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Internationalization through Acquisition:
A Case Study of Getinge AB

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ABSTRACT

Business has seen tremendous growth through internationalization over the last several decades. As one of the strategies for companies to internationalize, acquisition has since then been a well-studied subject. Various steps have to be gone through in order to acquire a company. Afterwards, companies need to take different measures to ensure the success of the acquisition. Culture is usually considered as the most important aspect which determines post-acquisition success. The purpose of this master dissertation is to thus investigate company’s internationalization via acquisition regarding the pre-acquisition decision-making and post-acquisition cultural management.

The theoretical framework consists of literature of pre-acquisition decision-making process and post-acquisition culture management. These theories are put together in an analytical model where possible connections are intended to achieve. It will also be used as a foundation in gathering and analyzing the empirical data.

In a qualitative approach, the empirical data was gathered through semi-structured interview with the president of Getinge International Group. These findings were also complemented with secondary data such as corporate websites, documents and various scientific articles.

The findings of the study show that planning, evaluating, negotiating, making the deal and integration are the five essential steps concerning the process of internationalization through acquisition. The authors find out that identifying of acquisition candidates is not necessarily a part of pre-acquisition as the theory may suggest. The distinction between bolt-on and platform acquisition is of critical importance to determine the different criteria and procedure certain company is going to take. This proves to be much more practical, where theoretical support has not been fully established. Both national and corporate cultures are of crucial importance for the success of company’s post-acquisition culture management. According to the finding of this research, two factors seem to link pre and post acquisition process; one is the planning of how future organization is managed; the other is the appropriate choice of managing director.

Keywords: pre-acquisition, post-acquisition, bolt-on acquisition, platform acquisition, culture management, managing director
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1. INTRODUCTION

This chapter will present a general background of this research study, i.e. the different types of acquisitions and their motives, the pre-acquisition process and the post-acquisition culture management. Meanwhile, the problem and the purpose of this study will also be clarified.

1.1 Background

A company’s internationalization has been researched for many years (Johanson & Vahlne, 1977; Cavusgil, 1980; Ruzzier, Hisrich & Antoneic, 2006). Johanson and Vahlne (1977:23) argue each firm needs to go through a number of logical steps of international behavior, based on “its gradual acquisition, integration and use of knowledge about foreign markets and operations, and on its successively increasing commitment to foreign markets”. White, Griffith, & Javalgi (2003) define internationalization as:

“The process of through which firms move from operating solely in its domestic marketplace to international markets.”

(White et al., 2003:186)

This definition caters for almost all forms of international activities including advanced forms such as internationalization through acquisition; meanwhile, they are also in accordance with most of studies in this field (cf. Welch & Luostarinen, 1988; Melin, 1992). Acquisition has been a predominant feature of internationalization since 1980s (McKiernan, 1992). It is being increasingly used as a vehicle for expansion or rationalization of commercial activities in firm’s international involvement (Fletcher & Barrett, 2007). This implies a far-reaching emergence of acquisitions by internationalized firms, especially multinational companies (MNCs). Several different typologies have been developed to categorize different types of business relationships between combining firms. The most commonly used is the one of the Federal Trade Commission (e.g., FTC, 1973). They are horizontal, vertical and conglomerate acquisition, and they are further divided into pure horizontal, market concentric, forward and backward, product concentric and pure conglomerate (Larsson, 1989). Another distinction is the difference between bolt-on and platform acquisitions. The motives and logic behind each are different.

Culture, as Hofstede (1980:21) defines, is “the collective programming of the mind which distinguishes the members of one human group from another”. Differences in national cultures are perceived to have implications not only for selection of any cross-border combination but also for the future integration (Gertsen, Söderberg & Torp, 1998). Organizational culture is an integral part of a company. Some researchers suggest that culture is to an organization what personality is to an individual (e.g. Cartwright and Cooper, 1993). Unsurprisingly, Gordon (1991) posits that it will resist
change when it comes to culture integration. In other words, both national culture and organizational culture will have significant impact on the entire process of a company’s internationalization through acquisition. The concept of acculturation is central to the study of contacts between different cultures. Melin (1992) consider it as an ongoing process in all international firms related with cross-border takeovers. Most of theories regarding organizational culture management are from Berry (1980). Berry (1983) suggests the adaptation process consist of four methods of cross-cultural interaction, namely assimilation, integration, separation and deculturation, which will be further examined in the theoretical part.

