1921/1968) had proposed it in his early work, applied this concept to achieve very high levels of efficiency in his factories. In this way Henry Ford I, like many others, only looked at one side of Weber's propositions on work practices. In fact, Weber realized that formalization could degenerate into formalism, and that bureaucratic forms concentrated power at the top and therefore could create an "iron cage" to imprison the low-level worker in obscurity and monotonous detail. Moreover, bureaucracy had a large (dis-)advantage, namely, the one of impersonality, which Weber described in the following way (Weber, 1946/1958, p. 229):

> "The apparatus (bureaucracy), with its peculiar impersonal character … is easily made to work for anybody who knows how to gain control over it. A rationally ordered system of officials continues to function smoothly after the enemy has occupied the area: he merely needs to change the top officials"

This advantage, one could clearly see from the interviews, can be a disadvantage if there is no fit between the apparatus itself and new actors who become part of it. After Ford had acquired VCC, a few Ford top officials were brought in at VCC at the beginning in order to assure that business went on as planned and expected. In this case, it was clearly evident that the de-centralized and relatively non-bureaucratic VCC model would not have allowed such total control even if more new top officials had been appointed because VCC was not "a rationally ordered system of officials" but rather an irrationally constructed organization.

Problems of this kind were much less visible in the case of the acquisition by *The Group*. Here, the acquirer was a rather irrational organization entering more bureaucratic and rational fields, both at *RT* and at *MT*. This situation, according to Weber, should not have posed a larger problem because the acquired entities should merely continue to function as they had before. In Ford's acquisition of VCC, there were a couple of years with a similar hands-off approach that functioned smoothly for a while. Thereafter, however, things started to change.

Good business was to some of the Swedish managers a matter of finding a balance between "tidiness and order", on the one hand, and a large portion of "gut feeling", on the other hand. This balance meant that management control was also about the individual's common sense perception of what was morally right. Conversely, 'gut feeling' to Ford actors was not a viable way of running a business since it was "how business has been done in the past, when competition was not as tough". Whereas the Ford management control way was clearly and strongly related to a more scientific and rational approach of problem solving, *The Group MC Way*, on the other hand, was strongly reminiscent of Weick's (1995) "idealist ontology". Weick's view of reality meant that something needed to be agreed on and constructed plausibly; one did not look for total accuracy (the seventh sense-making characteristic). In this understanding, the world was not static, and hence accounts needed to be more socially acceptable, pragmatic, and credible than accurate (Weick, 1995). From this, it also followed that a good executive did not need complete information in order to make the right decisions (Brunsson, 1985; Weick, 1995). A good executive needed "totally accurate perception" exactly because sense-making was driven by plausibility rather than accuracy (Weick, 1995, p. 56).

7.3.5 Summary

In sum, the above sections have illustrated that contradictions were experienced most strongly at VCC, at any rate from around 2003 onwards. A major reason was that the conflicting forces and ideas ultimately clashed as expatriates (the mainstream way) and original *Group* actors (*The Group MC Way*) disagreed on the integration of management control. However, since the CFOs at *RT* and *MT* more or less were the only permanent *Group*'s representatives, there was much less direct confrontation between the actors there. Furthermore, the Ford attempt to implement 'more' management control (that is, more 'means') was most likely experienced as more challenging than *The Group*'s approach of almost exporting 'less' management control (that is, more 'ends').

In addition, one can clearly see that the 'topoi' confrontations regarding *The Group*'s acquisition seemed to be limited mostly to the area of 'values' and 'logic' whereas the Ford acquisition of VCC triggered strong feelings in the areas of 'facts' and 'logic'. This is also rather logical since these aspects were exactly the areas where the biggest differences existed between the focuses of the two models overall. Hence, ideological control differences did not appear as strong in the *V/R/M* case as in the *F/VCC* case because of the de-centralized view within *The Group* and also because of the business control logic that was based on individual's empowerment, a market full-cost model, and little direct control from Headquarters. There were simply lower demands for homogeneity regarding management control by the acquirer, *The Group*, than by the acquirer, Ford.

The contradictions that were most visible overall during these post-acquisition processes had to do with the experienced reality aspects and much less to do with the real integration work done. The recognition of 'facts' by actors or groups of actors and also their role in decision-making were major problem areas. A mainstream way that was characterized by 'accuracy' and 'scientific methods' collided with the 'gut feeling' in the socially acceptable but pragmatic and relatively credible *Group Way*. Conflicting logics and differing values were furthermore the basis for dissimilar evaluations of possibilities. Trees were compared with forests, ends with means, the doing with the thinking, integration with disintegration, rational with irrational, clear with vague, and mainstream with exceptional. These comparisons were made by the actors on the basis of their carefully and personally acquired management control practices. The resolution of these contradictions depended on the persuasive power of the actors together with their use of rhetorical elements in the particular models, as examined next.

7.4 The Major Influence of Rhetoric/Persuasive Power

7.4.1 Results regarding Physical versus Socio-ideological (or Mental) MC Changes

The earlier sections have described the contradictions and identified the conflicting forces and ideas between the two management control models. What follows here is a closer evaluation of the elements and forces that hindered and enabled real changes of management control practices. The major impression from the interviews with actors regarding both acquisition cases was that people changed more the systems in the case of *F/VCC*, but just the opposite in the case of *V/R/M*.

Hence, new and original actors at VCC believed that finance and accounting system changes had gone more slowly than the changes affecting the people doing the finance work, as an actor summarized: “Systems mostly remained the same but the people changed”. This change in people had two dimensions, at least at VCC, namely, a physical one and a mental one. The physical aspect of the change in human beings then included all the new people working at VCC. In the first group were the newly arrived former Ford managers who for the most part worked at the VCC Headquarters where finance and accounting apparently had increased most in terms of manpower and responsibility. In the second group were the newly arrived Swedish managers, now often at somewhat lower managerial levels, who replaced people who had left the organization during the post-acquisition process. These two groups of new entrants represented the physical change in the human element at VCC.

Nonetheless, there was also a mental change for many, if not most, of the remaining finance actors at VCC. In some instances, this change was quite rapid. This at least was the view of some ‘originals’ who seemingly were rather frustrated about this momentum, as reflected in some managers’ narratives. Hence, these actors noted that the mental change of some colleagues only took a few months at VCC, especially during 2003, when the largest change projects were introduced with full effect (e.g., *SPEED*).

A major explanation given for this fast mental change was that these people otherwise were not doing a good job. The consequences of this would have been, if not punishment, then certainly no rewards from the new owner for such passivity. Therefore, at VCC it became obvious that this “hidden” reward or punishment system, depending on the view one took, caused some people to change their behavior very quickly. Hence, the new leadership level system and the new performance measurement system at VCC apparently worked well as it had its intended effect.

By comparison, the case of *The Group* acquisition looked rather different since system-technical changes overall were somewhat easier to achieve than ‘behavioral’ changes. In most cases, the finance system change, to the extent desired, was completed rather quickly at *MT* although much later at *RT*. *MT* actors seemed to work according to the expectations of *The Group*, and hence they had changed some behaviors as well. At *RT*, however, these finance actors apparently still worked according to their old control philosophy, even as late as 2006. A great effort was required by the management at *The Group* as well as by the management of *RT* to change this situation.

Probably size played some role in these matters. VCC was a larger entity than both *RT* and *MT* but, as interviews illustrated, it was not totally the size of the organizations that caused the major difficulties in replacing systems. Rather, it was more the different organizational structures. VCC's de-centralized structure increased the range of problems that appeared at VCC. To the contrary, *The Group* had a strong advantage when it came to implementing new software solutions at *RT* and *MT* simply because these entities applied the idea of a centralistic structure much more strongly than VCC did. Nevertheless, Ford had a large advantage with its ability to influence original VCC actors at the VCC Headquarters since they had sent over many 'expatriates' to implement the changes. Like Ford, *The Group* applied this methodology but only for its mostly system-technical integration work and only at the beginning of the post-acquisition process. In both cases, these special expatriate employees were withdrawn fairly soon after their particular missions were completed, apart from the CFOs. Certainly, the failure of Global Trucks also can be explained by organizational problems.

Altogether, it seemed like system changes were difficult particularly in organizations of the size and structure as VCC since it was nearly impossible to reach all parts physically. There was a financial aspect also that increased the difficulties with the physical changes at VCC. Ford's worsening financial situation during the post-acquisition process did not permit the expenditure of millions of dollars for uncertain future gains. In addition, while their costs for information system changes were rather clearly known in advance, the costs of the training and teaching necessary to change 'the software' (*SPEED*), on the other hand, appeared to have been underestimated. Ford was also in desperate need of cash from VCC immediately and not just in the future. Conversely, *The Group* had plenty of money to spend on the infrastructure and system applications required to connect the three truck brands. For example, they had the cash from the sale of VCC to Ford. Furthermore, *The Group* saw their investments as long-term, whereas Ford did not have the luxury of thinking in terms of a longer time frame, even if they probably would have wanted to.

