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**Bridging Borders: Exploring Impacts of Cultural Differences on Achieving Cross-  
Border M&A Harmonization**

**A Case Study**

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## **Abstract**

Cross-border M&A has become a popular strategy for firms to enter new markets. Even though the advantages of cross-border M&A are well known, it is important to gain a deeper understanding of the procedure. Therefore, our study aims to add to the body of knowledge by examining the variables that affect the harmonization of cross-border M&A. To accomplish this goal, a single case study methodology will be used, with a focus on the M&A process and the contribution of culture to harmonization. Another key aspect that aligns with the cultural dimension is the relationship between the headquarters and subsidiaries and its subsequent impact on the process. Additionally, this study seeks to advance scholarly knowledge on a relatively novel phenomenon: the attainment of legitimacy in the region through local sourcing following the completion of M&A. Our findings emphasize the significance of culture and the strategies employed to facilitate cultural assimilation, including adjustments in the HQ-subsidary relationship to streamline information flow. Furthermore, our findings suggest that local sourcing serves as a critical instrument for achieving local legitimacy, thereby reducing the cultural distance between the acquiring and target firms. This study is limited to a single case study within the F&B industry in developing countries. As such, the generalizability of our findings is limited to cross-border M&A occurring in similar contexts.

**Keywords:** *Cross-border M&A, Culture, HQ-subsidary relationship, Local sourcing, Local legitimacy, Cross-border M&A harmonization*

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*„The perfect blossom is a rare thing. You could spend your life looking for one, and it would not be a wasted life“*

*Katsumoto (The Last Samurai)*

## **List of Abbreviation**

**ADB** - Asian Development Bank  
**F&B** - Food and beverages  
**FDI** - Foreign Direct Investment  
**HQ** - Headquarters  
**HR** - Human Resource  
**IB** - International Business  
**LoE** - Liability of Emergingness  
**M&A** - Merger & Acquisition  
**MNC** - Multinational Corporation  
**WOS** - Wholly-Owned Subsidiary

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## 1. Introduction

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*The chapter provides a short introduction to the thesis by giving a brief background of the topic and providing a detailed problem discussion together with identifying a gap in research. Thereafter our research question is derived from this together with the aim of the research. Lastly, we looked at the limitations of our research and portrayed how we structure the thesis.*

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### 1.1 Background

Thomas Szasz (n.d.) once stated, "In the animal kingdom, the rule is eat or be eaten; in the human kingdom, define or be defined". When examining multinational corporations (MNCs) that enter new markets, it is critical for them to define their market. They must plan out their strategies and operations, or they run the risk of failing.

The question of how a MNC expands into new markets has been central to international business (IB) literature over the past three decades. A MNC can use different modes to expand into new markets, either through equity or non-equity modes. MNCs which use equity-modes to expand internationally often opt for cross-border mergers and acquisitions (M&A), especially when MNC from developed economies want to enter emerging markets (Erel, Liao and Weisbach, 2012). Cross-border M&A when executed correctly can account for numerous benefits for the MNC and potentially lead to strong corporate growth or increased efficiencies through enhancing the synergies of the companies. There are several reasons for companies conducting cross-border M&A with the most significant reasons being financial and managerial (Schweizer, 2005). The financial reasons why companies conduct M&A is to improve shareholder value and the managerial reasons are to boost management's authority and reputation by lowering uncertainty in the external environment of the business. M&A may also be motivated by business, organizational, or individual factors (ibid). Successful cross-border M&A often depend on enhancing synergies of the acquiring firm and target firm. The cross-border M&A integration phase is critical for enhancing synergies as the MNC restructures and maintains strong local forces in the host country of the target firm (Bodner & Capron, 2018).

To ensure MNCs cross-border M&A integration phase is successful the strategy should be clearly defined and can fall under Bartlett & Ghosal's (1989) framework by considering the pressures for global integration and the need for local responsiveness. Depending on the strategy, a MNC must consider various aspects such as their relationship with the acquired

firm as well as the integration process of integrating cultural differences. Therefore, the MNC should be viewed as a network, and responsibilities are delegated selectively with the newly acquired firm (Bartlett & Ghosal, 1989).

The capabilities of the newly acquired firms should focus on whether they are important to the local environment or give the firm a competitive advantage. Some of these include marketing, distribution, and sourcing amongst others (Park & Ghauri, 2011). Sourcing is especially interesting in the context of IB, as sourcing has become a significant factor which leads to a company's success and broadens their value chain. Sourcing is also a critical factor to determine M&A success and sourcing locally can provide an array of benefits in the target company's market as it can stimulate the economy and gather legitimacy by supplier, consumer and even employees (Oki & Kawi, 2022). In the context of IB, sourcing often refers to finding and buying products, services, or raw materials from foreign markets to meet the needs of the business (Kanter, 1998). In our study, we will focus on sourcing within the region of the target firm after a cross-border M&A.

Sourcing is a crucial component of doing business internationally since it helps companies connect to a bigger pool of suppliers, get access to new markets, reduce the cost of their inputs, and benefit from economies of scale (Cho & Kang, 2001). From a resource-based view of firms we find that sourcing allows companies to gain a sustained competitive advantage, but this is often criticized as the institution-based view on local sourcing and its benefits are often neglected in IB literature. Therefore, if the target firm which relied heavily on local sourcing for their production gets acquired by an MNC the M&A integration phase is critical as the local sourcing strategy shifts to the ownership of the acquiring firm and aspects such as cultural differences as well as the Headquarter (HQ) Subsidiary relationships must be examined as there is a gap in research.

## 1.2 Problem discussion

MNCs expand into new markets because they are asset-, resource-, market- or efficiency-seeking according to Dunning's (2000) eclectic paradigm. According to the Asian Development Bank (ADB), companies can perform Foreign Direct Investment (FDI) in a variety of ways, including M&A, joint ventures, new plants, and others. Depending on the goals of the MNC, Chen & Young (2010) further divides the acquisition into full control and partial control. The MNC has two options when attempting to purchase the firm's capability



and know-how as capability procurement. Strategic factors such as expansion, referred to as strategic procurement, in which case it will only exercise partial control over the company, or the firm, in which case it will take complete control.

There are two key causes driving these M&As and consolidation activity in the consumer business. Firms can enter new sales and distribution channels, regions, or product categories through M&A. They may also profit from bundling opportunities and cross-sell or upsell their current items. Furthermore, purchases often get media attention, which makes the brand more known (Kearney, 2022). The second reason has to do with cost synergies, which help food & beverage (F&B) companies cut costs all along the value chain. Additionally, firms have more power in negotiations with significant vendors and clients. By getting rid of duplication, businesses can spread new investments over a larger pool of resources and lower their overhead costs. Lastly, M&A helps F&B companies grow by giving them access to technical resources and letting them share knowledge (Kearney, 2022).

When examining cross-border M&As, it's also important to emphasize the M&A integration phase. In academic literature, this phase describes the process of integrating two merging organizational structures and considers it to be the most vital stage in achieving cross-border M&A success (Cartwright & Cooper, 1996). One of the most challenging aspects of a successful M&A is integration planning of the two firms. The reason why the integration is so difficult is because of the cultural differences of the two firms and employees cannot adapt to changes which would bring out synergies according to Kumar (2019).

MNCs need to know about cultural differences as it can both establish a competitive advantage and a problem for MNC that do business all over the world. Buckley et al. (2018) say that for culture to be used competitively, managers in these businesses must understand the cultures they deal with and how they affect the institutions of society. Therefore, to understand the importance of cultural distance and its impact Peng et al. (2008) introduced the perspective of the institution-based view. The institution-based view examines both formal and informal institutions and as Buckley et al. (2018) stated to achieve a competitive advantage MNCs should look at the perspective of an institution-based view. Especially in developing countries an institution-based view is more critical as high degrees of uncertainty of those countries can hinder a MNC growth.

Secondly, cross-border M&A can also significantly change the organization structure of the target firm as they went from being a HQ to being a subsidiary. This change is often difficult to process as employees can be given different responsibilities as well as having to adapt to the change in processes. Therefore, it is critical to consider how the acquiring firm handles this and depending on the strategy used by the company and the autonomy which the target firm has. As Kumar (2019) mentioned employees often struggle to adapt to change which can lead to synergies not being fulfilled. Therefore, the HQ-Subsidiary relationship should be examined as closely to achieving M&A success as culture.

Lastly, a new phenomenon in IB literature has been seen as a strategy for MNCs to successfully enter a market by gaining local legitimacy. Several ways to achieve local legitimacy have been expressed and Wu & Jia (2018) have stated that local sourcing can aid in achieving this. As we are looking into an industry where sourcing is important to the success of a company it could also pave the way as being a strategy which contributes to M&A harmonization. Sourcing has become increasingly popular in IB but there is a gap in research when examining sourcing in the context of cross-border M&A. Local sourcing could be a method which influences the success of cross-border M&A as it considers the cultural differences and defines the HQ-Subsidiary relationship.

### 1.3 Research Question

According to the debate and literature review, the following is the research question:

#### **Research Question**

*How does culture impact the harmonization of cross-border M&A?*

For our paper we have also found that sub-questions are suitable to have a more holistic view of this phenomenon.

#### **Sub-question 1:**

*How does the HQ-Subsidiary relationship impact the harmonization post cross-border M&A?*

#### **Sub-question 2:**

*How does local legitimacy impact cross-border M&A harmonization?*

#### 1.4 Aim of the research paper

The thesis's objective is to investigate how cultural differences between the acquiring and target organizations affect cross-border M&A integration success. Subtopics such as interaction between the HQ and subsidiaries will also be studied as well as the impact of local sourcing operations in achieving legitimacy. To pinpoint the cultural differences that have the biggest bearing on the effectiveness of these operations and to suggest ways to manage them in connection to the HQ-Subsidiary relationship, the research looks at how cultural differences are managed by the acquiring and target firms.

A thorough examination of the differences between the values, routines, and management styles of the target firm and the acquiring business could form a significant portion of the research. Furthermore, we aim to examine how sourcing strategies impact the post-acquisition harmonization.

The thesis's aim is therefore to examine how MNCs conduct cross-border M&A and why local sourcing post-M&A integration is integral for a company to succeed in a new market especially when entering a developing country. By providing a clearer understanding of how cultural differences impact cross-border M&A and sourcing operations, the findings may also contribute to the academic literature in IB.

#### 1.5 Delimitations

This study is limited to a single unit of analysis which is the takeover of two companies in the F&B industry, and we will solely focus on the southern African region. We will also focus on the post-M&A integration of the deal and examine how local sourcing impacts local legitimacy. Our interviews will be conducted mostly with professionals of the company working specifically in the sourcing department having worked there prior and after the acquisition. The time of our study will be limited from 1996 to now as our earliest interview respondent started working for the target firm in 1996. We have decided to end on the current date as our findings also concern the current situation.

## 1.6 Structure of the paper

The six chapters that make up this study's structure include an Introduction, Theoretical Framework, Methodology, Empirical Findings, Analysis, and Conclusion as well as sections for References.

*Introduction* - This chapter introduces the topic, provides relevant background information, and discusses how it relates to the current scenario as well as the gap in research. The research question, as well as the aim and delimitations of the study, are mentioned in the introductory chapter.

*Theoretical Framework* - This chapter also acknowledges the current studies on cultural differences, HQ-Subsidiary relationship and local legitimacy. We conclude with the insights of each topic and establish a conceptual framework based on literature.

*Methodology* - This chapter outlines the methodology we used to carry out our qualitative single case study. Our methodology, ethical considerations, and the measures taken to guarantee the validity, reliability, and general quality of our data before analysis are all covered in detail.

*Empirical Findings* - This section presents all the participants who partook in interviews for our study. We illustrated the main findings from the interview and aggregate the answers to have an extensive practical view for our research question.

*Analysis* - The information presented in the empirical findings is analysed in this chapter. The conceptual framework already in place is used in this research to assess how well the original framework fits the reality of the empirical findings. The chapter concludes with a revised framework which includes both theory and practical insights.

*Conclusion* – The thesis ends with this chapter where we answer our research questions and provide a brief summary of the thesis. Moreover, the chapter has two more paragraphs outlining the theoretical and practical implications and stating the limitations of our study as well as providing recommendations for future research.

## 2. Theoretical Framework

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*This chapter we analysed existing IB research and divided it into four sections which encompasses the aim of our thesis. After having reviewed various research, we constructed our on conceptual theoretical framework.*

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### 2.1 Cross-border Mergers and Acquisitions Harmonization

Cross-border M&A have been an essential part of IB literature and have been a popular entry strategy used by companies to expand into new markets. Since 2000 there have been approximately 790,000 cross-border M&A with a reported value of over \$57 trillion according to the Institute for Merger, Acquisition & Alliances (IMAA, 2022). The majority of M&A involve businesses in the same sector, showing a desire to boost profits through market expansion and market share. The major goal is to raise marketing indicators like sales growth and lower expenditures as a percentage of revenue and an example of this would be achieving economies of scale (Rahman & Lambkin, 2015). Cross-border M&A have become a popular strategy for MNCs to grow, increase profit and diversify the firm. According to the World Investment Report by the UNCTAD (2022), although FDI has been slowing down in recent years cross-border M&A has increased. Between 2020 and 2021 global cross-border M&A has increased by 65% in value with an increase of \$258 billion (UNCTAD, 2022). The total number of cross-border M&A has also increased by 70% and a total number of 2.645 cross-border M&A deals (ibid).

Since the beginning of IB literature, the internationalization of firms has been one of the reasons Johanson & Vahlne (1977,2009) were pioneers of IB and examined the process of internationalization. Reasons why MNCs internationalize are commonly identified through Dunning's (2000) eclectic paradigm as being either market-, resource-, efficiency-, or strategic-asset seeking which can create a sustained competitive advantage for the MNC.

The strategies that MNCs use to internationalize have also been extensively studied, and they provide reasoning as to which entry modes countries choose. It is important that the entry modes are not seen without context as it must be examined with regard to the firm's strategy. Through using the entry mode of cross-border M&A a company can benefit through the speed of entry as operations are ongoing (Cording et al., 2008). Moreover, Chen & Young (2010) states that the MNC has two options when conducting cross-border M&A. Firstly, capability

procurement which frequently means the MNC gaining complete control of the firm. Otherwise MNCs use a strategic alliance or strategic purchase, in which scenario the MNC will only acquire a portion of control over the company, including factors like expansion. Cross-border M&A causes the MNC to have a low liability of outsidership and foreignness as networks are established as well as benefiting from complementary activities and attaining knowledge if a company is acquired with similar business models (Ågren & Dalerstad, 2020). Disadvantages of this entry mode come through the difficulties of integration between the companies, as well as differences in culture, organizational structure, human resource (HR) problems.

Cross-border M&A must consider interrelated issues at the national and international levels, such as cultural, infrastructure, economic, regulatory, market protectionist, and consumer disparities. Cross-border M&A research suggests that acquisitions do not create value for the firm due to high premiums, information asymmetries, and post-acquisition integration failures. The biggest challenge is organizational and cultural stress according to Deng & Yang (2015).