There are abundant researches on either pre-acquisition or post-acquisition, as have been stated above. Nevertheless, to the knowledge of the authors, there is a lack of combination of both to examine their influences from a holistic point of view. Actually, these two phases of acquisitions are interconnected, and the success of an acquisition is depending on both of them. Companies have to go through different steps in order to acquire a company (Begg, 1991; Lorange, 1994). Afterwards, careful measures need to be implemented to ensure the success after the acquisition. Extensive planning in pre-acquisition and careful implementation in post-acquisition still cannot guarantee the success of an acquisition (Walsh, 1998). Culture is the one that most influences the success or failure of post-acquisition (Fraliex and Bolster, 1997; Sinclair, 2003; Hoetzel, 2005). This is the main motivation for the authors to establish a theoretical model which could incorporate pre-acquisition decision-making and post acquisition culture management. Besides, the authors will also try to examine the possible links and interactions, such as the possible influences of some key factors of pre-acquisition on post-acquisition. Considering the fact that acquisition is increasingly playing a leading role in company’s internationalization, it will be intriguing and inspiring for the authors to study this very topic. It is also a brand-new area where theoretical support has not been fully established. Meanwhile, it could possibly become a practical guide for managers dealing with international management of acquisition as well.

1.2 Problem and Focus

There are a lot of researches already conducted in the field of the internationalization through acquisition. However, to the knowledge of the authors, very little has been done to analyze the whole process of internationalization through acquisition based on pre-acquisition decision-making and post-acquisition culture management. Therefore, this research study will focus on these two aspects and their interconnections. It will be conducted as a case study of a Swedish company, and its internationalization via acquisition.

The main research problem will focus on the following areas: What are the motives behind different types of acquisitions; how does the pre-acquisition process look like; how do companies manage culture after the acquisition; and what are the possible links between pre and post acquisition.
1.3 **Purpose and Aim**

The purpose of this research study is to examine a company’s internationalization through acquisition regarding the pre-acquisition decision-making process and post-acquisition culture management.

1.4 **Delimitation**

Certain delimitations evident in this study should be taken into account: This dissertation focuses on the internationalization through acquisition based on a study of a Swedish firm—Getinge AB. The fact of the authors’ current study in Sweden makes it more sensible and practical to choose Swedish firms as case study subject. The acquisition criteria and strategic sensitivity of the subject delimits this study to investigating companies with a variety of acquisitions through its internationalization. Meanwhile, the authors believe choosing one world-renowned company and make an in-depth analysis based on various theories would be a much better way to explore their research topic instead of touching upon the surface. Getinge, one of the companies within medical technology industry, is therefore chosen. Furthermore, the authors only focus on culture management in the post-acquisition phase as it exerts profound influence on post-acquisition success.

1.5 **Disposition**

Introduction—An introduction to this dissertation where the background of the problem is brought up and the research purpose and research questions are put forward.

Literature Review—Theories in line with the research purpose are presented under the theoretical framework.

Methodology—In this chapter choice of approach are stated, and the presentation for choice of case study and data collection are made as well.

Empirical Findings—Empirical data that are in line with the theoretical framework are described.

Analysis—The empirical findings are analyzed compared with the theories within the theoretical framework.

Conclusion—Conclusion is drawn with answered research questions. Theoretical and managerial implications followed by research limitations and suggestions for further research are also provided.
2. LITERATURE REVIEW

This chapter will present a brief summary of different approaches to company’s internationalization process based on acquisition, followed by the two aspects of internationalization through acquisition — issues regarding pre-acquisition decision-making process and post-acquisition culture management. Finally, an analytical model combining the theories will be presented.

2.1 Approaches to Internationalization

The internationalization is defined as a process of incremental involvement in international operations (Welch & Luostarinen, 1988). There have been already a number of approaches that consider internationalization from various perspectives.

Advocates of stage model (e.g. Cavusgil, 1980) describe the internationalization process as a gradual development taking place in a sequence of stages, each of which involve an increasing commitment of resources. Firms start with the entry mode that requires the least commitment of resources and gradually increase their commitment of resources. Reid (1981) suggests the gradual tentative steps from indirect export to full involvement in direct export or from indirect export to eventually establishing an overseas branch (Cavusgil, 1980). However, as is contended by Fletcher (2008), it does not cater for the more advanced forms of internationalization such as acquisition.

On the contrary, the ‘learning’ approaches attempts to explain rather than describe patterns of internationalization behavior (e.g., Johanson & Wiedersheim-Paul, 1975). The Uppsala Internationalization Model is considered as the most noteworthy. The internationalization of companies is constantly increasing due to different types of learning (Johanson & Vahlne, 1977, 1990). Each firm goes through a number of logical steps of international behavior, based on “its gradual acquisition, integration and use of knowledge about foreign markets and operations, and on its successively increasing commitment to foreign markets”(Johanson & Vahlne, 1977: 24). As is contended by Fletcher (2001), the transfer of knowledge may explain some episodes of international involvement; however, it may not explain all aspects or influences such as acquisition as a means of internationalization. Mattsson (2000) also argues the original Uppsala model does not adequately cater for situations where the context of internationalization might undergo a substantial internationalization process itself as happens with international acquisitions.