Regarding integration issues, the interviewees also noted there was a further dimension that had to be taken into consideration. At the operational level, for example, it seemed, in both acquisition cases, making physical and concrete changes was more difficult than anything else (e.g., the product numbering systems) simply because these changes brought you closer to the soul of the business, namely, the products themselves. These products (trucks and cars) were made of different materials and they were also built differently, but above all they were sold to different customers. All this was then linked together with dissimilar systems and structured in different ways financially in order to aggregate to a total, with the help of standards and key matrixes, as the interviews revealed. However, as long as you had dissimilar languages to describe your products and your processes, you would always have problems further up in the organizational hierarchy, coupled with management control issues as well.

In short, the physical difficulties associated with changing certain systems at lower levels were also directly translated into more mental or socio-ideological changes. These particular products represented certain brands and, as both cases displayed, brand issues were rather often the reason it was difficult to make changes. People, especially the marketing and sales people, were attached emotionally to their preferred brands. Even the finance people in the marketing and sales entities, but also others, particularly within the original *The Group* sphere, had this brand attachment. And somewhat contradictorily, even though brand loyalty was noticeable at the three acquired organizations, VCC, *RT*, and *MT*, it was strongest in the narratives of actors at *VT*, who were part of the acquiring organization, *The Group*. The explanation for this may be found in the particularly strong attachment of *VT* employees to their brand in combination with forces that will be evaluated subsequently.

7.4.2 An Incremental Approach with Guardians and Advocates

As explained previously, the integration processes did not follow the concept of full rationality that assumed integration planning with complete information, clear goals, explicit criteria, and the ability to define and analyze all possible alternatives, resulting in a single, specific solution. Apparently, this rationality did not exist in either case as the interviews disclosed. Almost in contrast to this ideal, the narratives demonstrated that management control conflicts, which most often were the results of the earlier described ideological contradictions, were solved by using an incremental approach This incremental approach is then more a "muddling through" of things in contrast to the idea of full rationality, described above and in the theoretical framework chapter of this study. An incremental approach normally is the result of almost intractable conflicts and of incredible complexity, where often many actors, issues, interests, and a long history are involved (described in Wildavsky, 1989; Burgess et al., 2004).

This incremental approach was visible in both cases, *F/VCC* and *V/R/M*, as most solutions developed slowly and over a long time period. This time was apparently needed in order to solve very complex issues that involved many actors, many sites, and many interests as well as fear and distrust. These problems were exactly those which the incremental approach could best solve (Wildavsky, 1989). But most of all, the integration processes in both cases followed the ideas of the incremental method and not the concept of full rationality due to the particular characteristics of *The Group* actors especially and their preferred way of making changes. In the case of *F/VCC*, for example, several narrators from both sides explained how, with the large projects, *SPEED* and *'Himalaya'*, larger issues had to be separated into sub-issues that were either negotiable or not. This separation was necessary in order to start somewhere and to solve at least some problem areas, hoping other problem areas could be solved later. The same was true at *V/R/M* after 2002 since the only way for *The Group* Headquarters to make changes at *RT* in particular was to take small steps, one at a time. More coercion and bigger steps were seen as unproductive. Nonetheless, there seemed to be clear differences of opinion regarding the incremental approach. Ford actors, for example, often wanted to follow a more rational and also more large-scale change logic whereas original *The Group* actors habitually preferred to take small steps, to have control over what needed to be changed, and to wait rather than to rush into something they did not understand. This reluctance probably had to do with the fact that VCC actors felt that they would have to pay a price later for any false steps.

The Group actors generally were also used to getting the support of a large majority of, or even all, involved parties before decisions were taken. Such consensus building differed strongly from the Ford approach to decision-making. In addition, the Ford approach to projects in general was apparently experienced by several *The Group* actors as 'pompous' and excessive, at odds with the Swedish '*lagom*', or sense of modesty and moderation. *The Group* actors may have also felt these mandatory changes were too enormous given their perspective as a much smaller multinational. By contrast, Ford Headquarters in Dearborn considered these changes only small steps.

The interviewees' narratives revealed clearly that two groups of actors, playing rhetorical and persuasive roles, participated in these post-acquisition processes. Here, these two groups are labeled 'guardians' and 'advocates', using Wildavsky's (1989) terminology.[63] Guardians were the actors who saw themselves as protectors of the management control ways in existence in the organizations prior to the acquisitions. Advocates, on the other hand, were the actors who argued for replacements for the existing management control ways. In the case of *F/VCC*, 'expatriates' were in almost all cases among the advocates although some expatriates had switched sides rather quickly, in some questions at least. The original *The Group* actors were guardians more or less without exception. These two roles became very obvious in the *F/VCC* case, in fact, much more obvious than in the other acquisition. In the case of *V/R/M*, these roles would probably have been more apparent during the era of Global Trucks.

The case studies showed that original *The Group* actors at both VCC and *The Group,* using their coalition strength and inter-communication skills, were very effective at halting unwanted actions. Apparently, however, these actors were less effective in influencing the non-Swedish actors toward desired actions. This was clearly visible during the years after 2002 in the *F/VCC* acquisition and also in the years after the closing of Global Trucks in the *V/R/M* acquisition. It was obvious that many actors at the acquired entities had the opportunity to adopt a ceremonial adaptation strategy (Kostova & Roth, 2002), as was most visible in the case of *RT*. Hence, this entity often complied formally with the requests of the acquirer ("*Oui*, we will do that"), but with some lack of enthusiasm, not believing the practices valuable enough. As a result, they did not adapt management control practices in reality, and no formal power could force them to. This remained a key discussion matter within *The Group*, as it seemed.

The *F/VCC* case, on the other hand, demonstrated that after a period of about three years (2001-2003), with a drift towards the mainstream MC model, *The Group* actors became more active negotiators. Before then, however, given the de-centralized form of the VCC organization, the shattered state of its finance function, and with most real power in the different areas closest to the customers, expatriates could drive softly towards their mainstream MC model. For some time, this drive was not even really noticeable to many actors at VCC.

This drift towards the mainstream MC model in the acquisition cases of this study therefore was similar to what Quattrone and Hopper (2001) have called "drift" in their study of the relationship between information systems and management accounting change. The MC drift in this study revealed the concept of change drawing on the notion of institutions; however, epistemologically it was, as in Quattrone and Hopper's research (2001), rather difficult to reconcile the change as a process. Furthermore, it was a drift that looked similar to the concept of drift that Andon et al. (2007) presented in their discussion of "relational drift". Relational drift means that change is not viewed as a linear process, where the targets are set and then reached. The MC drift in this study arose during the whole process and was

[63] Wildavsky (1989) has a very different focus in his book than in this study as he evaluates how budgetary processes take place between rich and poor nations. Nonetheless, the vocabulary he uses and the ideas he represents, particularly his use of the terms 'advocates', 'guardians', and 'incrementalism', are useful here also. Furthermore, Wildavsky's work is well-known and his terms are therefore well- established.

locally anchored at most times, but was also the result of constant experimentation. Because of this, expatriates at VCC in particular did not feel this drift was real change. Their narratives usually reported that nothing happened during about the first four years. However, in reality much did happen during this time that had an impact on management control at VCC. Large, if rather indirect, powerful, rhetorical/persuasive elements by the advocates for elements of their preferred MC systems were at work. This topic is examined more closely next.

7.4.3 The (Large) Power of Rhetorical/Persuasive Elements and 'Rhetorical Battles'

As indicated above, behaviors and beliefs apparently did change and this was especially true at VCC as *The Group MC Way* was challenged rather strongly by the mainstream control ideology. But also within original areas of *The Group*, the acquiring organization, an ideological change was visible, although to a lesser extent than at VCC, Still, this change appeared at least as strong as the change that was visible at *RT* and *MT*. Thus, even though *The Group* tried to 'export' their way of management control to the acquired entities, the influence of the mainstream control ideology seemed almost to have been stronger than *The Group MC Way*.[64]

The major explanation for this change was the stronger rhetorical/persuasive power used on behalf of the mainstream MC model, but also the more powerful rhetoric and persuasion used by different actors and actor groups in their arguments with other actors and actor groups. Hence, the process that actually led to real changes and common solutions after these cross-border acquisitions involving multinationals followed a mostly rhetorical/persuasive process, where key actors, especially groups of such key actors (around three to five people), were the dominant negotiators and fighters.

This rhetorical/persuasive process was less visible in the case of *V/R/M* than in the *F/VCC* case. There were several reasons that explained this difference, all of which were logically interconnected. First, and as mentioned earlier, only a very few *The Group* expatriates worked in the finance functions at *RT* and *MT*. At VCC, on the other hand, about half of central finance's people were former Ford actors. Thus this VCC environment facilitated much direct and personal persuasion work whenever formal power was not enough, as apparently was true in all situations.[65] The different strategies regarding the placement of expatriates very well exemplified the mainstream ideas of the different control concepts, namely, controlling 'means' versus 'ends' and also, to a lesser extent, 'controlling' versus 'steering'. At VCC, however, this meant that there were many advocates who could convince and persuade, as contrasted with the *V/R/M* case. Hence, at VCC, expatriates took the role of translators, interpreters, and persuaders, more than anything else, from around 2002, when the integration approach changed to becoming a more active one, on the part of the former Ford actors at least.