Schweizer (2005) provides a detailed explanation of what M&As are and why they are commonly used in unison. A merger can be defined as a statutory combination of two firms, either by the transfer of all assets to one corporation or by the joining together of the companies into a single new enterprise. Companies which merge can have equal power in the new organization, but this rarely happens as equity is split evenly amongst the firms (Xiao, 2020). On the other hand, an acquisition is defined by a company acquiring most of the shares of another company (target company), giving that company full control (Schweizer, 2005). The reason why these terms are often used in unison is explained by Gertsen et al. (1998) as several implications in the integration process are common in both M&A. It is also appropriate for this study to use these terms interchangeably, as several findings can be applied to both M&A. Schweizer (2005) states that the greater the size of the transaction, the lower the likelihood that the acquirer's integration protocols will be applicable to the new business. Big transactions typically include several subunits that are dependent on one another. As a result, thorough planning and coordination of integration activities are required to guarantee that existing synergistic relationships are not disturbed.

Integration efforts following a M&A are of significance for maximizing the potential for synergy between the resulting companies (Almor et al., 2009; Ellis et al., 2012). Yet, the loss

of autonomy that is typically connected with the implementation of the integration process might at times be detrimental to the performance of the M&A (Weber & Tarba, 2011; Weber, Tarba, & Rozen Bachar, 2012). It is possible that high degrees of integration will lead to the fall of the acquired company's knowledge-based resources because of turnover among senior management and key employees in addition to the disruption of organization routines (Puranam, Singh, & Chaudhuri, 2009; Graebner et al., 2017). In M&A in general, and cross-border M&A, it is critical to select an integration strategy that considers both the current synergy potential and the cultural differences.

In the literature on M&A integration following MNC acquisitions, the integration process is frequently described via the prism of country culture. The inability to integrate firms and the impact they have on the flow of information and knowledge are both hampered by cultural differences (Martin, Chetty & Bai, 2022). Kanter & Dretler (1998) in their case study of Gillette examined the possibility that businesses will engage in local integration to preserve the identities they have established thus far. Steigenberger (2017) addresses the necessity of global organizational cultures as opposed to local ones in their respective works. Additional literature analyses organizational cultures in a similar way how integration is contained in the circumstances of the individual enterprises rather than in Globally integrated MNCs (Oberg, 2008; Weber, Tarba & Reichel, 2011). Weber et al. (2012) propose that the reason for the negative performance track record of the acquiring company's results from unwillingness or failure to implement the integration approach that is required in each specific case. Their reasoning is based on a model that includes national culture dimensions, organizational culture differences, and the synergy potential between the combining companies. In addition, the model considers the potential for synergy between the combining companies. Weber et al. (2012) highlight the impact of the post M&A integration strategy on the eventual success of a M&A in a comprehensive analysis of the combination of the high-tech MNCs. The purpose of this study was to investigate the effects of national and corporate cultural differences on the efficiency of the integration approach (Weber et al., 2012).

The integration is a crucial component of the M&A process, which is defined as a multidimensional, dynamic process whereby the acquirer and acquired firm are merged to form a new organization. Haspeslagh & Jemison (1991) suggested four techniques to integration being preservation, retention, absorption, and symbiosis. Birkinshaw et al. (2000) demonstrate that effective integration is done by a two-phase process that includes task

integration and human integration sub-processes. Renneboog & Vansteenkiste (2019) view organizational reorganization as the second phase of the integration process. Time is essential for comprehending the post M&A integration process and its results. Colman (2020) conceptualizes the role performed by the managers of the merging parties in the reciprocal process of post-acquisition capability transfer, whereas Safavi (2021) employs a process lens to track the changes in organizational routines across merging procedures.

Schriber et al. (2018) focus on the significance of flexible integration strategy, which is an organization's capacity to navigate effectively through internal and external environment changes. Yet, there is little research on dynamic integration in the context of cross-border M&A. Light touch integration in emerging markets has also been studied extensively referring to the strategy of minimizing local disruptions as much as possible but the light touch approach is criticized as it overlooks the factor of time, such as the performance of the acquisition varying from short to long term and the effect of liability of emergingness (LOE) diminishing over time which is adapted from the liability of outsidership in an emerging market context. Tang & Zhao (2017) discovered evidence that acquirers may enhance their level of integration and alter their integration strategy as identity symmetry and acquisition experience improve. These studies demonstrate the necessity of studying the dynamic evolution of integrating strategies throughout time.

Cross-border M&A into developing countries has received more attention throughout the year including cross-border M&A into Africa (Degbey & Ellis 2019; Oguji & Owusu, 2017; Peng, 2012). Significant amounts of research have been conducted focusing on intra-African cross-border M&A or Chinese firms M&A into Africa (Degbey et al., 2021). Therefore, a lack of research has focused on western MNCs cross-border M&A into Southern Africa as significant risks and uncertainties might explain reasons as to the lack of research conducted on this phenomenon.

## 2.2 Exploring the HQ-Subsidiary Relationship in MNCs

Birkinshaw & Hood (1998) examined how subsidiaries change their functions and if there is a pattern of change through time that could be influenced by the management process. They discovered that for subsidiaries to follow their initiatives for capability-building and development, they must be given some degree of autonomy in decision-making. They also stressed the need for connections and a track record to acquire and maintain this autonomy



(Birkinshaw & Hood, 1998). A drawback of the study in this article is that it does not expressly take into consideration cases of M&As because it only examines Wholly Owned Subsidiaries (WOS) that are in a post-market entrance stage (ibid). Although useful as a theoretical framework, the lack of specificity in this situation must be considered when using the suggested perspective on M&As. Nevertheless, there are some academic studies that look at the HQ-Subsidiary relations of MNCs after M&A deals. In his work, Schweizer (2010) addresses the importance of M&As amongst MNCs for IB. He also outlines three goals for his research. The first purpose is to investigate and clarify the level of parent organization engagement in localizing a worldwide merger. The study demonstrated how the parent firm is not specifically equipped to manage and oversee the local implementation during a complicated global strategy shift, such as an M&A between MNCs. As a result, the parent firm is just a little involved (Schweizer, 2010).

It is possible to indicate how the HQ engagement varies from subsidiary to subsidiary depending on the tasks or location. Additionally, the level of parental involvement increases with the market importance of a subsidiary, measured by market size or strategic importance, for the MNCs global operations. Conversely, the level of parental involvement decreases with the perception of similarity between the parent's home country and the local environment of the subsidiary (ibid). The article's second primary objective was to describe the different coordinating techniques that were utilized. Conclusively, the third goal was to investigate and clarify how the subsidiary's responses to parental engagement varied, including the sort of participation/coordination instrument employed, the local institutional framework, and the relational context (ibid).

According to a more recent study that has gained academic recognition, the relationship between HQ and subsidiaries is affected by the dependence on external resources for control and resource flow, and subsidiary embeddedness is crucial for the development of new skills and is strategically important for the creation of MNC competitiveness (Ciabuschi et al., 2012). To manage and coordinate the operations of the subsidiary, the HQ must be aware of not only the subsidiary's own activities but also of those of the pertinent players who participate in and have an impact on the subsidiary's local networks. However, this relationship is also influenced by distance, Ciabuschi et al. (2012) stated that the farther away the subsidiary is from the corporate headquarters, the more challenging it is to manage relationships and get knowledge about local markets. Additionally, by examining another

study Kostova et al. (2016) highlighted how the importance of the resources present in the subsidiaries because subsidiaries have access to special resources, they can operate with more freedom than is typically acknowledged, which makes decentralized and informal mechanisms of coordination increasingly crucial for the success of the organization throughout its entirety. The article also discusses how the relationship between HQ and subsidiaries has changed over time. Rather than being seen as geographically distributed agent branches of the global organization, subsidiaries are now seen as internally distinct units with unique goals and their own networks of external stakeholders (Kostova et al., 2016). The authors also noted that HQs should collaborate closely with their subsidiaries to create appropriate systems of coordination, analysis, and knowledge sharing between HQs and subunits as well as between the subunits themselves, as these entities have increasingly been portrayed as partially autonomous entities with the ability to determine strategy in the MNC network (ibid).

Another topic to emphasize regarding the HQ-subsidiary relationship is the degree of initiative. Ambos, Andersson, and Birkinshaw (2010) in their article found out that although subsidiaries can determine their own strategic goals, they are also able to acquire or generate important resources for the MNC, even without express approval from headquarters. Yet, the HQ has an ambivalent attitude toward the initiative-taking subsidiary. Subsidiaries must manage initiatives in a way that ensures the parent is paying attention to them if they are to deliver knowledge to the MNC. If so, the project won't result in the subsidiary's influential position growing (Ambos et al., 2010). This study has the drawback of not knowing, prior to implementation, whether a subsidiary initiative would have a favourable or negative impact on headquarters. To address this issue, HQ managers are accustomed to taking an ambivalent stance that combines support and scepticism. They also gather information on what the subsidiary is doing to ensure that the actions are consistent with the parent company's ideals (ibid). The statement aligns with the viewpoint of Birkinshaw & Hood (1998) that emphasized the necessity for the MNC to choose subsidiary managers capable of keeping an eye on a specific company's prospects. The degree of control that the MNC will exercise will also depend on how far away the acquired company is from the MNC's place of origin. When the MNC originates from a nation that is far away from the acquired firm, it often acquires a larger stake of control over the company in a comparable industry (Malhotra & Gaur, 2013).

Moreover, what has just been said must also be studied from a further point of view, because subsidiaries often do not act in the best interests of the company (Hoenen & Kostova, 2014). Two relatively recent developments in MNCs have exacerbated this overall issue. The first is a move toward more complex organizational structures, which entail greater discretion and autonomy for subsidiaries while still requiring intense centralization of control and coordination by HQ. The second is the rapid growth of MNCs into developing, transitional, and emerging markets where they make use of local innovation and expertise (ibid). Determining whether to decentralize decision-making between HQ and subsidiaries also relies on economic considerations since MNCs need it because it is expensive and occasionally difficult to transport all information necessary for making decisions to HQs. Due to the mismatch between HQs expectations and subsidiary behaviour, decentralization, and the transfer of authority to subsidiaries pose risks and difficulties (ibid). Additionally, according to another study, the management of relationship between headquarters and subsidiaries should be appropriate with the magnitude of the agency's difficulty if the organization wishes to attain outstanding performance (Aguilera et al., 2019). In conclusion, it is crucial to understand how the HQ-Subsidiaries agency connection is anchored in contexts that cross international boundaries. The distance across social settings can also have an impact on agency issues since it increases goal alignment between parties and creates more hurdles to connection, which in turn amplifies mismatch and miscommunication (Hoenen & Kostova, 2014).

### 2.3 The Impact of Culture on Post Acquisition Harmonization

Managers of MNCs now have more opportunities to work with businesses and people globally. Because these commercial transactions occur between people, culture has a big impact on them. Therefore, managers of international businesses should be able to identify and accept the myriad cultural distinctions that set people from other nations apart. This is crucial because, even though cultural similarities and differences might have real advantages for business partnerships abroad, they can also create misunderstandings and communication difficulties (Buckley et al., 2018). In addition to the findings of Buckley et al. (2018), Hoecklin (1995) determined in her study that the advantages of cultural diversity come from the fact that each country has evolved unique competencies in the fields that are most important to it. As a result, given the circumstances in which a nation often operates, it will

have lost competencies in the areas it did not value. For MNCs, these various attitudes and perspectives on the world may be turned into cultural advantages.

The collective mental programming that separates those who belong to one type of people from those who don't may be described as culture. Human nature, culture, and personality are the three different categories of mental programming (Hofstede, 1991; Hofstede 1994). When discussing culture, it's also important to emphasize that it is also thought to be difficult to change and that, when it does, it changes gradually over an extended amount of time (ibid). Furthermore, in their book Buckley et al. (2018) have highlighted through previous studies how the concept of culture consists of four main components, which are:

1. Language, indeed, being able to communicate in another language helps us grasp situations more clearly, approach and connect with locals more readily, and pick up on details while interacting with outsiders.
2. Religion, this aspect of culture has the power to affect how individuals view their way of life.
3. Culture, consists of the attitudes and beliefs that everyone in a society shares, and it also establishes what people believe to be good and bad.
4. Customs, which are the uses that certain individuals engage in and associate with it.

Many academic publications have sought to define the term "culture" throughout the years, and some of these works have produced internationally acknowledged frameworks for economics and other disciplines. Hofstede's (1994) work is the one that is most frequently discussed and used. He considered that four elements may emphasize the differences in culture between two or more countries. The first factor is power distance, this is described as the degree to which the less powerful members of organizations and institutions accept that power is distributed unequally. The second factor measures the degree of individualism and collectivism within society. The distribution of roles between the sexes is described by the third dimension, which is masculinity and femininity. Uncertainty avoidance, the final component, aims to standardize a society's tolerance for ambiguity and uncertainty. Although Hofstede's work has a significant impact and is frequently used in international business and management, it has received a lot of criticism. First, attempting to narrow down a complicated phenomenon like culture to its basic numerical aspects is regarded as being overly simplistic.

Additionally, because it was based on only one organization, it may not be regarded as indicative of the culture of the entire country, and his study showed little concern for the diversity of cultures across different nations (Buckley et al., 2018).

The work of Trompenaars & Hampden-Turner (2012) is another research worth mentioning that, although receiving mixed reviews from the academic community, has a special use in the context of multinational M&As. Based on a questionnaire survey of 30,000 senior managers across many nations, they performed sizable research. According to Trompenaars & Hampden-Turner (2012), every culture sets itself apart from others by the approaches it takes to certain issues that present themselves as challenges. They categorize the causes of cultural differences under three sections in relation to the issues they give rise to, namely, people's perspectives on other people, time, and the environment. Trompenaars & Hampden-Turner (2012) suggest seven essential aspects of culture based on the responses that many civilizations have adopted to these common issues. The first category, relationships with people, accounts for five of these while dealing with time and the environment accounts for the other two. There are five orientations that describe how people interact with one another:

1. Universalism versus particularism, this approach ensures that what is morally right and just can be identified and always applied.
2. Individualism versus collectivism, this measures how much a person views himself as an individual or primarily as a member of a group.
3. Neutrals versus emotional, the degree to which interpersonal interactions should be emotionally charged or objective and distanced.
4. Specific versus diffuse, this orientation determines whether or whether individuals in social interaction are completely present or successfully separate the interaction from their other pursuits.
5. Achievement versus ascription, the first term means status is determined by a person's current accomplishments and past performance whereas the second term means that a person's status is determined by their birth, gender, or age.

Regarding attitudes to time, Trompenaars & Hampden-Turner (2012) assert that different civilizations have different perspectives on time. In certain communities, it is less significant

to know what someone has planned for the future than what they have accomplished in the past. While in certain cultures you might leave a bigger impact with your prior successes than your present ones. The last category, attitudes toward the environment, is divided into inner-directed and outer-directed attitudes. The first is founded on a person's strong sense of who they are, whereas the second is concerned with what other people think of them (ibid).

One of the biggest barriers to successful international commercial transactions is cultural differences, particularly during the negotiating phase. International managers need to have interpersonal skills that consider variations in language, knowledge, experience, behaviour, and conventions while interacting face-to-face with people from other cultures (Usunier,2003). Additionally, some studies emphasize the crucial role that universal culture plays in international trade as well as the idea that increased trade will lead to tighter interactions between individuals from various cultural origins (Buckley et al., 2018). According to Lee et al. (2015), the "best" management strategy in one culture may not work at all in another, because individuals from different cultures are driven by various needs, approach decision-making in various ways, and assess various leadership philosophies as effective. When people from two different cultures encounter one another, cultural differences are highlighted, and this results in high levels of stress, anxiety, hostility, and annoyance. Additionally, these cultural differences between countries may hinder post-acquisition integration through high rates of turnover, poor satisfaction with work, and opposition from staff members (ibid).