Acquisition is being increasingly used as a vehicle for expansion or rationalization of commercial activities. A paper by Anderson, Andersson, Havila and Salmi (2000), explores mergers and acquisitions. According to them, acquisition involves one party being subsumed by the other and the acquirer imposing its will on the acquired firm. Mattsson (2000) advances the idea that because of this, there are strong reasons to take a continual approach to the study of internationalization. He points out that both pre-acquisition considerations and post-acquisition effects must be taken into account.
2.2 Pre-acquisition Decision-Making process

Since the eighties, acquisitions have increasingly become a broad-based phenomenon, as firms renew their competitive positions, industries restrict in their own ways, and acquisition activity spread around the world. Buying other firms continues to be one of the most common strategic moves (Lohrum, 1996). According to Federal Trade Commission (e.g., FTC, 1973), acquisition is divided into horizontal, vertical and conglomerate. The latest classification distinguishes between bolt-on and platform acquisitions. Different types of acquisitions possess different kinds of motives. According to various researchers (e.g., Begg, 1991; Forstmann, 1994; Lorange, 1994), the pre-acquisition process consists of five steps, namely planning, identifying, evaluating, negotiating and making the deal.

2.2.1 Acquisition Types and Motives

*Horizontal acquisition* of firms with the same products and markets, i.e., competitors. As Larsson (1985) also explains, a horizontal acquisition means that a company incorporates a competitor which is producing and/or selling the same kind of products in the same market to the same group of customers. It is the classic way of acquisition to gain control of competitors and increasing market shares. *Economy of scale* (Bain, 1959), *economy of speed* (Chandler, 1977), *experience effects* (Davidson, 1985), etc. can be categorized as the synergy motives that underlie the horizontal acquisition (Larsson, 1990). Horizontal acquisition has the market extension acquisition (product concentric) as its counterpart on the non-exchange-based side. Here, the acquiring concern and the acquired company make and sell the same kind of product but on geographically different markets. The acquisition is not one of eliminating competitors but rather a way of extending the companies’ activities to different geographic markets by acquiring instead of making de novo investment (Greenfield investment). Shepherd (1979) maintains that increased market power can be achieved through horizontal M&A where competition is reduced by eliminating side-by-side competition between two companies.

*Vertical acquisitions* of firms with possible buyer-seller relationships, i.e. with a (potential) supplier (called backward vertical integration) or customer (called forward vertical integration). This kind of acquisition is often referred to as exchange between sequentially or mutually interdependent organizations (Larsson, 1985). A forward/backward acquisition increases the control over the exchange relation between sequentially interdependent, separate units. It is used when other forms of cooperative strategies in sequential relationships, e.g. alliances; coalitions, etc. are inadequate. *Economy of scope* (Panzar & Willig, 1981), *control of resource dependence* (Pfeffer, 1972), etc., are considered as potential reason for conducting vertical acquisition. Vertical economies and market power are other reasons for M&A being focused in industrial organization. Economies of vertical integration are especially apparent when technologically complementary, and sequential production processes can be brought together in a single plant (Bain, 1959). Larsson (1985) also
suggests another type of acquisition, which is \textit{symbiotic acquisition}. It denotes integration between two companies cooperating in order to serve a common customer base. Because of the common customer, there will be the need for mutual adaptation of their separate products or services and integration of the companies’ activities as well. The less standardized the products or services are, the greater the need for mutual adjustment. System selling and project export are examples of symbiotic relations which sometimes lead to ownership integration between the participants.

\textit{Conglomerate acquisitions} that are further divided into: (a) \textit{product extension (market concentric)} combining companies with different (i.e. noncompeting) products but functionally related by for instance distribution to the same markets; \textit{Product extension} constitute a rather heterogeneous class of acquisition which occur between companies which are concerned with different products and which do not have a permanent exchange relation with respect to goods or knowledge prior to the acquisition, but which are still related respect to their operations, in one way or another(Larsson,1985). Larsson posits this type of acquisition as \textit{complementary acquisition}. Both \textit{operational synergy} ( Fuller, 1975; Larsson, 1989) and \textit{diversification} (Salter & Weinhold, 1981) are seeked by this means of acquisition. A corporation may e.g. possess skills in different functional areas and utilize these as a base for expansion through acquisition. Complementary acquisitions may therefore be of many different types, even within one and the same acquiring firm. (b) \textit{pure conglomerate} with different products and markets, i.e. unrelated. It includes acquisitions which are not based on any specific operative relationship between the acquiring and the acquired firm. Scherer (1980, p.124) notes that this is the other type of acquisition which is too conglomerate to have any clear competitive, buyer-seller, or functional relationships.