A second explanation for the more visible rhetorical/persuasive process at VCC was that the Ford's control ideology apparently collided strongly with the one applied by original

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[64] This does not ignore that *RT*, in particular, was able to increase their profitability considerably during the post-acquisition period.

[65] This first explanation may be a sort of interview effect, since more narratives revealed this rhetorical/persuasive process in the case of VCC than elsewhere.

The Group actors at VCC. Such a collision mostly had been avoided at *V/R/M*, particularly after the first year of conflict with the American consulting firm and with Global Trucks. As earlier outlined, words like ‘power’ and ‘control’ and especially ‘conflict’ were negatively loaded in *The Group* sphere. In the Ford finance world, however, these words seemed to be more balanced and less emotionally charged, as well more impersonal, simply because the people and the profession were not seen as so closely linked.

Previous sections have also shown that the financial rhetorical devices had developed more strongly and collectively at Ford than at *The Group*. More routinized and formalized communication channels were simply the result of the structure that held the different areas together at Ford. In addition, use of English, the mother tongue of most Ford employees, probably supported the communication channels’ effectiveness on a global scale. Moreover, the fact that Ford historically had traditionally placed strong emphasis on finance and control functions empowered those using financial and control talk in all parts of the organization.

Third, the interviews demonstrated clearly that *The Group MC Way* had fostered a management control model that appeared relatively weak in its use of rhetorical devices compared to the mainstream MC model. The evidence of its rhetorical weakness, however, was its uniqueness and exclusivity; *The Group MC Way* simply did not correspond to mainstream thinking. The mainstream way, which was largely cost-based, rather centralized, quite functional, and more formalized than culturally dependent, was about the opposite of *The Group MC Way.* Management control norms most likely had not developed as strongly at *The Group* as at other companies, particularly at Ford. This reasoning could probably be applied at the national level as well since Swedish management accounting and control norms on the whole seemed much less standardized than in many other countries (Bhimani, 1999; Riahi-Belkaoui, 2000; Walton, et al., 2003).

Fourth, the finance function at Ford, for example, appeared to be the primary resource for distribution of all kinds of norms and standards, not only financial ones, throughout the Ford organization globally. Finance was one of Ford’s most important functions, and, as such, for decades, had acquired very recognizable skills and methods. This was not true at either VCC or *The Group*. As finance at Ford had become a function used to compare and co-ordinate all activities in the organization, financial language had thus developed very strongly as well. It was a language that was precise and clear. Compared to the rather vague and more qualitative language used in *The Group*, Ford’s financial language was more ‘a technical way of describing things’.

In *The Group* sphere, on the other hand, the major rhetoric common to the entire company concerned the product characteristics (quality, safety, and environmental care). The financial and control language, however, was generally secondary in importance, with certain exceptions such as the very commonly used term ‘gross profit’. This term was used to explain pushing costs out to the different areas near to the customers and encouraging all company employees to be ‘cost conscious’. Yet ‘gross profit’ was rather vaguely defined, and apparently worked well only with people who really understood the term and were therefore already cost conscious. Additionally, the term was rather difficult to describe, explain, and ‘sell’ to non-Swedish financial actors who believed more in facts and figures (empirical data) than in poorly defined concepts that gave the appearance of arbitrariness, rather than the actuality. The commonly used Swedish expression of “rather a crown too many than one too little” was rather unspecific and did not fit into a world built on ‘facts and figures’ and ‘actuals’.

The Group MC Way ideology, moreover, included a socio-economic logic that firmly concluded that what was good for the customers was good for the company. Customers were rational and their demands were of primary importance, which was the core idea behind the 'pull system'. This model apparently had worked successfully in the past as it had generated profits and growth. Such a good financial and business track record was advanced as the single most important indicator of the advantage of this form of management control. In most other questions however, *The Group MC Way*, while special and unique, was vaguer, less detailed, less focused, less determinative, less actual, and, as such, ultimately less convincing than the mainstream approach. To this criticism, the original *The Group* actors had difficulty in making convincing responses. It did not strengthen their position that several key actors, who might have responded to these charges, already had left VCC.

The mainstream control system seemingly applied the structure of a mathematical logic to a much larger extent than *The Group* managers did. It was the managers' rationality then that led to high performance, which also was the superior idea of the mainstream management accounting paradigm (Norreklit et al., 2006). In a mainstream system, relationships needed to be more formal, managers had to be more rational, and information had to be directed more towards the center in order to create as much a picture of reality as possible, at least for people making the really important decisions. Such a reality was above all represented by the facts dimension that was achieved through different measurements (Norreklit et al., 2006), and much less by a common values system and a large amount of 'gut feeling'.

The mainstream MC model, compared to *The Group MC Way*, apparently tried to eliminate the human factor to a great extent. Delivering facts was a major tool used to reduce the dependency upon employees. In *The Group* model, for example, cost consciousness was built into the system in a way that was understood only by people who had been part of the organization for a long time. It was an idea or vision that may have had a strong impact only on how cost conscious actors really behaved in the past. Small profit margins were almost the only argument used to emphasize the necessity of being cost conscious along the entire value chain. This was a method that apparently was rather strong even considering how limited its real content was compared to the almost scientific methods applied, for instance, by Ford. Ultimately, the profit margins argument was rather difficult to use if one wanted to convince mainstream actors to convert from their rigorous and more scientific way of management control.

At Ford, for example, management wanted to see black on white actual costs, as their term 'actuals' best illustrated. To Ford actors in general, it was probably more important to get as close as possible to reality when it came to knowing the exact amount of these costs (at standard anyway) than to have employees who were really 'cost conscious'. This kind of *The Group* employee 'cost consciousness' seemed much too vague a concept in the Ford world as it required a large amount of trust in people at the expense of a provable and seemingly more scientific method of 'calculating costs'. It was perhaps easier to sell this more scientific method of calculating/controlling costs than the vaguely defined behavioral approach.

Therefore, the mainstream approach, particularly as used by Ford, was based on financial 'facts and figures'. These 'facts and figures' moreover were interwoven by these actors into a very effective and goal-directed romantic plot (Lewellyn, 1999) that had immediate appeal, most likely because it appeared rational and logical. Moreover, the Ford actors' use of a professional financial language that suited the mainstream idea of management control only strengthened their argument. Thus the Ford actors could use their special financial language to convince others, or at least to defend against arguments characterized as 'more holistic' and 'gut feeling'. Compared to the mainstream MC model, *The Group MC Way* was an approach that was more the exception than the rule. For example, *The Group* 'gross profit' philosophy was not a concept that was well-known in mainstream literature compared to the very widespread 'contribution margin' model, which is a cost control philosophy that permeates the majority of best-selling management accounting or management control textbooks (Horngren, et al., 1998; Merchant & Van der Stede, 2003).

On the whole, the mainstream management accounting and control literature is about costs and, not unexpectedly, very little is mentioned about revenues. Control in organizations, particularly from the view of this largely Anglo-Saxon management accounting literature, is described as the power to direct or determine and to exercise authority over subordinates. Managers achieve this control by applying better scientific methods when gathering data, which means gathering as much empirical evidence (facts) as possible in order to make the right decisions. On the other hand, Swedish best-selling textbooks in this field specifically deal with 'gross profit' and profitability measures to a larger extent under the issue of '*ekonomistyring*' (Andersson et al., 2006; Ax et al., 2005; Carlson, 2006).

Both models of management control, the mainstream MC way of mainstream management accounting literature and *The Group MC Way*, therefore represented in praxis strongly what students most likely had learnt in theory. Yet in Sweden, in recent decades, there has been more and more influence on accounting/finance students through the use of Anglo-Saxon textbooks that, of course, feature the mainstream MC model. The strong influence of the Anglo-Saxon management and cost accounting literature on Swedish finance actors probably meant that the mainstream model was not unfamiliar. Having also studied such a control system in university, this other model was easily understood by younger employees, and, interestingly, apparently also was accepted by 'old' actors, as the interviews revealed. The same could not be said of the actors with only the Anglo-Saxon education background who had not studied the Swedish model. As a result, the original *The Group* actors may have had a much harder time explaining and defending their own model to others simply because there was no base of mutual knowledge, understanding, and terminology to work from.

7.4.4 The (Limited) Power of Coercive Legitimacy

Previous sections have already shown how ownership as a legal mandate to demand change is used in a rather coercive way, expressed here by the term 'coercive legitimacy' (DiMaggio & Powell, 1983). In both cases in this study, such coercive legitimacy worked only to a limited extent, and then only in particular situations and contexts, in certain directions, and in specific management control issues. These matters are evaluated more closely here. Previous sections have also introduced a soft form of the acquirer's use of coercive legitimacy, namely, the hidden performance system of rewards and punishments that was one of the softer power instruments used to coerce certain behaviors.