In the IB study, culture and cultural differences have been characterized in terms of cultural distance, or psychic distance. Although the two concepts are very similar, they can be distinguished. Physical distance was initially the most used concept. In fact, it was emphasized in many influential and earlier works that physical distance is crucial in determining internationalization strategies and that the decision to enter certain markets is based on the physical distance between these two countries (Johanson & Vahlne, 1977; Johanson & Wiedersheim-Paul, 1975). As opposed to psychic distance, the idea of cultural distance relates to the cultural level rather than the individual level. The degree to which cultural values in one nation diverge from those in another is known as the "cultural distance" notion (Sousa & Bradley, 2006). After examining the various theories of cultural difference, it is important to emphasize that the greater the cultural or physical distance, the greater the likelihood that our

views will be incorrect. As a result, the effectiveness of our decision-making declines, and the liability of foreignness rises (Buckley et al., 2018).

#### 2.4. Gaining Legitimacy post Cross-border M&A through Local Sourcing

The localization strategy of a firm refers to the local isomorphism into the target country and firms use several strategies to do this (Radelli, 2000). A strategy that is still relatively new when examining the localization strategies of a firm is to pursue local sourcing operations after cross-border M&A occurs. For the scope of our study, we will solely be looking at local sourcing as a localization strategy. Local sourcing strategies pursued by firms can have significant benefits and therefore can lead to cross-border M&A success (Buckley et al. 2016).

Previous studies proclaim that local sourcing in the context of cross-border M&A is highly important as it not only determines M&A success but can also be seen as the MNC gaining legitimacy in the target country (Radaelli, 2000). When analysing local sourcing from an IB perspective it is critical to analyse it through an institution-based view as well as a resource-based view. Resource-based view examines the internal resources of a firm and looks at how it can provide a sustained competitive advantage (Barney, 1991). Local sourcing after cross-border M&A, can decrease costs and enhance its reputation in the target country by various stakeholders both upstream and downstream. In recent years more attention has been put on another perspective, the institution-based view, a term coined by Peng et al. (2008) which looks at both institutions from an economic standpoint and from a social standpoint. Peng et al. (2008) suggest this perspective should complement the other two perspectives and provide a more holistic insight into the global firm and its environment (Peng et al., 2008). Especially in developing economies, Peng et al. (2008) explain it provides a better understanding of conducting business in developing countries as opposed to developed economies due to the importance of formal and informal institutions in decision-making.

Based on institutional theory, previous studies have conceived localization as local isomorphism and addressed its significance for MNCs in garnering legitimacy from local stakeholders (Eden & Miller, 2004). Literature has shed light on the localization of subsidiary staffing (Rickley & Karim, 2018) as a strategic method for achieving legitimacy needs in local contexts. To expand on legitimacy literature in IB, local sourcing should be considered, as a local isomorphism approach. One of the most important legitimacy activities foreign subsidiaries can do to overcome local legitimacy concerns (Luo, 2007), and in the context of

cross-border M&A integration local sourcing can be pivotal to achieve cross-border M&A harmonization. In addition, it has been suggested that local sourcing causes beneficial spill overs for domestic suppliers (Hong & Snell, 2013) while promoting sustainable value creation and economic development in the target company's country (Ivarsson & Alvstam, 2011; Kubny & Voss, 2014). These contributions can enhance the legitimacy of MNC subsidiaries among local stakeholders (Jung & Lee, 2018; Wu & Jia, 2018). Thus, it is plausible that local sourcing from domestic suppliers is one of the most important ways for MNC subsidiaries to be legitimate by local actors.

This entails that the social view of the institution-based view should be examined in the same magnitude as it can have an impact on the firm. Also known as informal institutions it looks at the normative, political, and cultural aspects (Eiadat & Fernández-Castro, 2021). In the study, Eiadat & Fernández-Castro (2021) findings show that employees with significant political links have negative environment-related beliefs, whereas those with strong business and normative connections benefit which can be interesting when looking at it in connection with MNC's business practices especially locally dependent operation such as sourcing.

Academia has focused on the advantages of utilizing local suppliers from the standpoint of local embeddedness (Halaszovich & Lundan, 2016; Li et al., 2016). MNCs acquire local knowledge and complementary resources by establishing and cultivating connections with local stakeholder in environments that are culturally and institutionally diverse (Ciabuschi et al., 2014). Therefore, if foreign subsidiaries of MNCs can exploit the knowledge networks of their host nations, they have been able to develop technological advances (Ciabuschi et al., 2014) and are able to improve their business performance (Li et al., 2016).

This study analyses local sourcing as a crucial factor that leads to a successful cross-border M&A in the F&B industry. Although some researchers have suggested that increasing local embeddedness leads to the acquisition of local legitimacy (Ambos et al., 2011), legitimacy has been scarcely examined in relation between local sourcing and subsidiary performance from the perspective of the subsidiary's local environment. Halaszovich & Lundan (2016), highlighted local sourcing as a proxy for local embeddedness, but they scarcely claimed that local sourcing is strategy to overcome for legitimacy challenges from local stakeholders. We found that there is a research gap that focuses on achieving local legitimacy post-cross-border M&A and should be used as a strategy for companies initiating cross-border M&A. Especially



relevant to our study is that the F&B industry, as well as a developing country's local environment, could be instrumental towards achieving cross-border M&A success.

There are numerous reasons why establishing legitimacy through local sourcing influences the performance of MNC subsidiaries. First, by obtaining legitimacy, foreign subsidiaries can acquire the resources necessary for local existence (Kostova & Zaheer, 1999). It is not easy for subsidiaries of multinational corporations lacking local legitimacy to acquire resources from local marketplaces (Kostova & Zaheer, 1999; Zimmerman & Zeitz, 2002). Lu & Xu (2006) demonstrated that the more difficult it is for a subsidiary of a multinational corporation to achieve legitimacy, the more difficult it is for the company to survive locally due to its limited access to the personnel and financial resources of its host country. By establishing local legitimacy through local sourcing, MNC can obtain local resources that contribute to their subsidiaries' competitive advantage.

Additionally, the promotion of local sourcing results in good assessments from local stakeholders (Jung & Lee, 2018), which can increase employee devotion to a company (Reimann et al., 2012) which from the perspective of the target company's employees is crucial. Reimann et al. (2012) discovered that local employees are more engaged and productive in organizations that proactively strive to make charitable efforts toward local community development to obtain local legitimacy. According to this line of thinking, local sourcing can be a significant signal to the local economy, as it helps attract local talent by enhancing the reputation of the company in the local market. It can be stated that the performance of an MNC's subsidiaries can be enhanced by keeping local talent and enhancing employee loyalty to the organization (Fey & Bjorkman, 2001).

As Rangan & Drummond (2011) note, only a small number of IB academics have investigated the relationship between local sourcing and subsidiary performance. The past research on this association is presented in Table 1. Li et al. (2016) and Hayakawa & Ito (2018) showed that the local sourcing behaviour positively correlates with the subsidiary performance. Halaszovich & Lundan (2016) proposed the possibility of a nonlinear relationship between these variables. Ito & Fukao (2010) examined that in Japanese companies, the relationship between local sourcing and subsidiary success differs significantly among countries and locations.

These contradictory findings imply that the relationship between local sourcing and subsidiary performance may be context dependent. Local sourcing has advantages for MNCs in terms of cost-effectiveness (Ito & Fukao, 2010), developing local embeddedness (Li et al., 2016), and earning legitimacy (Wu & Jia, 2018). Local sourcing, on the other hand, has disadvantages in terms of using firm-specific advantages, increasing transaction costs, and avoiding knowledge spill over to local competitors (Halaszovich & Lundan, 2016; Perri et al., 2013). In circumstances where the benefits of local sourcing are greater, local sourcing may increase subsidiary performance. Yet, there is limited academic research on the situations under which local sourcing improves or degrades subsidiary performance. Our study similar to Oki & Kawai (2022) identifies local sourcing as a strategic legitimacy action that contributes to a subsidiary's competitive advantage and aids with the integration process both with the employees as well as external stakeholders.

We focus on the institutional distance to study the boundary condition of the effect of local sourcing on subsidiary performance in this sector. Existing research on local sourcing argues that the relationship between local sourcing and subsidiary performance varies greatly depending on host-country institutional contexts such as the level of institutional uncertainty and local stakeholders' perceptions of foreignness at the country (Ito & Fukao, 2010). Existing research on the association between local sourcing and subsidiary performance is consistent with our emphasis on institutional conditions and cultural differences between the acquiring and target firm. Moreover, in terms of host-country institutional frameworks, the institutional distance between a subsidiary's host and home nation influences its legitimacy among local resource holders and its requirement for strategic legitimacy measures (Quer et al., 2019; Rickley & Karim, 2018).

## 2.5 Conceptual Framework

The conceptual framework serves as the foundation for the analysis since it serves as the filter through which the empirical findings will be interpreted. The framework is based on previously established categories and past observations.

### 2.5.1 Insights and Framework Model

*Cross-border Mergers and Acquisitions harmonization*

Cross-border M&As are a popular strategy for MNCs to increase profits, diversify the firm, and expand foreign direct investment (Schweizer, 2005). The reasons why MNCs internationalize are commonly identified through Dunning's (2000) eclectic paradigm, which includes market-seeking, resource-seeking, efficiency-seeking, and strategic asset-seeking. Entry modes for internationalization are either equity or non-equity modes, and equity modes include Joint Ventures, WOS which is often done through cross-border M&A. When a MNC uses cross-border M&A harmonization difficulties often arise because of differences in country and company culture as well as strategic HR problems which spill over into different parts of the MNC. The integration efforts that follow M&A are crucial for maximizing the potential for synergy between the resulting companies, yet the loss of autonomy that is typically connected with the implementation of the integration process might at times be detrimental to the performance of the M&A. Cultural differences play a significant role in the integration process, and it is essential to select a M&A harmonization strategy that takes into account both the current synergy potential and the cultural differences (Buckley et al., 2018).

#### *Exploring the HQ-Subsidiary Relationship in MNCs*

According to subsidiary evolution, the subsidiary often aspires to a degree of independence from the parent business and does all in its power to increase its autonomy (Birkinshaw & Hood, 1998). Distance also affects the amount of control exercised by the HQ and the connection between it and the subsidiary; the more distant the company is from the corporate HQ, the harder it is to manage relationships and learn about local markets (Malhotra & Gaur, 2013; Ciabuschi et al., 2012). Subsidiaries also have access to unique resources, which makes decentralized and informal modes of collaboration even more essential to the organization's success (Kostova et al., 2016). Several authors of numerous papers concur that for subsidiaries to carry out their efforts for capability-building and growth, they must have some degree of autonomy in decision-making. They also emphasize the value of contacts and a track record in obtaining and preserving this autonomy (Ambos et al., 2010; Hoenen & Kostova, 2014).

#### *The Impact of Culture on Post Acquisition Harmonization*

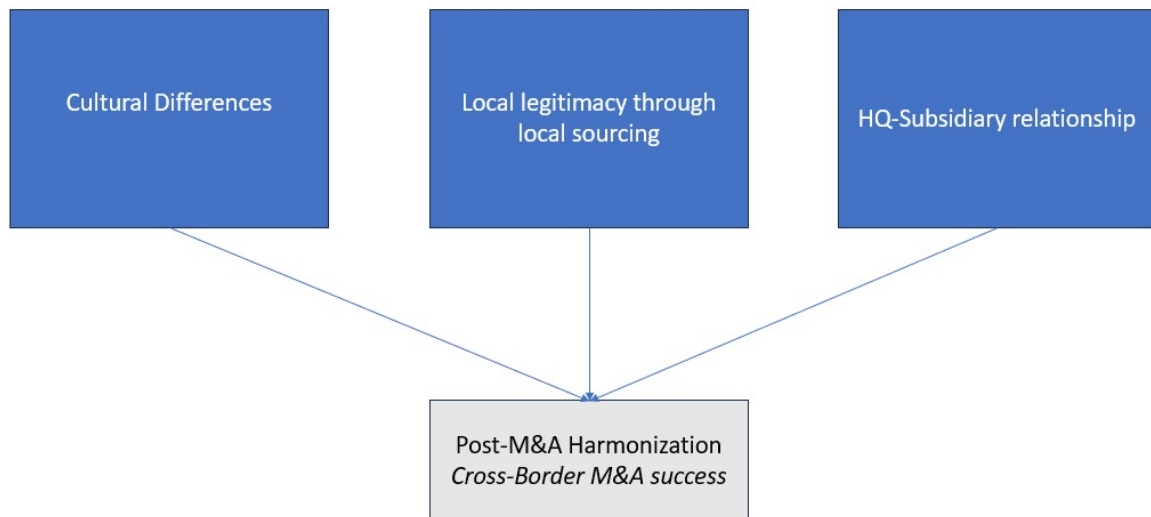
Culture may significantly affect how individuals interact, comprehend, and decide. As these variations may have an impact on how individuals, firms, and society behave, multinational corporations need to be aware of the cultural differences across the nations where they conduct business (Buckley et al., 2018). Managers of multinational corporations must be able to

recognize and understand the cultural differences that distinguish citizens of various countries. While cultural similarities and differences may have significant benefits for cross-border business collaborations, they may also lead to misinterpretations and communication problems (Buckley et al., 2018; Hoecklin, 1995). Managers are aided by a variety of frameworks outlining how to obtain this understanding of cultural differences in international business (Hofstede, 1994; Trompenaars & Hampden-Turner, 2012).

#### *Gaining local legitimacy post cross-border M&A through local sourcing*

Local legitimacy is critical to achieve cross-border M&A success. A factor which is critical to achieve this is that of handling cultural differences between the target and acquiring firm. To achieve this one strategy which has often been overlooked but can prove vital is pursuing a local sourcing strategy as a local legitimacy action (Oki & Kawai, 2022). Previous research shows that pursuing local sourcing can enhance the performance of the new subsidiaries. MNCs can also improve their legitimacy among local stakeholders by sourcing locally, which enhances their reputation and attracts local talent. Legitimacy also allows MNCs to obtain local resources that contribute to their subsidiaries' competitive advantage. Local sourcing offers various benefits to MNCs, including cost-effectiveness, local knowledge acquisition, and resource availability (ibid). However, limited research has specifically examined the performance implications of local sourcing considering concerns of legitimacy. Previous studies on localization as local isomorphism and how it can address legitimacy needs in local contexts. The relationship between local sourcing and subsidiary performance is a relatively unexplored area in IB research.

*Theoretical Framework*



*Figure 1. Conceptual Framework of our study, Compiled by Authors*

Figure 1 presents a framework where post M&A harmonization is achieved by enhancing local legitimacy and factor in the cultural differences as well as the HQ-Subsidiary relationship. Thus, the flow of our framework is that the post M&A harmonization is impacted by these three factors.