According to Nolop (2007), \textit{bolt-on acquisition} fits neatly into a business or market that company is already in; the other, the \textit{platform}, takes company into a new (though adjacent) business space or activity. The higher degree of difficulty usually entails more risk but with a potentially higher reward. When the acquisition under consideration is a platform, strategic reason are usually more salient. Larsson(1990) concludes most of the acquisition, about 88 percent, are made either to reinforce a firm’s position in existing business transactions—\textit{horizontal or vertical acquisitions}, or to develop its position in the industrial network by changing some of the relationships —\textit{complementary acquisitions} or \textit{pure conglomerate}, or to establish new positions in similar networks abroad —\textit{market-expanding acquisitions}.

2.2.2 The “Five Steps”

In the first step, acquirer company first sets out strategic goals and plans on the basis of its own strengthens and weakness. At the same time, a firm would also refer to its acquisition history and policy (Forstmann, 1994). According to Krüger and Müller-Stewens (1994), planning includes the examining of what potential synergy will be achieved. Smith (2005) argues that business forecast and market analysis expertise can be applied in the planning stage. In fact, they all agree that these activities tend to permeate the first three steps. Efforts are then made to operationalize
these goals in the form of objectives regarding the type of company and means of acquisition that acquirer is going to use. Horizontal acquisition deals with companies with the same products and markets, while vertical acquisitions are involved with acquiring firms with possible buyer-seller relationships. Smith (2005) calls it the qualifying and quantifying acquisition candidates.

In the second step, acquirer company will analyze advantages and disadvantages of various potential companies and considers to what extent that company would be able to live up to the objective set out (Forstmann, 1994). The determination of the acquisition policy, requisite synergy and acquisition objectives help to examine the take-over from the acquirer’s point of view. Acquisition value stands for the whole long-term net benefit which comes from the acquisition to the buyer. On the one hand, this may help to determine the chances and risks of an acquisition; on the other hand, it may eliminate other candidates. This step fixes the intention of acquired company, as Smith (2005) put it as verifying and identifying candidates.

In the third step, it is extremely vital for acquirer not only to calculate exactly the price of the acquisition but also to assess as precisely as possible the costs and benefits of the post-acquisition process (Berg, 1991). As a matter of fact, the advantages and disadvantages of the candidate will be further examined (Forstmann, 1994). This step includes what potential synergy will be achieved, as is mentioned in the first step as well (Krüger & Müller-Stewens, 1994). Anderson et al. (2000) explains, when the company is seeking a company to acquire, it is essential to evaluate the external business relationships the potential partner has, as external relations of the targeted company provide access to resources of other companies. Begg (1991) posits this step as evaluating the business.

Finally, negotiating and making the actual agreement of the acquisition is undertaken. Clearly the acquiring company must be expected to be pushed in the course of a private negotiation or in the course of an unrecommended or contested takeover bid. For this reason, it should determine in advance the amount of the initial offer or the price to which it is ultimately prepared to be drawn (Berg, 1991). Gertsen, Söderberg and Torp (1998) argue special emphasis be put on the strategic potential and financial conditions. The different variables are examined; however, people seem not to be considered much in pre-acquisition (cf. Downing & Hunt, 1990). However, in the subsequent post-acquisition process, the culture factors become more salient and important for the success of an acquisition.

2.3 Post-acquisition Culture Management

Walsh (1998) demonstrates that even extensive planning in pre-acquisition and careful implementation in post-acquisition may not be the guarantee for acquisition success. As many of the financial models of mergers have proved ineffective in dealing with the actual management of mergers, researchers are calling for more focus on culture aspects (Nahavandi & Malekzadeh, 1988; Buono and Bowditch, 1989). In other words, it is the “soft issues”, not so much the hard, rational factors like finance, that most impact the success or failure of an acquisition (Sinclair, 2003). Fralicx and Bolster
(1997) indicate that culture can be a make-or-break factor in the acquisition equation. Hoetzel (2005) also agrees on the profound influence of culture on post-acquisition success. Thus, how to manage the culture after acquisition becomes a critical issue for company’s acquisition success, which the authors intend to examine. Culture has been defined in many ways (Bhagat & McQuaid, 1982; Smircich, 1983; Trice, Harrison & Beyer, 1984). There are two levels of cultures, namely national and organizational culture. Culture clash is a term delineating the conflict of two combining companies regarding their philosophies, styles, vision and values (Nguyen & Kleiner, 2003). Two companies operating within the same industry do not guarantee that they can melt culturally with each other, let alone when the acquisition take place on an international level. In the following theories regarding culture is presented from both the national and organizational perspective.