The interviews with key financial actors in both acquisition cases revealed that different logics existed regarding coercive legitimacy. Most managers with an Anglo-Saxon background, hence former Ford actors or *MT* actors, found it difficult to understand why certain instructions and orders from "above" or from the acquiring organization were not followed directly by actors of the acquired entity. Those people with an Anglo-Saxon heritage or education in this study apparently were used to accepting more or less what they were told from "above" simply because this was how organizations worked, an observation repeatedly made in the interviews. Thus ownership conferred the right to automatically mandate how things should work, a viewpoint shared by some Swedish actors, a few at VCC, and more at *The Group*. Coercive legitimacy, thus, was the logic of business, not easily resisted.

There were, however, many Swedish actors who questioned the simple and straightforward logic of coercive legitimacy. Thus, they often questioned change instructions and asked for explanations of the real reasons for such changes before accepting them. Historically, VCC managers, as a part of *The Group*, had discussed/questioned change issues, and even more frequently, were the initiators of the changes themselves. Therefore, in many cases, despite the undeniable fact that Ford now owned VCC, legally, operationally, and financially, the original VCC actors were not easily persuaded of the management control changes, which the long lasting discussions prior to, for example, the implementation of the project *SPEED* illustrated. While for other actors, mostly those with an Anglo-Saxon background, ownership alone provided the legitimacy to require change. For others, the ownership fact was not sufficient reason in itself to justify certain action. Typically, Swedish actors needed real arguments, not just a statement implying coercive legitimacy, explaining why changes were required.

It is clearly visible in the two cases that system-technical management control issues can, in particular cases, be 'integrated' if the acquirer requires this, aided by the power of ownership (coercive legitimacy), even if the acquired entity is less than co-operative as the situation with *RT* best illustrated. In that instance, the reason was obvious. Structural or system-technical MC issues were of a more rational nature, hence less abstract, and often were also more material in the form of system-infrastructure. It was sufficient to send people to the newly acquired entity to implement the new controls.

Such 'physical' implementation, however, does not always achieve the acquirer's desired solution. The reason, in the *RT* case, was that most system-technical solutions were closely connected to the mental side of an overarching control philosophy or model, as previous sections have explained. Material and system-technical elements of the management control model normally were set up in accordance with the frame of reference of the key management control actors designing and using them. These elements were therefore automatically connected to the values, beliefs, norms, and assumptions of the designers/users as well. This explains why most management control changes after the acquisitions required 'real' legitimation and purpose by the people who had to accept and implement them-

The use of expatriates, either as new management or as a new CFO at the acquired entity coming from the acquiring entity, for example, can be seen as coercive instruments or power functions that were necessary to implement changes. As the cases illustrated, expatriates and a new CFO indeed can have a strong impact on the management control integration process that follows. This impact, however, may be either positive or negative, depending on what is appropriate for different cultures as far as leadership style and the integration approach chosen. Whereas the Ford and the Mack cultures apparently were used to an environment with coercive power, a centralized control framework, guidelines, and orders that were rather clear, distinct, and rigorous, *The Group* culture, by contrast, interpreted such an environment as somewhat 'militaristic', over-formalized, meddling, and disempowering.

Therefore, sending financial expatriates and/or a CFO to a newly acquired entity can be seen as a 'socialization' approach, as a 'control instrument', or a combination of these approaches. Edström and Galbraith (1977, p. 257) described this situation thirty years ago as "a substitute for total immersion in a culture" where a process of control derives from socialization. Fundamentally, however, the cases show that it is not the chosen action (the transfer of managers/CFO) as such that is important, but the way these people do their jobs at the new place, the way others experience this, and the expectations of the subordinates that make the difference. Hence, it was relevant how actors of the acquired entities judged the arrival of the expatriates and the new CFO, what logic they applied to the control and coercive legitimacy, and how their inter-group communication worked that was important. The mere fact of transferring finance people was of lesser significance.

To be successful change leaders, expatriates at the acquired units in different positions, ranging from CFO to middle and lower ranked managers, had to persuade, translate, interpret, and communicate their change requirements. Their task was to steadily drive the process forward rather than to coercively push it. In a complex setting, involving the cross-national acquisition of large multinationals with old brands, management control matters had to be well understood and then communicated to the different actors involved. Because of the acquired organizations' large size, their global market presence, and the socio-ideological distance from the acquired entities, there was really no alternative. Most management control issues therefore required processes of acculturation or at least assimilation (Nahavandi & Malekzadeh, 1988) if changes were to be integrated and implemented.

In some cases, the legal power of the owner was, in a very limited way, the basis for legitimization of management control practice changes. For example, as in the legislated implementation of SOX, an acquiring entity could, with the help of laws and procedures, promote certain behaviors and restrict others. Even in such cases, and there were few, it was essential for the acquirer to be able to demonstrate the inevitability of the implementation of such laws and procedures persuasively. Persuading key actors of the real need for changes or of the superiority of particular management control practices was a major challenge, as the VCC case illustrated with the work that was necessary for SOX. Coercive power, on the other hand, was very limited in its success in achieving changes. Instead, more normative and mimetic legitimation functions (DiMaggio & Powell, 1983) had to be taken into consideration during the entire integration or alignment processes. This, however, was not clear to both acquirers, Ford and *The Group*, at the beginning. Before they could go further, they had to find a common management control language that recognized mutual considerations and values and that promoted common interests. Finding this language took a long time in both cases.

7.4.5 Summary

In sum, the real power during cross-border post-acquisition processes involving large multinationals lies above all in the power of rhetorical/persuasive elements and much less in the power of formal legitimacy. Hence, actors' MC practices changed more than systems did, as was most obvious in the case of *F/VCC* even though Ford was the 100% owner of VCC. In the case of *The Group*, the result of the acquisition of *RT* and *MT* was the opposite. Here, *The Group MC Way* was too weak as a rhetorical/persuasive element to convince actors, particularly at *RT*, of its advantages compared to the mainstream way of management control. Another reason for this difference in the two cases was that there were many expatriates at VCC who worked with all sorts of persuasion, while at *RT* and *MT*, however, the CFOs did almost all the persuasion work themselves. Additionally, changed performance systems and modified leadership systems at VCC also helped to effect MC practice changes while such changes were not as evident at *The Group*.

Perhaps most important, in the *F/VCC* case, former Ford actors used a rhetoric arguing for the mainstream MC way that was stronger in most cases than rhetoric supporting *The Group MC Way* and, as a result, usually they were the winners in these battles where the winning strategy depended on the better rhetorical devices. The major objective of these rhetorical battles was to illustrate 'best practice' and here, financial actors with a background at Ford seemed to have a strong advantage. Particularly since 'mainstream' was fighting against 'exceptional'; 'clear and detailed' against 'vaguer and more gut feeling'; and 'communalized and uniform' against 'local and contextual'. Moreover, an almost 'scientific and technical finance language' opposed a 'more value (product characteristics) and engineering influenced language'; 'means' against 'ends'; and 'English' against 'Swedish'. It seemed obvious that Ford had an advantage and this rhetorical strength helped the expatriates to change practices in many instances. The *V/R/M* case, on the other hand, was very different. There were few expatriates at the acquiring companies, and those who were there, fought only half-heartedly for their management control system, *The Group MC Way*. The argument for local and contextual adaptation to the mainstream MC way seemed often to weigh more heavily.

7.5 Theoretical Summary and the Study's Wider Significance

The results of this study show that management control 'integration' after cross-border acquisitions by multinationals can result in a different kind of integration process than most studies in the field of MC/M&As have previously examined. The principal differences are presented in the following five Sub-sections by applying a more macro-perspective and by raising the above-mentioned issues to a more theoretical level. First, I provide a brief discussion of the different worlds featured in this study that require translations. Thereafter, I discuss management control and intra- versus inter-organizational rhetoric, followed by a discourse on the gap between practice and theory. In the fourth Sub-section, I detail the findings of this study and compare them with earlier research. The last Sub-section ends the chapter with a brief summary of the findings and contributions of this study.

7.5.1 Different Worlds Need Translations

The two post-acquisition cases of this study demonstrate that 'reality' has many faces since it is the interpretations of the actors (the interviewees) that determine the reality. These actors variously describe the subject of 'management control' based on how each had experienced the different ways of management control. They list its pros and cons and its problems and solutions and make suggestions for improvement. An analysis of these narratives reveals management control is not a single, clearly identifiable, task, but rather a collection of activities, practices, and routines.

Frequently, the management control issues highlighted by the cases are ideas, assumptions, some of them taken-for-granted, and frameworks or models, subject to all kinds of interpretation by even the most knowledgeable actors. As such, the management control issues the actors talk about most are intangible issues, sometimes classified somewhat degradingly as "leftovers" or "personnel and cultural controls" in mainstream accounting literature. [See Chapter 1 that elaborates on this issue, using Merchant's (1998) definition]. Management control, as described and interpreted by the key finance and accounting actors generally is more about the 'software of the mind' (Hofstede, 1997) than the physical aspects/problems involving implementation, in other words, the 'hardware stuff'. It therefore seems rather dangerous to treat management control issues as if they were just the physical tasks itemized on 'to do' checklists, as is frequently the tendency of textbooks writers and even theoreticians.