### 3. Methodology

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*The section gives a detailed account of how we proceeded to conduct the research. This chapter commences with why we chose a qualitative approach together with the abductive method. We then reasoned why a case study approach was the most suitable design for our research and how we conducted the interviews as well as providing an overview of our interviewees. Thereafter, we illustrated the data analysis process and proceeded by discussing the quality of our research considering validity and reliability and concluded with the ethical considerations.*

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#### 3.1 Qualitative study

In this thesis, we chose to use a qualitative method that focused on and emphasized the results obtained through the interviews conducted with the participants during our study. Understanding the mechanisms behind how cultural differences between the target and acquiring companies affect the performance of sourcing operations following cross-border M&A in South Africa was required. With the use of this methodology, which prioritizes words over numbers in the data gathering and analysis, we were able to comprehend the outcomes of the interviews by focusing on words rather than just concrete statistics (Bell et al., 2019; Eriksson & Kovalainen, 2011a).

One advantage of utilizing qualitative research is that it allows one to adopt a critical and reflective perspective on the economic world and its dynamics. This type of research is also used to investigate phenomena that are not well understood, therefore generating new propositions (Eriksson & Kovalainen, 2011b). However, with the use of a qualitative approach, it's important to have a strong understanding of the methodology and theories. All this is to avoid some of the criticalities of qualitative study i.e., subjectivity, generalization, and difficulty in replicating the research (Bell et al., 2019). Due to this and the research question the best approach for this thesis is to conduct a qualitative study.

#### 3.2 Abductive Methodological Approach

In this final thesis, we decided to take an abductive approach. This means that we initially studied the literature to gain a better understanding of the subject matter and then consulted empirical reality for new insights. Hence, this implies that the conceptual framework in Chapter 2 was first built using the body of existing knowledge on the topic, and then it was enlarged and refined as new information or arguments were discovered.

The abductive approach, which has gained popularity in recent years in business research, can be thought of to combine the inductive and deductive approaches. In summary, abduction describes the explanation of events or phenomena using categories and concepts that are distinguished by the solutions offered by the research study (Bell et al., 2019; Eriksson & Kovalainen, 2011c). Furthermore, in accordance with the concept of “system combining” stated by Dubois & Gadde (2002), we have repeatedly reviewed the literature and evaluated its applicability considering the empirical results. For example, initially, the HQ-Subsidiary relationship was not taken as an important factor to be analysed but only mentioned in the section on cultural differences. But later, by analysing the literature more carefully, we established how the HQ-Subsidiary relationship is an important topic to be studied and analysed carefully to eventually answer the questions of this research. This is essential since *“the framework should evolve during the study because empirical observations inspire changes of the view of theory and vice versa”* (Dubois & Gadde, 2002, p.558). In fact, during the compilation of the final theoretical framework, a part on post-M&A integration was added and it was decided to remove the part on regional embeddedness. Post-M&A integration was discussed in the cross-border M&A viewpoint, but it became clear throughout the analysis that it needed to be incorporated into the created framework as a separate feature to be taken into consideration. Once the analyses were completed, it was possible to present our theoretical framework model.

### 3.3 Case study Approach

We will apply a single case study methodology for the thesis. According to Bell et al., (2019), in business research, the case study technique has become a popular and often applied research strategy. Also, "case studies" analyse events that happen over a limited amount of time at one or more sites, which is great for increasing generalizability within the confines and restrictions of this research (Bell et al., 2019; Hillebrand et al., 2001). How one can generalize from a single case study is unquestionably the most significant conventional worry concerning case study research. It is relevant to mention Yin (2018a) in response to this problem since, in their view, case studies are like experiments in that they must be generalized to theoretical claims rather than to populations. A sufficient number of interviews were chosen to guarantee enough replicability and to enhance the analysis and analytical generalization. Also, the usage of prior literature served as a reliable basis for strong analytical generalization (Yin, 2018a). It is hoped that our findings will go beyond a scientific assumption and that the knowledge gleaned

from this research will be useful going into the future. As this technique is especially applicable to explorative investigations, which is the case in this thesis, we believe that we have chosen the appropriate methodological approach to address our research topic.

This study employs both primary sources, like interviews, and secondary sources, like earlier research, to triangulate to present many points of view and validate facts (Eisenhardt, 1989; Eriksson & Kovalainen, 2011a). Moreover, to assure higher validity, the writers really made the decision to question the respondents more than once and present the findings of the interviews in a way that adds to or confirms what was stated. When doing a longitudinal study, the sample group will be analysed over a longer period while when conducting a cross-sectional study, the sample group will be analysed at a single moment in time (Busato et al., 1998). Due to scheduling constraints, the cross-sectional method was chosen for this study because all interviews took place at the same time.

Case studies are useful for business research, even though many academics have criticized them as unscientific and untrustworthy. However, they have been lauded for their effectiveness in developing hypotheses based on real occurrences and real-life circumstances (Eisenhardt, 1989; Bell et al., 2019). We utilized Eisenhardt's (1989) work to evaluate the quality of the theory developed for our case. Eisenhardt (1989) offers numerous fundamental guidelines, among which it is crucial to emphasize the idea of a "good theory," which indicates that the theory should be testable and based on logical reasoning. Hence, we made sure that the secondary sources we used to create our literature review, and, by extension, our conceptual framework were taken from publications that had undergone peer review and appeared in reputable journals. These publications' insights set the foundation for our conceptual framework, which is discussed in section 2, and they provided a useful theory for the study of the primary data.

Eisenhardt (1989) also emphasized the need to highlight that the final theory should emerge at the conclusion of the investigation and therefore manifest as the outcome of the investigation. Furthermore, analysing Diefenbach's (2008) work is crucial in this context because he asserts that, even though case studies, particularly those using semi-structured interviews, provide researchers with some methodological leeway, a successful methodology requires a solid foundation and extensive development. As a result, the framework structure is developed and modified at the conclusion of the analysis chapter considering the information and analysis presented during the research.



Despite its drawbacks, case studies may be utilized to generate theories and verify hypotheses by utilizing logical arguments to explain causal connections (Hillebrand et al., 2001). In this study, we want to assess whether specific cultural differences between the acquisition and the target companies influence the success of after cross-border M&A in as well as HQ-Subsidiary relationships impact on cross-border M&A success. Unlike statistical generalization, which relies simply on statistics and large samples, logical argumentation enables the use of generalizations and the testing of theories to a population while relying on fewer observations and is supported by convincing and logical justifications (ibid).

### 3.3.1 Data collection and Semi-structured interviews

#### *Semi-structured interviews*

In qualitative research, interviews are one of the most popular ways to gather primary data. The interview is also set up to maximize the accuracy and reliability of measuring crucial ideas (Bell et al., 2019). Interviews are the most appropriate data-collecting approach to respond to the research question given the aforementioned factors and the goal of the study, which requires data to be collected from managers to analyse the influence of cultural differences on sourcing operations. Therefore, the semi-structured interview, also known as an interview guide, was used as the main method of gathering data for the qualitative study. In this type of interview, the Interviewee has a lot of freedom in how to respond, and the authors have a list of questions on particular subjects to cover (ibid). These interviews provide the Interviewee with some freedom to respond in a way that is not constrained by the specific parameters of the question that was asked by the interviewer and allow for follow-up questions as well as questions that are not covered in the interview guide (Eriksson & Kovalainen, 2008). However, the Interviewees still have the option to alter the sequence and format of the questions throughout each interview. Nevertheless, this style of the interview has the drawback that the interviewers must be knowledgeable about the subjects to later ask pertinent follow-up questions and possess knowledge and interview skills (ibid).

Interviews may provide for greater flexibility in the subsequent analysis of the data in addition to the extensibility in data collecting they give, which Yeung (1995) argues is crucial in the dynamic context of international business. Yeung (1995) believes that qualitative interviews are the most appropriate method of data collection because they help overcome the problems of validity and reliability in qualitative methodology, moreover, most studies in the field of

international affairs deal with transnational relations. As a result, we decided to conduct interviews because they were the best method of data collection for the objectives of this thesis. Semi-structured interviews allow the versatility to adapt to shifting settings of company operations and academic research based on geographical location, enabling a more thorough examination into the process and mechanism of global business (ibid). The best method to address the research question at hand was therefore to use semi-structured qualitative interviews and this deeper exploration was frequently made throughout the interviews when the Interviewees provided supplementary information that helped to frame the subject in question.

### *Interview design*

According to Yeung (1995), each interview is conducted with the primary goal of assisting in the resolution of the research question, hence it's crucial to consider how the entire interview guide is designed. Although an overly organized question list is not required by the semi-structured interview guide, the questions that are included must nevertheless cover the subjects necessary to answer the research question. First, it was tried to conduct most interviews face-to-face between the interviewer and Interviewee in order to better comprehend the case subject's comments, explanations, verbal and body language. We planned and performed a field study and initially travelled to South Africa to conduct the interviews but then, due to the slow bureaucracy of the multinationals in granting their employees interviews, we had to return to Sweden. Although we were not able to perform in-person interviews we were able to go to the site and make some observations. When consent was granted by the multinational company to proceed with the interviews, we conducted the interviews virtually due to the great geographical distance between the two parties. For the reasons, it is challenging to replace in-person interviews with virtual methods of qualitative investigation and gathering of data, due to visual and audio connectivity. Nevertheless, many researchers have found "Voice over Internet Protocol" methods to be more than a viable alternative to in-person contact. The biggest challenges, however, tend to be technical issues and a potential lack of user familiarity with the software (Lo Iacono et al., 2016; de Villiers et al., 2021).

As previously mentioned, semi-structured interviews were used to collect the primary data. In response, we created an interview guide, which is presented in appendix 1, covering important points through some properly specified questions that allow the interviewer to give

detailed answers and the researchers to present follow-up specific questions (Bell et al., 2019). To cover the key components of our conceptual framework, the questions were separated into three primary categories and included a brief introduction about the Interviewee. These categories were *Cultural Differences*, *HQ-Subsidiary Relationships* and *Local Sourcing*. This complies with Bell et al.'s (2019) design guide and enables us to address the necessary components for addressing the study topic. According to Bell et al. (2019), the questions were created to collect the data required for the study and to produce a response to the research question. The interview guide also included basic inquiries for the Interviewee to respond to as well as a request for the Interviewee to provide his or her broad perspective on how sourcing practices and cultural differences have altered since the merger. These sections provide background knowledge and encourage the interviewees to speak and feel more at ease during their phase of the session.

During the various interviews, the two authors shared their roles, with one conducting the interview and the other recording the most important parts and observations so that they could later ask specific questions that were not included in the interview guide. This is one of the most popular tactics for conducting interviews according to Eisenhardt (1989).

The literature review's secondary sources are mainly journal papers from peer-reviewed to ranked scientific journals on the ABS journal list, such as *Journal of International Business Studies*. The articles largely dealt with terms like "local sourcing", "HQ-subsidiary relationship", "cultural differences", "cross-border merger and acquisition" and "post-acquisition integration".

### *The Interviewees*

We shortlisted participants who were in the target company prior to the acquisition as well as took part in the Integration process to conduct a mixture of a longitudinal and cross-sectional case study. Furthermore, most participants' positions were also important to us as we are looking for people who had experience in the sourcing department but having employees in other positions such as the HR department gave us another view which especially helps when examining the cultural differences. Lastly, we did not limit our Interviewees to current employees, but we included ex-employees who still were part of the process from pre-acquisition to the integration phase. *Table 1* is intended to summarize the interviews done for

this master thesis, including current position of the Interviewee, location, date, platform, and duration of the interview.

#	Participant	Current Position	Working Location	Date	Platform	Duration
1	Interview 1	F&B Consultant Manager	Johannesburg	23/03/23	Zoom	55 minutes
2	Interview 2	Managing Director	Johannesburg	28/03/23	Zoom	40 minutes
3	Interview 3	Procurement Manager	Johannesburg	31/03/23	Zoom	35 minutes
4	Interview 4	Regional Glass Planner	Johannesburg	19/04/23	Zoom	35 minutes
5	Interview 5	Ex Employee	Johannesburg	20/04/23	Zoom	40 minutes
6	Interview 6	Transport Planner Senior	Johannesburg	25/04/23	Zoom	45 minutes
7	Interview 7	Ex Employee	London	28/04/23	Zoom	40 minutes
8	Interview 8	HR Manager	Johannesburg	26/04/23	Zoom	30 minutes

*Table 1. List of Interviews*

### 3.4 Data analysis process

To perform our analysis, we recorded all the interviews. Once the interview was finished, we completely transcribed it and assembled the results in Chapter 4 (Empirical Findings). The results are given in two distinct ways, the first using a summary of what the respondent said, and the second using specific quotations to highlight passages that, in our opinion, must be highlighted to address the research question. The results are examined in the paper's chapter 5 (Analysis) using the conceptual framework's perspective, which is described in chapter 2 (Theoretical Framework). The framework created in the "Development Framework" section presents any new or developed ideas discovered during the investigation. To reach the conclusions that may be derived, these analyses seek to identify the distinctive patterns

presented by the interviews. Due to the qualitative nature of this final study, we did not perform statistical tests and regressions in the course of the analysis, rather, they instead used a framework that was built on prior research and logical reasoning to analyse the data.

After all the findings of each participant were presented, we concluded by doing a summary where we conducted a cross analysis. We conducted a cross analysis by exploring common findings of the interviews and provided a more holistic picture of our findings. This enables us to perform an analysis of the findings which we can then use to establish our adjusted framework.

### 3.5 Quality of research

One of the most important aspects of any study and on which the success of the research is based is the quality of one's research and data collection; however, the pivotal aspect is certainly the question of credibility (Faquhar, 2013). Several academics, especially quantitative researchers, have frequently reserved harsh criticism for the quality of qualitative research. It should be emphasized that qualitative research is too subjective and hence prone to human interpretation and inaccuracy (Bell et al., 2019). The writers choose to use a high degree of reliability and validity to maintain a high degree of credibility and quality for the final thesis. In the academic world, it's crucial to carry out a reliable study to guarantee the consistency and usefulness of this work's contribution to our field of study (ibid). In conclusion, academics have focused a lot on the link between reliability and validity. Bell et al. (2019) asserts that it's crucial to adopt a method that takes reliability and validity into account while upholding their core meaning and merely downplaying the significance of measurement.

#### 3.5.1 Validity

In this final thesis, the concept of validity is analysed by consulting the work of Bell et al. (2019). According to them, the correctness of the findings that are generated at the conclusion of a research investigation is what the word validity refers to. In addition to the concept of validity, the concepts of internal validity, external validity and construct validity will be analysed.

The precision with which a case study's measurements reflect the ideas being researched is known as concept construct validity (Yin, 2018b). To ensure this, we made sure that the

individuals who participated in this study's data collection fulfilled the criteria for our research question in a way that was compatible with the research question stated.

Internal validity applies during the data collecting and analysis phases of research and refers to the existence of causal linkages between variables and outcomes. Moreover, the concept of internal validity is primarily a concern for explanatory case studies, and its purpose is to convince the reader that the study conclusions are supported by a careful analysis of the data (Bell et al., 2019; Faquhar, 2013). Furthermore, in this context since internal validity is challenging to establish since it is prone to human mistakes (Bell et al., 2019), the findings were continuously compared between the outcomes of the several interviews to identify likely causal correlations. So, to show this at the end of each subchapter of the empirical findings chapter we added a table illustrating all the crucial findings of each interview. Lastly, we transcribed the interview process to further guarantee internal validity. During this process, every material shared during the interview was documented and compiled into a document for subsequent evaluation. Before being officially finalized for inclusion in the study, this document was then shared with the respondent for confirmation and permission, which is also consistent with the study's ethical considerations.

In contrast to internal validity, external validity relates to how broadly conclusions may be applied to different social contexts. Because qualitative researchers frequently utilize case studies and small samples, this idea presents an obstacle for them (Bell et al., 2019). This case study bypasses the statistical generalisability technique. The study takes a theoretical generalisability approach due to the constrained scope of the research units and the inherent limitations in external validity relative to a research survey. In addition, Bell et al. (2019) cites the concern with external validity as the primary justification for the use of representative samples in research. This is to better try to capture this generalisability, and the results of qualitative research are utilized to develop theoretical generalizations. To maximize generalizability within the constraints and restrictions of this study, the method used in this research was created to assure the specificity of its content and conclusion to the research topic asked. Also, special focus is placed on analytical generalization in the hopes that the analysis will clarify the fundamental process covered in the thesis.

### 3.5.2 Reliability

The idea of reliability relates to the potential that other students or researchers will be able to reproduce the research; in addition, this criterion is fulfilled if a subsequent inquiry would reach the same results and conclusions. Academics claim that it is crucial to conduct research and gather data as explicitly as possible as if we were always controlled to overcome the reliability problem (Yin, 2018b; Faquhar, 2013; Bell et al., 2019). In this final thesis, we chose to rigorously follow the interview guide throughout data collection and interviews to guarantee a high degree of reliability. Nevertheless, there may have been rare modifications to the questioning strategy throughout the interviews, such as the addition of extra inquiries to help Interviewees fully comprehend a phenomenon and provide an in-depth response to the study topic. Also, because repetition is the foundation of reliability and there must be consistency and well-documented completeness, the order of the questions stayed the same for each interview (Faquhar, 2013; Bell et al., 2019).

### 3.6 Ethical Consideration

The writers committed to and established strong ethical standards for the interview and data-gathering procedures when working on this final master's thesis. Although research ethics is not initially a concept that is well established, it can be said that it is related to how individuals and the data that is obtained from them are treated in a responsible and ethical manner (Vetenskapsrådet, 2017).

Given the high number of ethical problems that can arise when conducting and collecting data, it was appropriate to ensure a high level of ethicality and four fundamental ethical principles to be observed were used, dictated by Bell et al. (2019). First, the research carried out did not harm the participants, the respondents received informed consent, they could be guaranteed maximum privacy, and finally, no deception was perpetuated (Bell et al., 2019).

Following the guidelines set out by Vetenskapsrådet (2017) and the four ethical principles stated by Bell et al. (2019), Interviewees were given information regarding the purpose and scope of the study prior to the interview, participation in our study was completely voluntary and interviews were conducted in a way that did not harm anyone, ensuring privacy and asking permission each time to make recordings of the interviews if granted. Only we used and kept the recordings, which were then deleted at the conclusion of the study.

## 4. Empirical Findings

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*This section shows crucial findings from the interviews. We categorized our findings into the factors established in section 2 and at the end of each subsection we provided a graph summarizing the findings from each interviewee.*

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### *Details on the summary tables*

Each table will show that the structure does not correspond to the theoretical framework's principal headings. This is because the interviews frequently touch on supplementary topics connected to the specific subject of research. This indicates that additional material that is presented throughout the interviews but does not fit into the framework's predefined template is relevant to comprehending the real issue. As a result, the tables are created to summarize and categorize the material supplied in the interviews more effectively. To analyse each Interviewee's competencies and talents more effectively, each interview begins with a paragraph outlining their professional history. This is followed by a paragraph that ex the cultural changes that happened because of the M&A deal. Then findings of the topic HQ-subsidary relationship were questioned, and finally, procurement/sourcing procedures are carefully examined in the last paragraph. A paragraph on the case study was included before presenting the interview results, and after the interview results were presented, local observations in South Africa and the collected data online were included. These findings are utilized to perform a thematic analysis.

### *The Case Study*

Since the company examined wanted to remain anonymous the description of the case was given to us in the initial meeting with the company.

The case study under analysis concerns and acquisition of two MNCs in the F&B industry during the mid-2010s. The acquiring firm who was the market leader in the industry acquired one of its competitors (target firm) in a multi-billion-dollar deal. The acquiring firm whose HQ was in Europe had a strong market presence in Europe, Asia, and the Americas while the target company whose HQ was in Southern Africa had a stronghold in Africa. The deal would see the F&B industry dominated by the acquiring company.

Approval from regulators would complete the acquisition and the integration phase commenced by looking at synergies and best practices of the different departments. The



integration process was carried out and a timeline for implementing changes, milestones for measuring progress, and metrics for evaluating the success of the integration.

Overall, the integration process of the acquisition was a complex and challenging endeavour, but ultimately was said to be successful in creating a unified and efficient organization.

#### 4.1 About the Interviewees

*Interviewee 1* began working for the target firm in 1999. They began their career as a trainee in the manufacturing and technical side of the company. Currently they work as a manager in procurement. His job tasks are to offer advice on various issues within the supply chain and procurement, and handle capital investment throughout the expansion phase. Prior to the M&A deal, they also worked in the sourcing department of the firm.

*Interviewee 2* began working for the target organization around twenty-three years ago. They took a trainee position at the target firm and are currently in charge of running the innovation and technology hub that drives both top and bottom-line development. Their tasks are to increase efficiency through cost reductions, the optimization of current processes, and profit growth, which is represented by the creation of new product and service offerings for both consumers and businesses.

*Interviewee 3* began working for the target company eighteen years ago. Their first position was in the master data team, and current work as a procurement analyst. They also spent a few years working as a procurement analyst for a different entity of the target company. The responder continued working for the company following the acquisition, and today, after serving in several capacities, they work as an acceleration expert and are involved in the technical side of the business for roughly two years.

*Interviewee 4* started working for the target company around eight years ago and started as an intern at the target firm. *Interviewee 4* was then given the opportunity to work permanently in the Product Packaging Glass Department's Sourcing Department once their internship was over. They are currently the regional glass planning manager for the South African region.

*Interviewee 5* had a long history with the target company in the late 1990's and worked with the company a year after the acquisition. They started working for the company as a consultant but soon joined for around five years after going back to consulting work for the company.

*Interviewee 6* started working for the target company around ten years ago. They started working for the company straight after university. They worked in the procurement department where they currently still work.

*Interviewee 7* started working for the target company in the finance sector in Zambia and then became the Managing Director for Zambia. After the acquisition agreement they stayed for another five years, moving to different offices across Africa and currently working for a different company.

*Interviewee 8* started working for the target company 10 years ago as a trainer, after the traineeship ended, they were interested in HR and after a few interviews they managed to get the job. Over the years they had progressed through the ranks and has also held the same position in the acquiring company and is currently HR manager for the South African division.

<i>Interviewee 1</i>	24 years of experience in the industry. Same role played in both target company and acquiring company.
<i>Interviewee 2</i>	23 years of experience in the industry. Various job roles in both the target company and the acquiring company
<i>Interviewee 3</i>	18 years of experience in the industry. Various job roles in both the target company and the acquiring company. Worked for some time in a subsidiary of the target company.
<i>Interviewee 4</i>	8 years of experience in the industry. Various job roles in the target company. Regional manager in the sourcing department.
<i>Interviewee 5</i>	Around 30 years of experience which started in 1996. Worked in different roles and had consultancy work for the firms. Left the company a year after the acquisition.
<i>Interviewee 6</i>	10 years of experience in the industry. Same job for the target and the acquiring company. Senior transport planner.
<i>Interviewee 7</i>	Managing Director. In-depth knowledge of the African market.
<i>Interviewee 8</i>	10 years of experience in the industry. Same job for the target and the acquiring company.

	HR Manager.
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Table 2. Summary table for about the Interviewee

#### 4.2. Cultural Differences

Interviewee 1 revealed that the acquisition significantly changed the corporate culture, particularly considering the departure of skilled workers from the target business. This affected all departments, but it was particularly difficult to overcome in technical fields like manufacturing and supply chain management where it is tough to find and develop fresh talent. It took the business some time to bounce back from this setback and fill the voids created by the departing personnel after the takeover.

*“The better example is finance is finance, regardless of where you work. Marketing is marketing, but when it comes to manufacturing and technical or supply chain or as we call it, it's a little bit more different?”- Interviewee 1*

They continued by saying there were both cultural parallels and contrasts between the target and acquiring firms. Each had attracted talent who were ambitious and said that both companies cared for their workers. Yet it required some getting accustomed to because the acquiring business approached compensation and perks differently from the target company. In general, it seems that the acquisition's adjustment process is still underway and has progressed gradually, particularly in the region of Africa where the target firm was headquartered. Aligning terminology, key performance indicators (KPI), metrics, and standards as well as integrating new working practices, technology, strategies, and cultures takes time. Yet it was noted that the acquiring business is still attempting to close the cultural gap between the different subsidiaries.

*“But there will always be a transformation period, right with any measures or acquisition, right and some of the things that happened was that we lost a lot of very experienced people from the target company side of the divide”-Interviewee 1*

Moreover, Interviewee 2 points out that the major shift in the discussion of culture differences following an acquisition was the way in which risk-taking was approached. As the target organization was risk-averse in corporate change, saying that everything was tested until 99.9% of the time it was certain it would work which led to a delayed implementation process

but a high success rate. A fast-paced atmosphere with a higher tolerance for failure resulted from the acquiring company's emphasis on speed to market and execution while also being ready to accept a certain failure rate.

*“So, the target company was a company that was very risk averse. [...] So, the acquiring company, in terms of a cultural difference I think was best described by somebody saying that you need to learn how to drink out of a fire hydrant. Because you need to do things really quickly all the time. Because that's what the priority is on.”-Interviewee 2*

Notwithstanding these differences, there were several synergies and commonalities between the two businesses. In terms of controlling important variables, enhancing quality, lowering costs, maximizing scale efficiencies, and exploiting logistics and supply networks, the business culture was identical. Yet, the importance of certain of these ideas varied between organizations.

*“There was a really large amount of synergy between the two different companies. I mean, you're talking about the number one global brand in the world taking over the number 2 global brand in the world”- Interviewee 2*

Furthermore, they found that several employees appeared uneasy following the M&A due to the culture shift and degree of uncertainty. A change in culture made it difficult for some employees to integrate into the new firm which can result in stress, turmoil, and fear. While some senior employees may decide to leave on their own will or in response to attractive offers, their personalities may not fit in the new company and end up departing. After the acquisition, there was a mass exodus of employees from the target company because they disagreed with the new company's culture and moved to different companies. *Interviewee 2* found that this proved to be advantageous as integration became a lot easier as people who stayed were more willing to integrate and embrace the changes. They concluded by explaining that some workers adapted well to the changes and embraced the new ways of conducting business. Overall, the acquisition had both good and negative effects on the workplace culture. They found that to succeed the company may have to adapt but ultimately employees had to adapt and embrace change which required trust and communication.

*Interviewee 3* views on cultural differences also varied from the previous two interviews starting by saying that before the takeover, employees were worried, and some talented people even left the company in fear of the changes. However, according to the *Interviewee 3*, the

acquisition positively influenced the working culture. In terms of similarities between the work councils of the two companies, the Interviewee notes that both companies consider themselves to be at the top of the corporate ladder in the F&B industry, with high standards and expectations for results. The advantage of negotiating the best payment terms with suppliers due to the company's size and reputation is also mentioned.

*“We saw ourselves as the top of the corporate land in terms of the industry. So, each of us (target and acquiring company) viewed ourselves as the, you know, the biggest in the business and had a high standard of working and high standard of expectations in terms of deliverables.” - Interviewee 3*

The acquisition gave businesses the chance to learn from one another and take advantage of their synergies in addition to the beneficial improvements in workplace culture and teamwork. *Interviewee 3* observed a favourable shift in the workplace culture, including reduced separation between employees and managers and a more welcoming environment that enhanced teamwork and mutual understanding of objectives. Both held themselves to high standards of performance and had high expectations for results since, as was already noted, they saw themselves as leaders in their respective fields. The target firm did, however, have a level-based segmentation among employees, with new recruits having limited access to global teams or directors and working mostly with their immediate line. Therefore, the target firm prior to the acquisition seemed to have a more hierarchical corporate structure.

On the other hand, the acquiring firm promoted cooperation and communication at all levels of the organization and had a more open-door policy. A more cooperative and effective work environment resulted from this cultural shift, with closer ties between local and international teams and more interaction to accomplish objectives. In conclusion, this change in working culture was perceived positively by *Interviewee 3* and absorbed quickly by employees.

Additionally, *Interviewee 4* found that the acquisition had both positive and negative impacts on the working culture. The Interviewee points out that the two organizations operate in different ways, and that some workers may have felt negatively about the acquisition's effect on their workplace culture. Some staff had trouble adjusting to the new workplace and operational adjustments following the acquisition. However, they emphasized that there were parallels in the work cultures of the two businesses, such as branding and quality control of the finished product.

*“Things get started and finish in a shorter time than the previous company. It may have impacted the working culture as we in the old company, we're more used to a traditional sense of the process, while the new one doesn't really work in that frame.”- Interviewee 4*

Since the two businesses were able to exchange information and talents, the acquisition also created new potential for growth and development. However, some employees found it difficult to adapt to the acquisition's changes, particularly as everyday company operations grew more digitized. Despite this, they did not feel the need to change to the new company culture because of his flexibility and history in other countries.

As *Interviewee 5* has been with the company throughout a long period of time they first provided a picture of how the company culture used to be during early years as being an unconventional and very masculine oriented environment. They said that only in the early 2000s did it become more conventional. They also stated that the company culture was pragmatic and practical in solving problems. Furthermore, there was a strong competition between employees as it was seen as one of the biggest global African brands at the time. *Interviewee 5* emphasized this by giving an example of how the recruitment process functioned and a usual employee journey with the company stating that,

*“...by recruiting really smart, bright people based in psychometrics and then moving them all over the place. So, one moment you're an HR person, then the next moment you're the general manager and then you're at Depot and ultimately you end up running a business somewhere.”- Interviewee 5*

After the acquisition the culture changed as new management came in and old management. In the new environment the culture was more formalized *Interviewee 5* stated. Not only did much of the management leave but employees also struggled to adapt to the environment. Those that did manage to adjust into the new working culture did however embrace the new working culture,

*“In 2017, you know, probably 95% of the management that I worked with of senior management left...[...] ... those that have survived and kind of worked their way and culturally had to fit with acquiring firm are happy there.”-Interviewee 5*

The *Interviewee 5* also stated that the sudden change in the culture had large negative effects on the business in South Africa and that by replacing old processes. *Interviewee 5* did say

however that now slowly some old business practices from the target firm are coming back and culturally adjusting to the environment.

The takeover, according to *Interviewee 6*, had both positive and negative impacts. They said that many senior employees left the business and that many foreign managers travelled to South Africa to introduce the new working culture. Everyone had the option to decide whether to stay or go, and everything took place in an open manner, and this policy has led to many positive changes.

*“So, in the end, employees remained in the company who were ready for change and ambitious challenges and in my opinion, this led to the success of the company.”-*

*Interviewee 6*

Regarding the process of adapting to the new working culture, it proceeded organically, moreover there were various synergies. In conclusion, the working culture of the two companies was quite different. On the one hand, the target company was more risk-averse while the acquiring company was much more aggressive from a commercial and expansionist point of view.