In the past, this tendency in management control research probably results from the vast collection of quantitative information that makes a show of being 'real'. In the accounting (and control) research community, calculations have always dominated over narrations of "reasoning, learning, and persuading" (Llewellyn, 1999). In the field of management control research, numbers have often deceived us into thinking that we are dealing more with a natural science than with people, skills, work habits, and practices. However, numbers and calculations best quantify physical objects, such as the cars and trucks manufactured by the companies in this study, and so we can question their usefulness in quantifying intangible subjects.

Related to this discussion, the product numbering systems (PNS) is perhaps most illustrative of the difficulties encountered in the two cross-border acquisitions in this study (Figure 15 below). Even with the first translation from the material to the non-material, problems arose in dealing with the human constructions of how to represent these physical elements in countable and accountable versions. Specifically, problems arose in connection with language, IT-systems, organizational systems, and the human element, particularly the programmers. The narratives about the PNS reveal that different spheres or 'worlds' inter-connected in a rather complex way. They moreover illustrate that all kinds of problems arose due to such system changes that did not have much to do with the system itself, but more with the resistance, organizational loyalty, and power relationships, which are all intangible issues. In fact, the entire PNS situation appeared so complex that it sometimes seemed there was no single reality. It is in these very complex situations that actors with the best rhetorical and persuasive powers win the battles despite the lack of agreement on the true picture of reality needed to get on with the process. In such situations, accuracy is then not possible, and plausibility is required (Weick, 1995).

In both cases of this study, it appears there may be many situations where full accuracy of representation was an ideal only. The PNS story, for example, had applicability for the entire management control area since such a system combines all the most troublesome elements of post-acquisition work, as illustrated in Figure 15 below. Most importantly, the PNS story combines the 'hard' and 'soft' issues where the physical world of product materials for cars and trucks links with the abstract world of finance and accounting models, bookkeeping, and budgeting)

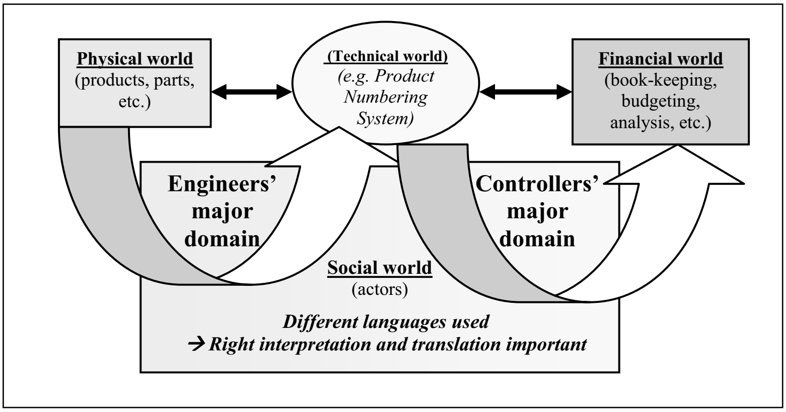

Figure 15: The different worlds

An additional problem, highlighted by the PNS story, is that there is a linkage between the physical world of production parts numbering and the abstract financial world of results, forecasts, and standards. The linkage involves a social element that we may call the social world. The products in the physical world are made by certain people in a certain environment, the social actors we often call the engineers. The PNS, in the technical world, collects as many aspects of these products as possible (using a 12 - 36 digit language system). This world is built and coded by another set of social actors, for example, the IT-specialists, who use a specialized language. The data produced by their system and their language is then transferred to the special accounting and financial systems, developed and constructed by yet another set of social actors, in this case, the social actors we call controllers who work in a particular social environment and use a particular ideological framework. The linkage is in the technical world where the engineers, the controllers, and their two languages meet.

A key goal of one acquirer (Ford) in the integration process was to improve this linkage between the physical world and the financial world. Ford communicated this goal to all actors with financial responsibilities at the acquired entity (VCC) with the hope of improving financial controls. It was not an easy task. The workload was enormous and furthermore involved traveling from one world into several others and even trespassing into different professional domains. Moreover, in these different domains, various professionals spoke different languages: the language of engineers versus the language of controllers. It took a great effort to translate between the different languages, to say nothing of the difficulty of the translations required between the different 'topoi' worlds, as explained below.

It is my perception that, at the time of the study, in *The Group* sphere, the engineers were generally perceived to have the highest 'status' in the company workforce. Finance people (including controllers) even spoke a language that was actually a little 'engineering-like', where product characteristics, for example, were core elements of their conversation rather than product costing technicalities. The education and training on matters related to better project management and increased cost consciousness for *The Group* engineers were highly prioritized. The creation of the organization called 3P (Product Development, Planning and Purchasing) at *The Group* was evidence of the attention focused on the engineers. Similarly, the *SPEED* project, with its “link to physicals” at the acquired company in Case 2 (VCC), showed that the financial world had to be better connected with the physical world. The difference between the two cases is that in the *V/R/M* world, the engineers became the real drivers for cost improvements, while in the *F/VCC* world, the finance people were the drivers. The similarity in the two cases is the need for improvements in the linkage between the two worlds.

All together, this also indicates clearly that acquisitions increase the complexity of different worlds that come together as several dimensions and professions can collide at the same time, which in turn requires good translations and the right interpretations. To investigate this further, more narrative research, in the manner of Vaara (2002) and Bijlsma-Frankema (2001) is needed in the area of MC/M&As.

7.5.2 Management Control and Intra- versus Inter-organizational Rhetoric

In order to provide a reasonably complete and first-hand overview of events after the acquisitions, I let the key management control actors do the ‘talking’ as much as possible in the empirical chapters of this study, Chapters 5 and 6. I was interested in the managers’ narratives of how they experienced the construction and reconstruction of management control that they recounted, often in a rather uncomplicated manner. Hence, I simply listened to their narratives and took in information about the past and present. In some cases, they linked their experiences to possible future events, sometimes explained in rather dramatic terms. Most narratives describing the different integration tasks and projects were fairly ‘rational’ in presenting the ‘real’ construction of ‘common’ management control systems, processes, and practices, or at least the attempts to construct them. This was also quite normal, as most interviewees in reality had been appointed specifically to perform a particular task, or to lead a certain project, or even to implement a particular plan or system.

Therefore, the ways in which the different parts of the management control systems and other information technology were integrated (or not) and the process of finding solutions to the problems that arose were the main topics of these narratives. Throughout, the interviewees used expressions such as “I believe”, “I venture to say”, “I argue”, “in my opinion”, “my view”, and so on. This personalized point of view demonstrated that, for them, ‘personal values’ and ‘individually applied logics’ were essential in understanding the integration processes. It was there that the second level of construction started, namely, when these actors constructed their own personal reality and thereby proved their own social identity (Weick, 1995). Observing this use of personal viewpoints, I experienced the sense-making process of the interviewed managers in essentially the same manner that Weick (1995) conceptualized sense-making in organizations in general. Hence, these actors defined and redefined their own identities by how they acted and by how they interpreted their environments, which corresponds to Weick’s (1995) first ‘sense-making’ characteristic.

Social constructivism, the radical version, holds that there is no reality as all phenomena are social because they all have to be defined by language. The implication is that there are no physical objects until they are socially constructed (Collin, 1998, in Norreklit et al., 2006). The acquisition cases in this study illustrate that there is a reality, but we all construct it in a personal way as we experience it, make sense of it, and finally describe it. Each of us constructs a ‘personal’ reality. I also believe, as Norreklit et al. (2006)

have written, that you cannot ignore that the existence of an (socio) economic logic in organizations and their members, the carriers of individual values.

In my opinion, organizations and their members attempt to apply rational/logical economic calculations; at least to them, such calculations appear so, in order that they can choose among opportunities and control their own futures. This is the same position Norreklit et al. (2006) take in their criticism of the purely social constructivist approach. Therefore, I repeat the major point made by Norreklit et al. in their discussion, namely, that 'reality is a construction', and this construction only holds in practice as long as we consider all its dimensions. In this study, as well as in Norreklit et al. (2006), these dimensions are four, namely, fact, logic, values and communication.

Furthermore, I believe that when we talk about what we realize with our senses (in any form of physical stimuli) the social construction of reality takes place. This does not mean, from my point of view, that there is no reality. Hence, there is no 'real' contradiction between a kind of moderate social constructivism and constructive pragmatism. Events are often perceived as real in a fairly objective manner, such as when organizations are involved in acquisitions. Despite the fact that human beings have constructed a certain vocabulary and a particular terminology in order to describe objects and actions (here I declare it a 'fact' because who else would have created these things?), these artifacts are not fictional. However, the problem is that we have to experience this reality and then to transmit it, if it is to have some validity. It is there where the construction takes place, at least twice. It is there where 'topos' comes into the picture as we all use different mixtures of the dimensions at hand, namely, 'facts, logic, communication, and values' in order to construct reality for ourselves and in order to reconstruct it for someone else when describing it. And I believe that this two-fold construction is a major problem exactly during cross-border acquisitions of multinationals as we are 'building our reality in different ways'.

In sum, the interviews illustrate that a 'topos' is not only local but also personal. A topos summarizes and illustrates 'who we are' in the first place and 'what we do with that knowledge' in the second place. Hence, personal 'topoi' appear to be the drivers in communication in general and therefore explain how we make decisions, how we take action, and how we talk about management control and other topics. Topoi therefore also represent the socio-economic logic of all individuals but also, when aggregated, of groups and entire organizations or even nations, consistent with the ideas of, for example, Hofstede (1980, 1997) who discusses aggregation in its most extreme dimension.

Different 'topoi' are then the driving force behind, for example, decision-making that is normally seen as the cognitive process that leads to the selection of a course of action among alternatives. Every decision-making process produces a final choice, the decision to do something or to express an opinion. The process begins when we need to do something but we do not know what. After acquisitions, practical work is necessary in order to drive the newly formed business forward. But before this practical work can begin, many decisions are required: the practical work that is useful and appropriate and the selection of the optimal actions. During this decision-making process, it seems to be essential that decision makers fully understand what should be done and why. This understanding will facilitate rapid and effective decision-making.

In earlier sections of this study, we saw that decision-making is a multi-dimensional reasoning process since we all apply different arguments (ranging from rational to irrational) and bring different assumptions to it (ranging from explicit to tacit). Management control practices, that appear global in some textbooks, may not be in reality. Hence, global actors do not speak the same language, do not have the same worldviews, and do not apply the same logic. What appears rational to some of us is still irrational to others. Whereas explicit knowledge may be relatively easy to grasp for all members of the new community after acquisitions, tacit knowledge has to be made clear before it can be communicated to the new members of the group who do not automatically understand it.

Yet, as the interviews of this study demonstrated, there is a problem with communication of knowledge, with its transfer between an acquirer organization and an acquired organization. This problem may be one of the most difficult issues of all in post-acquisition integration. The interviewed actors in the two cases of this study were all experts in their fields and in one way or another related to the management control function of their respective companies. Becoming an expert in an area requires the acquisition of a lot of knowledge that has been built up with the help of conscious, deliberate, and explicit thought and practices over a long period of time. However, the finding in this study is that this knowledge, when confronted with other MC practices, had often become tacit knowledge.

These experts had also learnt though intuition, which involves the perception of similarities and differences, and this was a process of (past) pattern recognition (Crossan et al., 1999). Through a process of interpretation, individuals then developed cognitive maps about the various domains in which they operated. During this process, language played a fundamental role as it helped to develop maps and allowed individuals to name and explain what they first only felt or sensed. This was the process when they mirrored their own practices with new ones. Interpretation takes place in relation to a certain domain or environment, and this also affects the cognitive map and determines what one interprets from that domain or environment (Crossan et al., 1999). Interpretation furthermore is a social activity that creates and refines common language, clarifies images, and creates shared meaning and understanding. This is accomplished through conversation and dialogue with others, hence in groups. This step was apparently the one that was experienced most strongly at VCC from around 2003 to 2006.

In Case 2 (*F/VCC*), many expatriates helped integrate the different cognitive maps through an interactive conversational process with original actors (at VCC), mostly at the group level. This later led to integrated values regarding MC practice changes and co-ordinated action by members of work groups. Formal rules and procedures that were already in place but had not been really followed by the originals were thereafter embedded in many instances. The process of institutionalization started to finally occur within the acquired entity. In this way, due to their rhetorical/persuasive strengths, these expatriates at the acquired entity (VCC) succeeded in achieving inter-organizational learning, at least in one direction, namely, that VCC originals learnt the acquirers' MC practices. In the opposite direction, however, inter-organizational learning was apparently not possible as even highly ranked expatriates who had returned home did not have the power to achieve the degree of integration that would have enabled the shared actions that would change the acquirer's MC way. Figure 16 below illustrates this intra versus inter-organizational rhetoric, communication, and learning.

The two cases illustrate that inter-organizational MC practice learning in a setting, as exemplified by this study, involving the cross-border acquisitions of large multinationals, is complicated and almost impossible given a short time period. Coercive and formal power is very limited in forcing integration. What seems to be needed is the construction of an integrated management control language, or at least the employment of translators who can communicate effectively between the different languages. And this is best achieved through direct contact between the different actor groups simply because the interpretive process is richer and more robust if the conversations and interactions are with others directly. At a distance, actors have the possibility to follow a ceremonial adaptation strategy (Kostova & Roth, 2002), and it is therefore essential to have a crew of interested and motivated finance personnel sent to the acquired company (or vice versa, when the learning should go the other way). Moreover, another closely related major task is to overcome the lack of common topoi in order to co-operate more smoothly and to understand each other regarding the pros and cons of the particular management control issues.

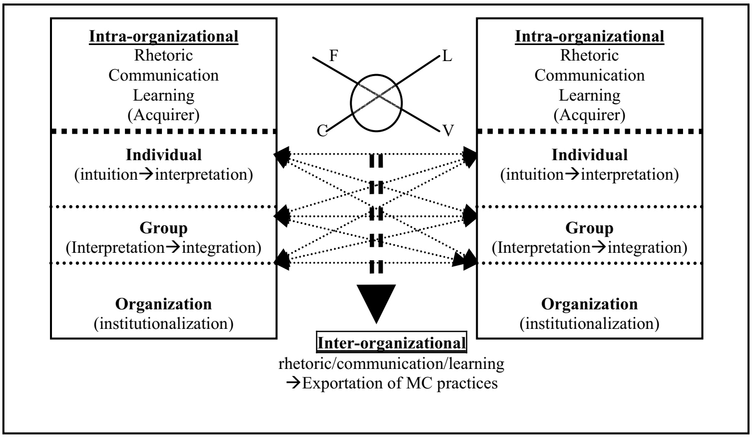

Figure 16: Intra versus Inter-organizational Rhetoric

The case studies also demonstrate that all controlled work in organizations produces non-routine spin-offs that need to be interpreted and judged (Perrow et al, 1986; Weick, 1995). Therefore, only when management control in acquiring (or acquired if this change is possible) organizations is perceived as reasonable, intelligible and acceptable, will organizational members act and argue such that they reproduce that style properly and meaningfully. These are other issues in the area of MC/M&As that should be understood by finance executives and other managers, not just Human Resources specialists because this responsibility should not be decoupled from the actors themselves. The professionals themselves should understand the particular context and the people with their values and worldviews. This 'locality' determines what is 'good' management control, and how such a system should look if it is to be regarded as reasonable and acceptable.

7.5.3 Closing (Some of) the Gap between Practice and Theory

The gap between practice and theory is a well-known phenomenon in many areas, not least in management accounting and control. In this regard, the findings from the two case studies should be connected to the research traditions by comparing the empirical evidence of practice with the theoretical ideas of research theory. A good procedure for making this connection is to compare the results of this study with the results of the authors of the 'topoi' model, Norreklit et al., (2006), who classified different research streams within management control on the basis of their main focuses and strengths. By doing so, one can clearly see that there is a common pattern since my classification of mainstream management control models in the practical field (practice) are identical with the classification of these authors in the theoretical field (theory). Norreklit et al. (2006) have found that mainstream research in general focuses most strongly on facts (empiricism) and logic (rationalism). It is not a coincidence that the literature they investigated, identifying it as a 'brand mark' mainstream, was literature with an Anglo-Saxon origin.

Mainstream research combines the ideas of strategy and structure developed and defined by authors such as Chandler (1962), Anthony (1965), Merchant (1985), and Simons (1995). Several of these authors were closely tied to, and enormously influenced by, the Harvard Business School (HBS), an institution that probably also has influenced many American companies, including Ford and *MT*. The HBS approach "assumes the existence of a universal structure of rationality", that managers are rational, that they "respond to the environment with a rational structure and a hierarchy of decision levels", and that this rationality then leads to high performance to which reward systems have to be linked (Norreklit et al., 2006, p. 53). Accounting and management control models are then "logical constructs since logic governs the structure and response of the organization" (Norreklit et al., 2006, p. 53). In these models, values are assumed to be the same for everybody, and are then defined by the mission or the belief system (Simons, 1995). This, however, assumes complete "technical rationality" that in turn assumes that there is universal agreement on what is good for everybody (Norreklit et al., 2006, p.53).

Apparently, one of the most severe criticisms of the mainstream accounting approach in general has been that it creates an external, rather than an internal, commitment (Argyris & Kaplan, 1994). This means that the individuals within such a system "primarily find the motivation for their own energy and attention in variables outside themselves" (Norreklit et al., 2006, p. 54). Thus, such individuals are not really supported by their own values. Accordingly, this situation often causes employees to focus their attention on what is measured, at the risk of ignoring other elements that may be important as well.