*“They were like train tracks that never met, in the sense that the target company was more risk-averse and had a strong sense of belonging to the brand and to South Africa itself, while the acquiring company had a more aggressive “the world is yours” mentality.”*

*-Interviewee 6*

*Interviewee 7* emphasized that there was a severe culture clash between the two companies which they did not expect because they thought they were companies in the same business segment being run predominantly by white men. *Interviewee 7* throughout their professional career experienced takeover at companies they worked with cross-border M&As of the same magnitude. They state,

*“They were more different than you could ever imagine [...] they were just so fundamentally different”-Interviewee 7*

In the target company, *Interviewee 7* described the culture as being a place where you worked very hard but had a friendly environment where they said that they made good friends. They

also described the company as being very entrepreneurial driven and that they enforced the perception that employees were working together on a common goal. They stated,

*“It was very kind of entrepreneurial in the way that we did things and consensus [...] I guess space to lead and a real sense of we're in this kind of thing together.”*

*- Interviewee 7*

For the acquiring company *Interviewee 7* describe the culture as being less entrepreneurial and more process and conduct driven. Everything was controlled and driven by the routines which did not give employees leeway in the daily operations and caused several employees to leave. *Interviewee 7* did also state that through being routine driven the integration of the two companies was easier as there were processes you could immediately follow. They state,

*“The acquiring company has very little entrepreneurial flair. If you like it, it is a template. It's a routine. There's a very fixed way in which they operate, and you work within that, or you leave. I mean, there's no room for manoeuvre. That the only thing I would say that was good about the acquiring company and of culture when your takeover is because the culture is so strong and so clearly defined. That they rolled it out quickly across the company and it was clear. And so, it was bedded into the company really quickly.”*

*-Interviewee 7*

Lastly, *Interviewee 7* also states that the acquiring company was able to implement their culture quickly through clearing out the top management and replacing manager of the target company with manager from the acquiring company. Additionally, the acquiring company did not fully utilize the available synergies after the acquisition.

*Interviewee 8* stated that both businesses had quite distinct cultures, and after the M&A deal, several adjustments were implemented. People who couldn't or didn't want to fit in with the new firm quit. Additionally, the respondent for the HR department claimed that the culture gap between the two businesses needed a great deal of effort.

*“It was quite stressful because we had to deal, we had to reorganize and restructure somehow the dynamics of the company. We had to do counselling with a lot of employees in order to help them through the change.”*

*-Interviewee 8*



The target firm had difficulties because the acquiring corporation placed more emphasis on diversity and inclusion. The new firm benefited from some synergies, which included a wider distribution network, greater resources, and more knowledge. There were also several parallels between the two companies in terms of production. Negative effects included the dissolution of teams, a loss of resource control, and a shift in corporate focus, though. In conclusion, Interviewee 8 stated how in his opinion it took about two years to adapt to the new working culture.

<i>Interviewee 1</i>	Acquisition that altered the target company's workplace culture, particularly following a significant brain drain. Nonetheless, there are numerous parallels across corporate cultures, and it will take time for workers to adjust to the new working environment.
<i>Interviewee 2</i>	Different methods of approach for the two companies. Several synergies. The acquisition affected the working culture in both positive and bad ways.
<i>Interviewee 3</i>	The working environment was favourably impacted by the acquisition. Businesses were able to benefit from their synergies and learn from one another thanks to the acquisition.
<i>Interviewee 4</i>	The acquisition affected the working culture in both positive and bad ways. Similarities between the two companies' workplace cultures.
<i>Interviewee 5</i>	The working culture changes as firstly most of the senior management left as well as becoming more formalized and corporate. The target firm used to have a very competitive environment and was very masculine according to the Interviewee.
<i>Interviewee 6</i>	The acquisition affected the working culture in both positive and bad ways. Some synergies but different companies' workplace cultures.
<i>Interviewee 7</i>	Different working culture between the two companies. Different methods of approach for the two companies. Non utilization of synergies.

Interviewee 8	The acquisition affected the working culture more in a bad way. Some synergies but different companies' workplace cultures.
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Table 3. Summary table for Cultural Differences

#### 4.3 HQ-Subsidiary relationship

A considerable difference was noticed in the relationship between the HQ and the subsidiary by *Interviewee 1*. The target company's subsidiaries used to have greater autonomy and be able to tailor their plans to fit their specific markets. Nonetheless, the new regime places more importance on adhering to global strategies and has a closer contact with HQ. During the interview, it was also mentioned that there are monthly monitoring meetings between the zone and the HQ and that every function has its own, including the departments of procurement, finance, marketing, and HR.

*“It was still within the big global strategy, but you got more leeway and freedom to customize it to the zone right and you would manage it as you saw fit as long as it was profitable, right? This new regime has a lot more reporting up into what you call headquarters.”-Interviewee 1*

The global HQ serves as a conduit for indirect collaboration with other offices. If two branches in different regions are dealing with the same issue, they can submit it to one another, or the global headquarters might organize a meeting to encourage collaboration. Additionally, plans are put into action right away. The global strategy is released at the start of the year and then modified for the strategy document of the subsidiary. Lastly, there was a propensity to align with the new owners and avoid making too many changes within the first two years due to the new culture and expectations set by the purchasing business. This strategy, however, was unsuccessful since it caused the branch's performance to drop.

*“Start doubting yourself and your ideas and that sort of thing. Because there's a new boss in town, right? And you also have to be careful politically, which is just as important not to say the wrong things. And then you are seen as a cultural misfit compared to the purchasing society.”-Interviewee 1*

On the HQ-Subsidiary relationship, *Interviewee 2* said that while they and their team have a lot of autonomy in their job, which is seen as something that is part of the new company culture, they also have daily communication with HQ regarding local business practices. They must still abide by governance procedures as well as laws and guidelines.

*“I engage with and have partnerships with multiple global stakeholders that are scattered from Saint Louis to New York to Belgium. So as a result, I'm talking to a global person at least once a day.”-Interviewee 2*

To solve issues and exchange observations, there is also worldwide cooperation with other subsidiaries. Local company practices instantly replicate head office plans, with small modifications or tweaks made during monthly alignment meetings, in fact, an organization of the size of the case study does not change strategy too often, so it is generally a matter of minor changes or adjustments, but the broader strategy is consistent. The key issue for the parent company is the depreciation of African currencies, which may have an impact on the profitability of the company. To maintain sustainable growth, the organization must strike a balance between the requirement for volume expansion and profitability in failing currency markets.

*“So, we have six different zones, [ ...], and effectively we engage with them quite regularly as well as our global counterparts. So, we do try and share our learnings. We do try and share observations. We do try to split workloads up.”-Interviewee 2*

*Interviewee 3* explained that the number of communications with headquarters regarding local business practices varies depending on the type of sector and role. In their relationship with HQ, they stated that they had complete autonomy in their role from the point of view of procurement and management, but always adhered to the policy of working for the best of the acquiring company.

*“You would work very closely with the global you're given the freedom to make decisions in terms of what you feel works best to achieve that target or achieve that KPI.”-Interviewee 3*

There is strong collaboration with other subsidiaries globally through knowledge exchange sessions, where insights and learnings are shared with teams in other areas. Furthermore, HQ strategies are immediately implemented into local business practices, as they are part of the local strategies translated into their KPIs.

*Interviewee 4* has weekly checks and feedback with the head office. They emphasized that there are numerous approaches for the acquiring firm to make sure that local business practices are consistent with the organization's overall strategy. To start with, they communicate often with headquarters to keep informed of any changes to the overall plan.

This enables them to promptly modify their local procedures to achieve conformity with the corporate goals. They also have regional management teams that oversee carrying out the global plan in certain areas. They collaborate closely with the corporate office to comprehend the organization's aims and objectives and make sure that they are included into local business procedures.

*“With the headquarters meaning I have weekly check-ups and weekly feedbacks with the HQ meaning with people from the HQ regarding how my stance is what we are trying to achieve, how we are planning to cut costs. So how frequently we have had the regular meetings feedback once a week”- Interviewee 4*

There is cooperation with other global subsidiaries to solve common problems. In addition, efforts are made to implement HQ strategies as quickly as possible. They concluded that they have a high amount of autonomy in their work and that they are extremely clear about the procedures when it comes to the procurement of glass.

During the start of *Interviewee 5* employment with the target company they found that the organizational structure of the firm was decentralized. The subsidiary of the target company had a lot of autonomy and ran as separate entities.

*“In South Africa, the regions will run as businesses as separate entities, and I remember I said in the middle the consultant that came in with expertise around sales and a trademark team. If I wanted to implement something in the regions. I had to get the support I had to get the buy in.”-Interviewee 5*

*“So, things had started to become more centralized, and you had more people in the centre and a lot of budgets pulled into the centre.”-Interviewee 5*

*“Countries are very different, cultures are very different, the brands are all very different. So, marketing. Also reported the centre. So, if you look at them, if you look across Africa, you went to Ghana, you went to Zambia, you went to Malawi, Mozambique, any of these Markets. It will be a strong local brand which has been developed and grown and taken into the sub fold, developed, and grown and seen as the mainstream brand for that market and costlier economic label. Also call. Will any of those other brands be brought in, would.”-*

*Interviewee 5*

Although *Interviewee 6* is constantly accessible for clarifications and meetings with HQ, their work is more performance-based at the subsidiary level, thus there is no need for frequent communication with HQ. Nevertheless, *Interviewee 6* communicates with HQ at least once per month. They have enough autonomy in their job to carry out their duties without informing headquarters of any changes, yet they are still required to follow all business protocols to the letter. They also emphasized that this was not always the case; in fact, at first, HQ wanted to know every detail of how they managed their business and transportation, but with time, they saw that everything was done flawlessly, and they earned more autonomy. Strategies from HQ are implemented locally as quickly as possible when allowed, regarding collaboration with other subsidiaries.

*“...all my procedures must always be carried out for the good of the company. I would like to add one more thing, it wasn't always like that, in fact at the beginning HQ wanted to know everything about how we managed our business and transport, but with time seeing that we executed everything perfectly we got this higher level of autonomy.”*

*- Interviewee 6*

*Interviewee 7* stated that the HQ-Subsidiary relationship was subject to change, and they had completely different tasks and the organizational structure became more centralized. During their time with the target company the responsibilities covered a large variety of different business segments. They had a lot of responsibility and worked in a very autonomous way. After the acquisition their job became more streamlined, as they stated,

*“I was responsible for the whole leadership team which reported to me. If we were building a production facility. I was responsible. I was managing procurement, HR, government it's not to say you didn't get help obviously particularly when you're building a production facility and stuff like that. But ultimately, you're accountable, which made that a super interesting job because you sat across everything, and you learned everything. With the acquiring company then it works in a totally different way in that as the head of the country, you are essentially responsible for sales. You have a procurement director and HR Director, technical director, et cetera, but they all report up to the regional person.”*

*- Interviewee 7*

Regarding communication with headquarters, *Interviewee 8* explains that they communicate daily with a contact person who is their guide. They also have weekly meetings to check

whether weekly and monthly targets have been met and whether new policies have been implemented effectively. *Interviewee 8* stated that they have a great deal of autonomy. However, they need to demonstrate that they are making progress toward these objectives and, if her current approach does not comport with business guidelines, they must modify it.

Concerning the collaboration with other subsidiaries globally, *Interviewee 8* states that they are in contact with other managers, but do not have a communication channel. Annual meetings are held where the company and its different divisions are talked about, and their problems and issues are discussed. Regarding the implementation of strategies by headquarters, the time needed to implement these changes depends on what the company has asked them to do. In conclusion, there were several challenges to overcome in the HQ-Subsidiary relationship, as the target company had strong social connections with some of its retailers and distributors. However, after the acquisition, the company became more structured and focused on formal contract-based relationships, which was a difficult transition for some employees. The challenge was met by adapting over time.

<i>Interviewee 1</i>	Strategies were implemented swiftly by HQ. Communication with other subsidiaries.
<i>Interviewee 2</i>	More autonomy, always respecting procedures and guidelines, Daily meetings with HQ, Communication with other subsidiaries.
<i>Interviewee 3</i>	More autonomy, always respecting procedures and guidelines. High levels of cooperation with other subsidiaries.
<i>Interviewee 4</i>	More autonomy, but a lot of transparency. Communication with other subsidiaries HQ strategies implemented quickly in SA
<i>Interviewee 5</i>	HQ-Subsidiary became a lot more centralized. Roles of different managers were more specialized and focused on specific tasks.
<i>Interviewee 6</i>	More autonomy, but it was earned by good work. Collaboration with other subsidiaries HQ strategies implemented locally as soon as possible.
<i>Interviewee 7</i>	Following the acquisition, her work was simplified. No collaboration with other subsidiaries.
<i>Interviewee 8</i>	Daily meeting, more autonomy depending on the results.

	No collaboration with other subsidiaries. Time to implement HQ strategies locally dependent
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Table 4. Summary table for HQ-Subsidiary relationship

#### 4.4 Sourcing

*Interviewee 1* states that the company's procurement operations are influenced by both global and local initiatives. The company sources globally for some materials, such as malted barley, and locally in South Africa for other materials, such as cassava and sorghum, which are sourced locally to satisfy the F&B market at affordable prices. However, local sourcing is also part of the broader sourcing strategy, which is derived from the global strategy.

Local suppliers gain from the purchasing company's more aggressive expansion strategy, but for certain suppliers, the commercial and payment circumstances have been a barrier. The corporate office has made efforts to make sure that the demands of the market and the suppliers of the subsidiary are taken into consideration when making decisions.

*“Commercial terms were the biggest problem with many of our local suppliers. The terms of trade for the purchasing company tend to be a bit longer than those of the target company. So, from this point of view, one could say that it disadvantages the local market, but from the growth point of view it is positive.”-Interviewee 1*

In conclusion, the sourcing team's success is assessed in relation to budgets and is based on how they lower expenses and alleviate cost constraints through a continual sampling program.

Furthermore, *Interviewee 2* explains that the Acquisition by a MNC did not affect local suppliers; in fact, we are talking about two companies that applied similar sourcing practices to each other.

*“We were a big global organization before the takeover and a lot of our suppliers unfortunately a lot of the small local suppliers had already lost out on the business because of us effectively going to the lowest bidder, which is on a national and global scale”-*

*Interviewee 2*

The organization employs a variety of indicators, such as a sourcing rate in standard currency per volume produced, a comparison to the local CPI or year-over-year cost increase, and a comparison to worldwide standards, to assess sourcing success. The significance of the

challenges in striking a balance between the necessity for cost-effective procurement methods and the need to support local suppliers and uphold high performance standards were also highlighted and emphasized. The organization needs to find a means to serve the needs of both the main office and the subsidiary while balancing these opposing interests.

As stated by *Interviewee 3*, global strategies and efforts continue to have a significant impact on sourcing decisions in many situations. Working closely with global sourcing departments may be beneficial in many ways, as the Interviewee points out, including the opportunity to take use of global purchasing power and to reward favoured suppliers.

Nonetheless, there might be drawbacks to leaning too much on international sourcing techniques. For instance, if local suppliers are not given a fair opportunity to bid for contracts, they may feel excluded from the procurement process. If local suppliers feel unfairly left out, this may cause discontent and possibly legal action. Striking a balance between global and local sourcing activities and ensuring a fair and transparent procurement process for all suppliers are crucial if these issues are to be avoided.