This is another important idea that the narratives of key actors at one acquired entity (VCC) raised. Several original actors at this acquired entity felt that many of their co-workers had given up a well-functioning and holistic system, almost without resistance, just in order to strive for their own personal goals. These were goals that were established in combination with incentives and rewards, and were then tied to overarching goals that ultimately changed the entire control logic at the acquired organization. Changing from the 'gross profit model' to the 'contribution model' was one very significant change in itself, but changing the leadership levels at the same time may have had very large consequences. Both changes meant becoming more functionally oriented instead of process-oriented (cross-functional) and both had a large impact on *The Group MC Way* at VCC. Some actors believed this change posed great dangers for the future. In these problems, one can clearly see that most actors made the switch from internal commitment (before the Ford acquisition) to external commitment simply because there was no viable alternative. Not agreeing to the switch would have meant, "You are not doing a good job". Therefore, the force toward alignment with the mainstream management control model was stronger in many cases than the power of individuals to defend their own values, and thus they abandoned their internal commitment.[66]

[66] In this regard, similarities are evident between practice and theory as non-mainstream researchers in the past often felt neglected by the 'world' as they found it difficult to be published in the major

In consideration of *The Group* MC model, however, most evidence from practice in the form of narratives suggests that this model was based on a rather holistic view overall, situated probably somewhat more to the right than to the left in Norreklit et al.'s (2006, p. 58) 'topos' model. In this position, *The Group* model could almost be classified as a constructivist pragmatic model, which then would be a model combining all four perspectives of reality, and probably would be more integrated than any of the three research streams investigated by these authors (i.e., social constructivists, agency theory, mainstream accounting). In fact, *The Group* model would then represent the same reality construction that is the purpose of this study, as outlined in Chapter 3 on the study's methodology. This integrated field is what original *The Group* actors, again and again, have described as a holistic view, where you saw the entire 'forest' and not just "some trees".

I actually believe that this holistic view at *The Group* is true to a considerable extent as reality is much more than facts and figures. The major questions that remain then are: Which is better, a more holistic view, at the cost of details, or more details at the cost of a holistic view? Do we need only more facts and figures, or more information of all kinds? One conclusion seems clear from the study's cases. To those who were not used to *The Group MC Way*, this approach to management control simply meant less credibility and less validity. It was not easy to prove the opposite, that the model was reliable and true, which apparently was the dilemma of the original VCC actors.

In conclusion, within the external accounting domain, it appears as if practices and theories are becoming more similar in the Western world. The two case studies also underline that there are, nevertheless, changes at work in the internal accounting domain, probably to some extent because this domain follows the logic of external accounting standardization. Even so, the rationale, externally and internally, is that the gains acquired from information provided must be greater than the costs involved to provide that information. A more detailed accounting requires costly resources in new systems and employee hours, factors that always have to be taken into consideration. The principal question then is whether more details lead to a higher validity and verifiability of the business transactions, to a better picture of how and why the organization is performing, to a better managed organization, and thus to a more profitable organization. Very likely, it is difficult to calculate and weigh financially the real gains against the real losses in this question. The answer requires a subjective or common sense judgment.

However, as we have seen, the personal opinion, personal inclinations, and personal evaluations of the subjective, common sense approach will vary from person to person, perhaps nowhere more than in organizations of peoples with different educations, backgrounds, cultures, and experiences. Such differences were very evident in this comparison of American and Swedish management control models.

7.5.4 The Findings of this Study Compared to Earlier Studies

The case studies described above differ to a great extent from earlier research in the explicit field of management control and M&As. Most differences that will be discussed here have to do with the three distinguishing characteristics of the research process chosen for this study.

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journals. Probably, many researchers may therefore have chosen to adopt the mainstream writing style. However, in recent decades, there has been a reverse movement among theoreticians.

First, this study describes the change of the same management control way, *The Group MC Way*, although the circumstances surrounding the change differed in the two cases studied. In one instance, the foreign multinational was trying to change the domestic (Swedish) company's system; in the other, the domestic (Swedish) multinational company was trying to change two foreign companies' systems. Second, all the multinational companies in the study are large, some among the largest in the industry and the world. And third, the 'integration' process observed in the two cases is very long, one almost eight years, the other six. These three methodological core elements, all new in this research area, in turn resulted in findings that are original compared to earlier research.

One significant finding in the two cases relates to the observation that both acquirers, not surprisingly, believed strongly in their own MC practices (a finding supported by many earlier studies), but for different reasons. Actors from one acquiring entity asserted that there was one best way of management control, specifically the more scientific, mainstream model with its focus on 'facts and figures', details, and control. They contrasted their model favorably against *The Group MC Way* that they sought to replace. They were firm in their conviction that their model was the only right approach for controlling costs since it used highly quantitative and reliable accounting techniques and financial tools. This model for management control is based mostly on the ideas of deductive reasoning that are founded on laws, rules, or other widely accepted, rational principles. Such generalized reasoning is then applied to specific situations, in this case, the way of effecting management control.

Actors from the other acquiring entity were equally convinced of the rightness of their management control model, *The Group MC Way*. This model, however, was largely built on the ideas of inductive reasoning where specific experiences and observations in specific places are the point of departure for moving towards the more general, that is, in this situation, toward action. As a result, these actors took a less authoritative approach to implementing their model. Despite the pressure from an American consulting firm that more closely followed the deductive reasoning approach, these actors invited the acquired entities to adopt their approach, hoping that by providing the proper tools in a participative way, they could steer these entities towards the same 'means', hence to become, above all, more profitable.

Another significant finding is that even after some years, the attempts to integrate the management control systems were incomplete in both cases. Nor could the integration process be said to be wholly successful in either case. However, it was also asserted that the processes were not totally unsuccessful either. These evaluations were, of course, subjective and dependent on whose opinion one listened to. Probably the answer was that, over the long course of the integration processes, the integrations sometimes went well, other times not. The integration time investigated in both cases was certainly longer than that investigated in previous studies, with the possible exception of Granlund's research (2003). It is this long time span that has permitted the observation of issues and processes as they evolved during the entire post-acquisition periods, and not merely the one to two years of most earlier studies (See Sub-sections 2.2.1, 2.2.2, and 2.3.2).

Because of the long time span of the integration processes that the interviewees recalled and commented on, the investigation brought to light different phases at different times, both successes and failures, stronger and weaker forces at work, and different situations and problems in focus. Both integration processes therefore contained elements of the nature of 'carrots' but also of 'sticks' (Bower, 2001). There were times when, for example, the forces for situational adaptation appeared stronger (support for the contingency theory) than the forces for centralization, while at other times exactly the opposite seemed true. Hence, evaluations made during the integration processes were very time dependent, an observation that merits more attention by studies in research methodologies. This furthermore supports the conclusion of Low-test et al. (2003) that different focuses (internal versus external) at different times during the integration process may be appropriate. However, as this study illustrates, it is difficult, if not impossible to plan the timing of such research.

Clearly, Case Study 2 (*F/VCC*) had more similarities with the centralistic ideas (Jones, 1985a, 1985b) than Case Study 1 (*V/R/M*), and followed the logic of deductive reasoning rather than the logic of inductive reasoning. This finding is consistent with the findings of earlier studies (Jones, 1985a, 1985b, 1986; Roberts, 1990; Kitching, 1967, 1974) that show that Anglo-Saxon acquirers are more inclined to adapt management control systems in acquired organizations towards their own model than Swedish acquirers are (Nilsson, 1997, 2000, 2002).

These cases also show that the events in the post-acquisition processes were largely dependent on the strength of the different forces at work during the various phases. This finding is consistent with the process perspective that maintains management cannot foresee and plan for each turn of events (See Sub-section 2.2.2). Processes emerge, often spontaneously, as if from behind the clouds. As a result, the integration processes in both cases did not follow rational patterns and were not the linear processes so often described in frameworks and textbooks. (See Sub-sections 2.3.2 and 2.3.3). The processes described here, in fact, did not even follow most of the principles of process theory.

Instead, these processes were more a situation of 'muddling through', although in a mainly positive way, most similar to the incremental approach where solutions are developed slowly over a long period of time (Wildavski, 1989). In this respect, the findings of this study regarding the issues of goal ambiguity, cultural conflicts, und unintended consequences have much in common with some of the findings of Granlund (2003). However, Granlund found that dominant individuals play a crucial role during the development of new management accounting systems in post-acquisition processes. My study provides evidence that sometimes dominant individuals need acceptance from the group for their initiatives; hence, actor groups play a major role in supporting dominant individuals who are the initiators of ideas. This finding is most evident in the relationship of *The Group* and its top financial management.

After acquisitions, the minimum task for acquirers is to integrate the accounting information systems, and relatively quickly, in order to facilitate the most basic information flows between the now mother company and the new daughter (daughters). Until this task is accomplished, it is not possible to consolidate the financial information and to generate financial reports, primarily for external purposes. This action apparently made sense to most of actors involved in the two cases and apparently did not generate any real controversy after the acquisitions. Much research in the field of MC/M&As has examined exactly this issue, and, as expected, has concluded that systems have to be replaced and the acquirer's work values have to be imposed on the acquired entities, generally within a few years, if not months (See Sub-sections 2.3.1, 2.3.2, and 2.3.3). However, the cases in this study show that major problems often arise when changes are initiated in management control by trying to integrate the accounting practices and the information systems. The basic and initial integration of accounting information systems may only be the beginning of a long journey towards common management control.