Furthermore, when sourcing following an acquisition, managing cultural differences across organizations is also essential. In this instance, the acquiring corporation made sure the local personnel received training on international strategy and activities. To ensure that everyone was working toward the same goals and objectives, this helped promote a spirit of teamwork and alignment between the global and local teams.

Lastly, a crucial component of effective sourcing operations is monitoring performance and expressing expectations. They point out that to make sure that everyone is working toward the same objectives, global KPIs are converted into local KPIs. This might contain financial objectives, conditions of payment, and other measures. The company may make sure that their sourcing processes work smoothly by establishing clear objectives and monitoring performance against these goals.

On the topic of sourcing, *Interviewee 4* states that the Sourcing for glass is mainly influenced by global initiatives due to the nature of their sourcing partners. To improve these indicators, the corporation is also working to create regional recycling and sustainability programs. They feel that there has not been a big influence on local suppliers since the purchase, however there may have been adjustments in some areas. It is also interesting to note that the purchasing company's belief in a sub-zero budget influenced its procurement practices, with



a focus on reducing costs as much as possible. Although this may have a negative impact on suppliers in the long run, it is in line with HQ's current vision and strategy.

*“The sub-zero budgeting is one of the beliefs of the acquiring company, which means we try to keep costs as low as possible”- Interviewee 4*

The HQ and the subsidiary appear to have different priorities when it comes to performance requirements in sourcing. While HQ is more interested in the success of the overall sourcing department, the subsidiary appears to place more emphasis on individual and departmental performance. However, all parties are aware of how crucial each department's area is to the operation of the entire organization. Furthermore, it is important to recognize that there is competition among the subsidiaries, with each regional base aiming for high levels of development, earnings, and innovation in sourcing techniques.

The sourcing had also changed in various ways according to *Interviewee 5*, especially between the different regions. After the acquisition they stated that numerous problems arose from the acquisition which affected the sourcing department.

*“One of the challenges would have been that the corporate affairs representatives in country who managed all those relationships and commitment to developing local farm, in particular around cassava and sourcing local materials, that is such a great, important part of what you have to do as a country head, you needed to spend a lot of time with government and regulation. Natural environment, particularly with cross-border movement of products. So, at one stage in Zambia huge amounts of product coming across the border into Zambia undermined the local industry and they had to work with the government to ensure that there were regulations in place to restrict them to police that.” - Interviewee 5*

*Interviewee 6* stated that sourcing operations are more influenced by global initiatives, and local suppliers after the acquisition were affected in terms of contractual power, but some procedures remained the same. Nevertheless, the new company applied different strategies to solve the various problems and to smooth out the cultural differences between the company and the local suppliers.

*“Make the local suppliers feel as though nothing has changed by having the corporate representatives who were present in the target firm interact and engage with them. I believe that this was a wise move.” - Interviewee 6*

Additionally, constant contact between the subsidiary and the headquarters is required to guarantee that the demands of the market and suppliers of the subsidiaries are taken into consideration in the headquarters' decision-making process. Sourcing performance expectations are communicated through monthly meetings, and measured using several KPIs, some of which were adopted before the acquisition and increased after.

*Interviewee 7* said that the sourcing strategies and the local environment was heavily impacted after the acquisition as the difference in company culture and company structure changed their strategy. At the target company a strong relationship was a priority as *Interviewee 7* claimed that in Africa the market is volatile. After the acquisition there was little leeway *Interviewee 7* stated on local sourcing,

*“There was no room for negotiation. You know, with the suppliers, it was very tough on them, on pricing, on terms and the suppliers honestly hated us. I mean, we, you know, and it was very difficult because there were a lot of suppliers that we had built a long-term relationship with and again because the acquiring company doesn't tolerate any kind of discussion or debate and things like procurement was highly centralized, so it took any kind of emotion out of the discussion. Payment terms, and we're notoriously bad payers and so what I found is that we saved a lot of money and cash flow improved because our terms are so tough. But when you're working in a volatile environment like Africa”- Interviewee 7*

<i>Interviewee 1</i>	Both local and international efforts have an impact on the company's procurement processes. Certain raw materials were purchased locally while others internationally, and the new corporation modified the way it dealt with suppliers.
<i>Interviewee 2</i>	Acquisition didn't affect the local suppliers. Maintain high performance standards while balancing the requirement for cost-effective procurement methods with the desire to support local vendors.
<i>Interviewee 3</i>	Benefits of collaborating closely with global sourcing departments Global KPIs are converted into local KPIs
<i>Interviewee 4</i>	Sourcing for glass is mainly influenced by global initiatives. Regarding sourcing performance standards, it appears that the headquarters and the subsidiary have distinct objectives.

<i>Interviewee 5</i>	Sourcing became more difficult especially with local suppliers acted as more materials were sourced globally.
<i>Interviewee 6</i>	Global initiatives have a greater impact on sourcing operations. Sourcing performance expectations measured using KPIs.
<i>Interviewee 7</i>	After the acquisition, it had a great impact on sourcing strategies and company culture.
<i>Interviewee 8</i>	N/A

*Table 5. Summary table for Sourcing*

#### 4.5 Observations

Throughout our time at the target firm, we had informal meetings with company employees and stakeholders. This provided us a more detailed understanding of the phenomenon of the acquisition that took place and how this was perceived by the public as well as some employees.

An observation we realized that the age had a significant influence on his/her narrative towards the acquisition. People who were younger seemed to be more flexible to change and that change was not always negative. They tended to have a more optimistic viewpoint and found they adjusted to the change quicker. Elderly people tended to be more conservative which we observed to be static in their approach to thinking. It was also clear that when talking to employees they found that the change in sourcing practices was significantly affected by the acquisition.

Furthermore, from a consumer stakeholders' viewpoint the acquisition also seemed to be negatively judged as they felt the target company was losing its local heritage and culture. This was also apparent with suppliers who worked with the acquiring company as tacit understanding seemed to fade. This was also apparent in consumer stores as more global brands dominated the segment compared to prior the acquisition.

## 5. Analysis

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*This section we analyse our findings and compare it to our conceptual theoretical framework established in Chapter 2. We subdivide our analysis into 4 main groups and then developed our theoretical framework to be more in line with our findings.*

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Our theoretical framework provided the base for the core topics which are used in our paper and are compiled into our own theoretical conceptual framework (see *figure 1*).

### 5.1 Cross-Border M&A Harmonization

To commence with the post-M&A harmonization, we found that the cross-border M&A took place as the acquiring firm was looking to expand into the African market. Here we can use one of Dunning's (2000) four main motives for expanding into a new market. We therefore assume that the motive of the acquiring company was to be Market-seeking. Additionally, in Chen & Young's (2010) two options of either being capabilities purchase or strategic purchase our case can also be categorized as being capabilities purchase as findings from *Interviewees* showed that they got complete control over the target firm. These impact the M&A integration process as market-seeking firms as Firm Specific Advantages have a low prioritization and Location Specific Advantages are of high priority where we can relate Xia et al. (2017) being globally integrated or locally responsive. As research suggests that it is important that the entry modes are not seen without context as it must be examined about the firm's strategy. Furthermore, a key reason to pursue a cross-border M&A is because of the speed of entry into the market as liability of outsidership and liability of foreignness are mitigated due to the target firm's knowledge of the market (Schriber et al., 2018). Findings showed that the speed at which the acquiring firm took over and started to manage the company was done with great speed, affirming literature of Reenboog & Vansteenkiste (2019). The strategy which they used was to have a change in senior management to implement their strategies faster as well as creating the culture which is similar to the HQ which opposes Buckley et al. (2018) view but has similarities to other literature (Puranam, Singh, & Chaudhuri, 2009; Graebner et al., 2017). As the two companies under examination were competitors of the same industry and the acquiring company had strict processes in place and had previous experience of acquiring foreign MNCs. Additionally, findings also showed that the acquiring company operates in an agile way that is perceived as high risk-taking which impacts the harmonization of cross-border M&A.

The integration strategies of the acquiring firm were done through detailed exchanges of the different business departments at the HQ of the acquiring firm. This was done at the final stages of the deal being executed and the goal was to find synergies which the companies can take advantage from. Big transactions typically include several subunits that are dependent on one another (Kostova et al., 2016). As a result, thorough planning and coordination of integration activities are required to guarantee that existing synergistic relationships are not disturbed.

## 5.2 Cultural Differences

The ability to recognize and accept the many cultural differences that separate people from various countries is a skill that managers in IB should possess. Understanding cultural differences is important from two perspectives. First, it may be a genuine asset for international business collaborations, but it can also lead to misconceptions and communication issues (Buckley et al., 2018). In our case study, after the acquisition, there were several managers from the acquiring company who travelled to South Africa to introduce the new working culture. To do this more easily and quickly according to *Interviewee 7* they eliminated the top management and replaced the manager of the target company with the manager of the acquiring company. While according to all other *Interviewees*, the acquisition led to a drastic change in the level of employees, in fact, some *Interviewees* referred to the term exodus of young talents and senior managers who preferred to leave the company because they did not feel comfortable with the new working culture. Some senior management preferred to look for other jobs in response to the arrival of top managers from the acquiring company, which is consistent with Lee's et al. (2015) theory that when two different cultures interact, there will be high levels of stress, anxiety, hostility, and annoyance. Over the years, the acquiring company has partaken in numerous M&A deals, so when it sought to export its work culture, it sent managers to South Africa who had already done this work in other countries. However, the most effective management technique in one culture might not be effective at all in another (Lee et al., 2015).

From our point of view, the acquiring company had to consider Hoecklin 's (1995) thinking on the advantage of cultural difference, which states how each country has developed unique skills in the fields that are most important to it, and in this case, we refer to the F&B industry. As shown by all *Interviewees*, this talent drains from the company also led to difficulties in finding and developing fresh talent, and synergies had to be utilized more to take full

advantage of the cultural difference between the two countries, instead, there was a quick attempt to export the working culture of the acquiring company. With regard to the speed of the change in cultural work, some have said that the change was rapid, while others have said that it was gradual and others that it took several years and that there are still several changes to be implemented, perhaps the company has tried too quickly impose excessive changes going against Hofstede's (1991) principle that culture changes gradually over an extended amount of time.

Analysing the results of the interviews with the Hofstede (1994) model for the countries of South Africa and Belgium, i.e., where the acquiring company has its HQ, one can see similarities. First, Belgium has a larger power distance (65), which prompted the development of a hierarchical organizational structure and total subservience to superiors. Although South Africa has a smaller power distance (49), *Interviewee 7* also mentioned that there were horizontal relationships between superiors and subordinates in the target company (Country comparison tool, n.d.). The aspects of individualism and masculinity are quite similar between the countries, Belgium has a very high score (94) when it comes to avoiding uncertainty, which in the new organization resulted in salary and promotion based on seniority and a heavy focus on effort. South Africa has a low uncertainty avoidance (49), and this is consistent with the target company's prior pay and promotion practices, which placed less emphasis on hard effort and more on individual achievement (*ibid*).

### 5.3 HQ-Subsidiary

When examining the HQ-Subsidiary relationship, Birkinshaw & Hood (1998) discovered that subsidiaries need some degree of decision-making autonomy to carry out their capacity-building and development programs. According to our study's findings, it shows that employees in the target firm have ample autonomy in their decision-making. However, this degree of independence from HQ has been acquired over time through the implementation of policies intended to benefit the acquiring company and the accomplishment of operational objectives. To maintain a high level of autonomy, Birkinshaw & Hood (1998) emphasized the importance of a track record and connections with the HQ. As mentioned above, this statement depends very much on the role and the sector performed, in fact, there are some managers who must communicate with HQ on a daily basis while others may communicate on a weekly or monthly basis because communications in their sector are more aimed at staying within the subsidiary.

Schweizer (2010) demonstrated how the parent company is only minimally involved in a complex global strategic change because it lacks the specialized resources to manage and oversee local implementation. This isn't quite accurate in our case study because the acquiring firm is trying to adopt a globally integrated strategy that must be adopted by the subsidiary without taking cultural differences into account. Additionally, since the acquiring company operates in the same industry as the target company, it has all the necessary tools to manage local resources. Some *Interviewees* mentioned that changes made to the company led to its improvement, contradicting Schweizer's (2010) analysis. The amount of parental participation also rises as a branch's market relevance increases (Schweizer, 2010). This is especially true in this case since analysing it considering the other theories such as Dunning (2000) and findings, it's possible to highlight how significant the African market is for the acquiring company in terms of its potential for economic growth. As a result, through its activities, the purchasing business aims to exert considerable control over the subsidiary.

The HQ must be aware of not only the subsidiary's own activities but also those of the pertinent players who engage in and have an influence on the subsidiary's local networks to oversee and coordinate the subsidiary's operations. This depends on the distance; in fact, it is harder to maintain connections and understand the local markets the farther the subsidiary is from the corporate HQ (Ciabuschi et al., 2012). According to some *Interviewees*, an effort was made to act as a conduit between the local network and the acquiring company with old employees who were well-regarded by the local network actors to fix this problem in the HQ-subsidiary relationship because, at first, the acquiring company was unaware of the practices of the subsidiary's local networks. This kind of policy can be analysed from the point of view of trying to reduce the geographical distance between the two companies, nevertheless, these kinds of procedures lasted only for some period after the acquisition, in fact thereafter the acquiring company applied standard sourcing/procurement procedures.

According to Kostova et al., (2016) branches are viewed as internally distinct units with special objectives and their own networks of external stakeholders. The authors also pointed out that HQs should collaborate closely with their branches to establish effective networks for communication, analysis, and information exchange between HQs and subunits as well as among the subunits themselves (Kostova et al., 2016). The level of communication and coordination between the African subsidiary with other subsidiaries or HQ depends on the sector examined, in fact, there are some sectors where there is a lot of collaboration while

others where there is only communication but no form of coordination or collaboration. The acquiring company is divided into 5 different parts, and the African market has enough power and relationships between different stakeholders. Moreover, each subsidiary has different economic goals to achieve, all of which are in line with Kostova et al., (2016) analysis.

Even without the express consent of the HQ, subsidiaries can set their own strategic goals and generate significant resources for the MNC. However, if the subsidiaries want to share their knowledge with the HQ, they must manage their initiatives in a way that ensures the parent company pays attention to them (Ambos et al., 2010). In our case study, strategies can be applied internally but only in certain areas but still as stated by all *Interviewees* they must be in line with the general policies of the parent company and be implemented only for the good of the acquiring company. Also, initially, some *Interviewees* pointed out that their degree of autonomy was not always so high, and they had to earn this level of autonomy with hard work and getting noticed by HQ managers. Contrary to the belief of Hoenen & Kostova (2014), which holds that subsidiaries frequently do not operate in the firm's best interests, subsidiary workers consistently work for the good of the parent company despite having high levels of autonomy attained via years of arduous work.

According to Kostova et al. (2016), decentralized and informal ways of collaboration are even more crucial for organizational success since subsidiaries have access to special resources. As previously said, the industry determines the degree of collaboration, whereas *Interviewee 5* and *Interviewee 7* highlighted how following the purchase there was a change from a decentralized to a more centralized corporate structure. The aforementioned runs counter to the ideas of Kostova et al. (2016), as it can be seen that the acquiring company's ability to manage relationships with its subsidiaries, local resources, and local networks is crucial to the success of its business. To conclude, some interviewees have described this strategy as being extremely aggressive in comparison to the strategy of the previous target company.