The explanation for the length of the journey is that almost nothing can be replaced (systems) or imposed on acquired entities and their members (values) unless these members can be convinced of the necessity of making the changes, at least in most respects. Much persuasion work, which is very time-consuming, is required. This finding agrees with the main assumptions of the Human Resource and cultural perspective. (See Sub-sections 2.2.3 and 2.2.4). However, it is a finding that is new in the explicit studies in the field of MC/M&As. Initially, such persuasion work is about trying to reach a higher level of co-operation, but in fact this often means trying to reach a level where, rather than resolving basic system-technical matters, entire control ideologies and management philosophies may be changed. (See Sub-sections 2.4.4 and 2.4.5 and Section 2.5). Overall, such integration work therefore is more about mental and behavioral issues than physical and system-technical issues.

The cases of this study also reveal, contrary to much earlier research, that formal power in the form of ownership and financial power in the form of resources are often too weak to drive large system changes or make behavioral changes. In the first instance, evidence is provided by the *F/VCC* case where the acquirer company owned 100% of the acquired company and yet could not fully impose its managerial control system. Both cases provide evidence that even resource rich companies (*The Group*) may be unable to effect the behavioral changes they wish. However, as the *F/VCC* case shows, the rhetorical devices used by the expatriates (the Ford advocates) to support their mainstream way of management control was essentially a cost free change initiator, powerful enough to change behavior and management control practices. Rhetorical devices, combined with the change at the leadership level and a new and more coercive rewards/punishment performance system, could slowly bring about changes in management control.

The essential finding is that management control practices can change if rhetorical/persuasive processes are effectively used. Different management control techniques and ideas were replaced at the acquired entity (e.g., gross profit by contribution margin) through the powerful persuasion of the mainstream model advocates. As a result, changing the way of management control allowed the acquirer to control (at least, to steer) the acquired entity. Since these changed MC practices also altered the use of the information for different purposes, norms also began to change, as illustrated in Figure 17.

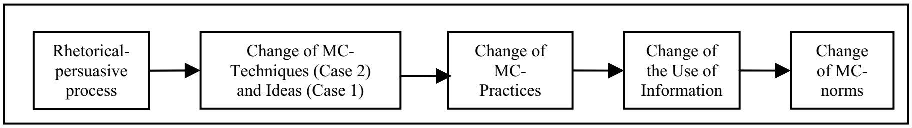

Figure 17: How management control practices and norms change

Thus, as Case 2 (*F/VCC*) reveals, by using a rhetorical/persuasive process, an acquirer can change management control norms even in large multinationals after cross-border acquisitions. Such a change takes a long time, however, since it is not possible to simply announce the acquirer's norms and standards with the expectation they will be automatically adopted by the acquired entity. Contrasted with earlier research on the process of accounting norms, practices and its use (Olson et al., 1998) this study finds that the process began with a slow drift rather than a sudden wrench. During this drift, the stronger rhetorical elements of a mainstream approach, together with the stronger persuasive work of their advocates, may lead gradually to small changes in certain minor management control practices, followed slowly by larger changes, and finally to whole practice changes.

In Case 1 (*V/R/M*), the process followed a similar logic, with the major difference that the acquirer (*The Group*) had a more challenging task since its primary goal was to introduce more 'ends' (ideas) rather than more 'means' (techniques). *The Group*'s rhetoric and determination in accomplishing this goal were weaker than that used by the Renault/Mack proponents of the mainstream MC model, and, as a result, the changes in the MC practices were not as visible. Consequently, there were as many MC norm changes at the acquiring entity (*The Group*) as at the acquired entities (*RT* and *MT*).

7.5.5 Overall Conclusions

In this study, the focus is on activities related to management control system changes and their adaptations following cross-border acquisitions of large multinationals. Hence, while I began this study as research into integration, I observed that the actual processes in these two cases were 'convergence' and 'alignment'. I have come to believe 'integration', long a fashionable term in the study of M&As, is perhaps becoming somewhat old-fashioned. Based on my research, it appears such work following acquisitions is something other than real integration. The major reason is that management control systems in the large can be described as models that consist more of a collection of ideas, assumptions and frameworks, the so-called 'soft' issues, than of the physical and tangible elements, the so-called 'hard' issues of technology, standards and formulas. Possibly, one may integrate these 'soft' issues' but not in the way mostly recommended in the rationally influenced mainstream literature, and especially not by coercive power.

Real legitimacy on the part of the change initiator is needed in order to implement most changes. Two pre-requisites are necessary for achieving legitimacy: the use of a powerful rhetoric to support the management control models and the persuasive skills of the finance actors (advocates) wishing to convince (guardians) of the strengths and advantages of a particular model. The finding of this study is that, through rhetoric and persuasion, an acquirer company's advocates can defeat an acquired company's guardians, regardless of the merits of the models each side separately supports. Such is the conclusion, at least, in large and complex acquisitions exemplified by the two cases in this study. Thus, a rhetorical/persuasive process is needed because guardians must regard new management control practices as reasonable and acceptable. Only then will new organizational actors act and argue such that they reproduce that style properly and meaningfully.

Management control knowledge in organizations is often tacit knowledge. Therefore, as long as actors do not recognize the same management control models and do not apply the same worldviews and logic, all tacit knowledge has to be made clear and 'visible' before it can be communicated to new members of the group. Otherwise, they will not understand it and will not accept it. Interpretation and translation of management control models is therefore a major driver in creating a common management control language of clarified images and shared meaning and understanding. This in turn requires direct contact between actor groups, direct interaction, and direct communication because management control is not a 'technical, rational' area where there is a universal agreement on what is good for everyone.

Additionally, the conflicts resulting from two competing management control models can probably never be totally resolved in a rational way because the problems and situations are often too complex and interwoven. From a purely financial perspective, it is difficult to weigh the pros and cons involved with making management control system changes and adaptations. Therefore, in most cases, the subjective judgments and common sense of actors are very important in this process of deciding if, how, and why one choice is better than another. The key actors' socio-economic 'inherent' logic and their personal and company values must play a major role during such post-acquisition work. The conclusion of this study is that the best solution to resolving the conflicts between competing management control models is to make gradual and incremental changes, using negotiation strategies and applying strong rhetorical/persuasive methods in an environment that recognizes the importance of the full participation of the actors involved.

7.6 Further Research

Mainstream research has dominated the management control field with respect to mergers and acquisitions. Normative theories have often been used to guide post-acquisition work, and, to a great extent relatively rational frameworks have been associated with this field, both in theory and in practice. Some researchers have suggested recently, however, that the field would benefit from a more critical, post-modern, and more actor-involved examination. In this study, the intent is to deepen the dialogue with a more nuanced discussion on the phenomenon of management control change and cross-border acquisitions. The study focuses especially on the controversial claims about rationality in general and decision-rationality in particular. As there now exists no globally accepted understanding and application of the concept of management control, there is a great need for further fieldwork studies on the 'integration' work of key management control actors engaged in cross-border acquisitions.

This study shows that financial actors' socio-economic logic and their rationalization of control issues can differ significantly. Therefore, further research is needed into how decision-making really works in the integration process of acquired and acquiring organizations and among actors with different work and cultural backgrounds. What really is the nature of the interaction between expatriate employees and their former management? In the process of changing from one management control system to another, what are the arguments made, who makes these arguments, and what persuasive rhetoric is used? If we are to learn how to succeed with such integration processes, we need answers to these questions. Objective researchers need to be 'the fly on the wall' as they gather empirical evidence from, for example, close observation of decision makers and decision-making in meetings and other occasions. Through such research, we can discover a great deal about how such interaction changes in the process of becoming 'integrated'.

This study also highlights the existence of many unresolved questions on the important relationship between principal and agents, that is, between the acquiring and acquired organizations. For example, we need to know more about the nature of this relationship as it affects the management (and others) in different parts of the new entity, particularly the changes in this relationship in the ongoing process of the integration. Moreover, what effect does this relationship between principal and agent have on the integration process and on the related management control issues? As power relationships and sense-making are closely connected, it may also be useful to take a closer look at those issues that provide key finance actors with an arena for (re-)constructing, establishing superiority and inferiority, and exerting symbolic as well as real power.

Additionally, this study raises several questions related to the discussion on ideology and management control in association with M&As. How, for example, can management control actions be co-ordinated using ideological means after cross-border acquisitions by multinationals? Is it possible for action to produce a common ideology? Or, contrariwise, can an ideology produce common action? Furthermore, how can ideology and action, that systematically oppose one another, benefit the organization in its quest for legitimacy and even survival?

Yet another area for a research project, building on the discussion of ideology in this study, is an examination of the political issues that arise in the management control integration process. Such a project, in taking a more critical research position than this study has, could give us an enhanced vision and understanding of systems of domination and power. We might gain a clearer picture of how one entity and its leaders dominate other entities and their leaders. Thus, we could see how 'meaning' really is articulated and transferred between the different actors, actor groups, and organizational entities as they shape their ideology. Such research is needed to illuminate the relationship between management control and ideology.

More research is also needed from an industry perspective. Such research would move from a focus on the integration details and processes between actors and actor groups, as in this study, to one that concentrates on the impact of different business ideologies on financial decision-making at a more macro-economic level. In such a study, comparisons among industries and companies in those industries might reveal more about the connection of management control (the financial world), ideology (the social world), and the products produced and consumed (the physical world).

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