#### 5.4 Local legitimacy through local sourcing

Our findings showed that sourcing operations changed after the acquisition. It shows that the two companies under analysis had different strategies and objectives and that the acquiring company did not fully acknowledge some formal and informal institutions. This provides basis to the importance of the institution-based view in a developing country as stated by Peng et al. (2008).



Our findings also showed that the acquiring firm uses a global sourcing strategy as several raw materials were now sourced globally which had a negative effect on the local stakeholders and economies and spilled over to the consumers as seen in our observations. This also seemed to impact some employees as they found that the relationships built with suppliers was detrimental to the target company's success and why they had a good image. Other findings exemplified this by explaining the popularity of the target company for professionals (Reimann et al., 2012) and that a reason why so many senior managements left is that the local legitimacy of the company was decreasing.

Although they pursued a more global sourcing strategy several local sourcing operations still took place and had different impacts on achieving local legitimacy. Firstly, we found that there was an increase of over 20% in production over the last 5 years which in turn provided higher revenues for suppliers which also stimulates the economy (Ivarsson & Alvstam, 2011; Kubny & Voss, 2014). Opposingly, after the M&A the acquiring firm offered worse payment conditions to the suppliers in some cases deteriorating the relationship built over years. This proved although to be not a hindrance, but some interviewees believe that there could be an effect in the long term as Southern Africa is a volatile state and relationships achieve stability. It is also possible for the acquiring firm to offer worse conditions as they have significant bargaining power and low competition.

Therefore, as our literature review suggests that local sourcing builds legitimacy of the MNC for stakeholders (Eden & Miller, 2004) we can add to the theory that this depends on the sourcing strategy used by the MNC for example payment terms. Another factor which should be addressed in the context of our study and findings is the importance of using an industry-based view to examine the success of local operations of a country. In our findings we see that both formal and informal institutions have a major impact on MNC in a country which need to be explored in order for an MNC to be successful.

The formal institutions refer to institutions such as governments, laws, and policies among others (Dikova & Van Witteloostuijn, 2007). For example, in our findings we saw that the MNC had major difficulties operating in a new country as they conducted cross-border trade in Zambia which undermined the efforts to promote local farms.

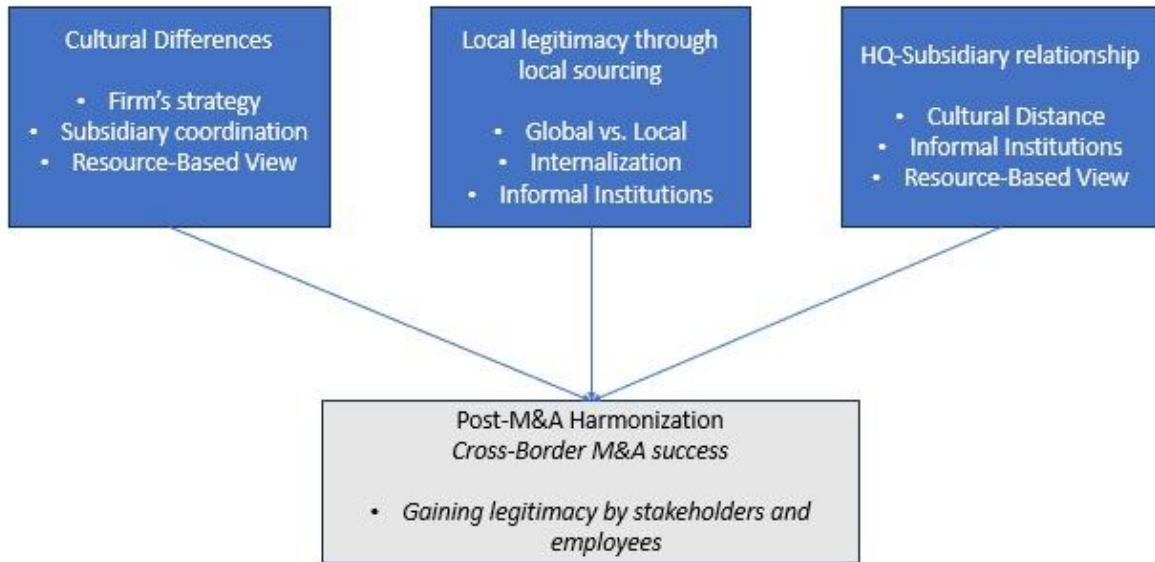
The informal institutions also impact local sourcing especially with the local environment. Firstly, in our observation we found that the public did not perceive the acquisition as a

phenomenon that promoted local growth and more international F&B were prioritized in stores. Secondly, other informal institutions where social values were not upheld could be in the way in which business was conducted and that relationships with suppliers were not of priority for the MNC after the acquisition.

### 5.5 Developed Framework

According to the systematic combination study developed by Dubois & Gadde (2002), the framework has been adjusted to improve its ability to accommodate the empirical data. The choice of placing the developed framework in this paragraph rather than together with the conceptual framework is crucial. Eisenhardt (1989) states that the theory that emerges from the case study should be given at the conclusion of the research as the outcome of the analysis. In *Figure 2* we have compiled a conceptual framework which factors in our findings which were present in the interview as well as from the original conceptual framework derived from our literature review. The developed conceptual framework illustrates the critical factors which impact post-acquisition harmonization and ultimately on sourcing practices. Each factor we have derived different theories which combine academia to real life events. For HQ-Subsidiary we found that the strategy pursued by the acquiring company has an impact on the HQ-Subsidiary relationship as it either creates a global integrated or local responsive firm. In our findings we see that the company moved towards a more centralized structure implementing most decision making through the HQ. From a resource-based view the HQ subsidiary relationship is also affected by cross-border M&A as the firm tries to leverage synergies as collaboration and communication increases. From the cultural aspect it is also a major hurdle for M&A success and should be critical when looking at integrating the companies. Both cultural distance and informal institution-based view look at the norms and values of certain regions. Our findings found common grounds with academic literature when analysing a developing country and a firm's market entry; it can either cause M&A success or failure. The resource-based view should also be of importance as a common objective of the two firms can lead to sustained competitive advantage for the MNC. Culture and the HQ subsidiary relationship of the post-acquisition harmonization change the sourcing department which ultimately is a factor for achieving M&A success. Firstly, our findings showed that there is a fine line between global sourcing and localization. In our findings we see that both are detrimental for M&A success as they use a resource-based view to achieve the best pricing through achieving economies of scope. Next, we also see that the LoE can be a hindrance towards the sourcing operations in the region as they do not have the knowledge and network

to have a strong sourcing operation in a region of emerging economies. This can have a negative long-term effect on the relationship between suppliers and the MNC. Therefore, they need to consider this before entering an emerging economy. Lastly, internalization is also a key element to have success in regional sourcing operations as the firm should learn within its own structure to achieve and implement best practices.



*Figure 2. Developed Conceptual Framework Model, Compiled by Author*

## 6. Conclusion

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*This section provides a summary of our thesis as well as answering the research questions established in Chapter 1. We then proceed by stating the practical and theoretical implications this paper may contribute and conclude by suggesting future research.*

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Our paper was conducted with the purpose to better understand; 1) how culture impacts M&A Success; 2) how HQ-Subsidiary relationships affect post-acquisition harmonization and 3) if gaining social legitimacy through local sourcing helps M&A success. By using a qualitative approach and conducting a mixture between a cross-sectional and longitudinal case study we were able to examine the target firm who were acquired by a MNC and look at the differences before and after the acquisition. The acquisition took place over five years ago therefore we are able to explore the case which is usually enough time for the major steps of the integration phase to be completed. Thus, we were able to answer the research question as follows.

- How does culture impact the harmonization of cross-border M&A?

The impact of culture was a major factor for the harmonization of the cross-border M&A and had both positive and negative impacts and we found that the magnitude of the impact varied depending on the interviewee. Firstly, we found that the acquiring firm had specific strategies in place which sped up the adoption of the culture in the target firm. The strategies used by the acquiring firm was to replace the majority of senior managers of the target firm with their own employees. This strategy changed the culture as decision-making was conducted by the acquiring firm. Negative impacts such as a decrease in employee benefits made employees feel underappreciated by the acquiring firm. Secondly, another strategy having a positive impact on the harmonization was the speed of the integration and the structured approach taken by the acquiring throughout the integration processes. This allowed target firm employees to adapt to new processes swiftly as everything was planned and structured. A third cultural factor which impacted the harmonization was one where an institution-based view provides the greatest explanation of this impact. The acquiring firm and target firm were different in the norms and values within the firm. The target firm had a very entrepreneurial working culture and our findings stated that the employees work together on a common goal. On the other hand, the acquiring firm was more corporate and structured in their working culture. Depending on the employee these opposing cultures had adverse impacts on different employees. It was easier for new employees to adapt to this, and the structure allowed them to rise through the corporate ranks but for several employees this change had a significant

negative impact, and it was difficult for them to adjust. There we can say that the impact of culture on the harmonization of the acquiring firms which are both negative and positive and dependent on the employee.

*Proposition 1:* The influence of culture in cross-border M&A is essential for harmonization; positive effects are seen through strategies for cultural adoption and integration speed, while negative effects are brought on by incompatible norms and values, which vary depending on the employee.

As our research question gave a better understanding of the topic to provide a more holistic picture of cross-border acquisition harmonization we formulated 2 sub-questions

- How does the HQ-Subsidiary relationship impact the harmonization post cross-border M&A?

As the target firm was acquired it went from being the HQ to being a subsidiary having to report to the acquiring firm. As the acquiring firm had a transnational strategy which responsibilities and roles either changed or stayed the same depending on the function of the employee. Most of our findings from the interviewees found that there was less autonomy in decision making at the early stages after the acquisition and through time became more. The global presence of the firm also allowed for communication between the different subsidiaries and that best practices could be taken from different subsidiaries. This impacted the harmonization of the two firms in various ways. Therefore, the HQ subsidiary relationship has an impact in the harmonization of the firms as employees' roles and responsibilities changed but communication with HQ and other subsidiaries provides a basis for adoption as well as implement best practices and potentially realizing synergies globally.

*Proposition 2:* The HQ-subsubsidiary relationship in an acquired firm impacts harmonization through changes in responsibilities, communication with the HQ, facilitating best practice adoption and global synergy realization.

- How does local legitimacy impact cross-border M&A harmonization?

First, according to our research, using local sources can help to boost local legitimacy. The target company relied largely on purchasing locally in Southern Africa prior to the purchase, and over time, it developed trusting connections with its suppliers. The partnership suffered

after the acquisition because of worsening contracts and payment terms and a strategy that was centred on international sourcing. Locally based items did have an advantage because output increased by 20% over a 5-year period, which trickled down to suppliers and ultimately boosted the economy. Local legitimacy did, however, degrade as a result of, for instance, formal and informal institutions not always being accepted and occasionally causing problems. It was also clear from our observations that the residents' preferred brand started to decline. Local legitimacy therefore has an impact on the harmonization of the external environment from an institution-based standpoint. The relationship's decline could eventually pose a problem from a resource-based perspective. When it comes to sourcing, businesses a balance between the benefits of cost-effective procurement and the need to promote local suppliers and take cultural differences into account. Excellent communication and a willingness to compromise on cultural differences are necessary for successful integration in the context of cross-border M&A. Businesses must find a means to balance the cultural similarities and differences between the target and acquiring organization because M&A activity can also have a significant impact on workplace culture.

*Proposition 3:* Local legitimacy, which affects supplier relationships, economic growth, and workplace culture, is crucial for balancing the external environment during cross-border M&A. This is accomplished by using local sources and addressing cultural differences.

To conclude, we would like to look back on Thomas Szasz (n.d.) quote and, In the animal kingdom, the rule is eat or be eaten; in International business, define or be defined.

## 6.1 Practical and Theoretical Implications

Our thesis examines cross-border M&A harmonization looking at the impact it has on culture, HQ subsidiary relationship as well as local sourcing practice. cross-border M&A has been a popular choice of entering a market and as stated by the IMAA (2022). Therefore, our study is meaningful in contributing both in theory as well as practice.

Our theoretical implication we have added to existing literature of the importance of culture and cultural distance. We have amplified the role informal institutions play in cross-border M&A especially as our study is based on a less economically developed region. We have also found a theory which provides a basis on the importance of local sourcing after a cross-border M&A as it supported with the localization strategy of a company as well as gain legitimacy and trust by the stakeholders.

For practical implication we have provided a framework of different factors which should be examined when conducting cross-border M&A in less developed countries as well as in the F&B industry. Our thesis suggests that companies should critically identify important cultural differences and how to overcome them as well as how to implement their strategy of either being locally responsive or globally integrated and what the consequences or benefits of each strategy are.

## 6.2 Limitations and suggestion for future research

Our thesis has several limitations as aforementioned in the introductory chapter. Above all, if we had had more time as the narratives and stories may change by the participants. A suggestion for future research could be to carry out a multiple-case study in order to better analyse and have very good reliability and validity parameters. Moreover, it was very difficult and time-consuming to look for managers working for both the target and the acquiring company given the limited time frame as well as the bureaucratic hurdles we faced. Furthermore, our findings are limited to the F&B industry and cover how culture has impacted cross-border M&A performance and sourcing operations in South Africa only. As suggested by this study, cultural differences and the relationship between HQ and subsidiaries have influenced sourcing operations after cross-border M&A therefore also given the continual increase in M&As, it would be interesting to see other studies that can study this phenomenon in other sectors and consider various aspects of culture. Another suggestion for future research is to conduct this study by using a quantitative approach and statistically measure variables such as the autonomy of the subsidiary as well as culture.

Finally, as we wrote this final thesis, we became aware of potential new research areas, such as how in cross-border M&A, leadership plays a crucial role. To better understand this, case studies of successful and unsuccessful M&As may be examined, along with the leadership strategies that were employed in each. Also, the effect of cultural diversity on team performance in cross-border mergers and acquisitions or even examining how national cultural differences impact negotiation strategies and outcomes in the context of cross-border mergers and acquisitions could be explored as future research topics.

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## **Appendix 1 (Interview Questions)**

### **About the Interviewee:**

1. Could you please tell us a little bit about yourself?
2. What is your current position within the company?
3. Which department are you in and how many years of experience do you have in your role?

### **Cultural Differences:**

1. How did the acquisition affect the working culture, in your opinion?
2. Did you notice any similarities between the working cultures of the two companies?
3. Were there any synergies that you felt the companies could benefit from after the Acquisition?
4. Did you experience any negative changes in the working environment after the Acquisition?
5. Did you feel that you needed time to adjust to the new company culture?

### **HQ-Subsidiary Relationship:**

1. How frequently do you communicate with the HQ regarding local business practices?
2. To what extent do you work with autonomy in your role?
3. Do you collaborate with other subsidiaries globally when seeking to address issues?
4. Are strategies from the HQ implemented immediately in business practices locally?
5. What challenges has the subsidiary faced in its relationship with the HQ, and how have these been addressed in the past?

### **Sourcing Questions:**

1. Are sourcing operations primarily impacted by local or global initiatives?
2. Do you believe that local suppliers have been affected by the acquisition?
3. What strategies have been successful in addressing cultural differences between the companies when conducting sourcing operations post-acquisition?
4. What steps are taken to ensure that the subsidiary's market and supplier needs are taken into consideration in decision-making by the HQ?
5. How are sourcing performance expectations communicated and measured by the subsidiary and the HQ?