### 2.3.1 National Culture

One of the essential factors correlated with international business success is the management of culture differences (International Business Culture, 2009). How business relations are affected by national cultures has been a popular research area for so many years (Newman & Nollen, 1996). Hofstede (1997), as a leading researcher in this field, focuses on comparing work-related values in different countries. He develops five different dimensions, which are individualism, power distance, uncertainty avoidance, masculinity and Confucianism.

**Individualism**—This dimension indicates the role of individual against collectivism in the society. Countries characterized by high individualism enjoy more freedom, and individuals are supposed to take care of themselves along with their closest family members. In countries with low individualism, members are strongly connected to some kind of membership in teams or small organizations. In other words, they are protected and are supposed to take consideration of the interest of the team. (Newman & Nollen, 1996; Doole & Lowe, 2008)

**Power distance**—This dimension is relevant to society’s way to deal with inequality among humans. Newman and Nollen (1996) consider that power distance is related to hierarchy, whether the organization is centralized or the members are involved in the decision making process. Furthermore, Hofstede (1997) points out those employers in countries with low power distance have close relationship with their managers.

**Uncertainty avoidance**—Doole and Lowe (2008) deem that this dimension is connected to uncertain situation handled by members. In countries with high uncertainty avoidance, organizations employ strategies which contribute to less insecurity among the employers because they have an instruction to follow (Newman & Nollen, 1996). Organizations in countries with low uncertainty avoidance are apt to take higher risks. Meanwhile, according to Hofstede (1997), it also leads to difficult cooperation with high uncertainty countries because of fear of changes.

**Masculinity**—This dimension describes the association and the value of male and female culture. The masculine countries are considered to be assertive with the pursuit
of noticeable success, whereas feminine countries are associated with endurance, creating good relationships and cooperation (Hofstede, 1997).

Confucian dynamism—This last dimension manifests a country’s perspective of time, whether it is short-term that focuses on the past and present, or long-term that focuses on the future. It is also suggested companies in long-term countries prefer long-term employment and avoid solving problems promptly (Newman & Nollen, 1996). On the contrary, the short-term orientation includes solving problems at the moment. Hofstede (1997) argues that members with short-term orientation are described as impatient.

2.3.2 Organizational Culture

Organizational culture tends to be unique to a particular organization, and is concerned with tradition and the nature of shared beliefs and expectations (Buono et al., 1985). It has been used as an independent variable to explain differences in managerial styles and corporate practices (Roberts, 1970). Kotter and Heskett (1992) conclude corporate culture have a “…significant impact on a firm’s long term economic performance…” Jackson, Tax and Barnes (1994) also agree that culture should be well managed in order to improve the organization’s performance. However, as Gordon (1991) put it, corporate culture will resist change. The difficulty in modifying cultures becomes quite salient during acquisitions (Chatterje et al., 1992). The process of managing or integrating cultures for corporations is often referred to as acculturation. This process can also be utilized to assist organizational members in melding cultures in merged or acquired firms. Acculturation is generally defined as "changes induced in two cultural systems as a result of the diffusion of cultural elements in both directions" (Berry, 1980). The process occurs at the corporate and individual levels in the three stages of contact, conflict, and adaptation (Berry, 1983). As the most cited model, Berry identifies four modes through which acculturation takes place (Fig. 1), which defines ways of how two corporations adapt to each other and resolve emergent conflict. In the case of acquisition, the type of acquisition, the different motives behind them and the characteristics of the acquired and the acquiring companies may influence the triggering mode of acculturation.

![Figure 1](acquired_firm's_modes_of_acculturation.png)


*Note: This model is modified version of one developed by Berry (1983, pp.66-77).*
Integration is triggered when members of the acquired firm want to preserve their own culture and identity and want to remain autonomous and independent. Berry (1983) suggested that integration as a mode of acculturation leads to structural assimilation of two cultures, but little cultural and behavioral assimilation. In contrast to integration, assimilation is always a unilateral process in which one group willingly adopts the identity and culture of the other (Berry, 1983, 1984). The members of the acquired firm willingly relinquish their culture as well as most of their organizational practices and systems (Sales & Mirvis, 1984), and they adopt the culture and systems of the acquirer. Separation is a mode of acculturation involves attempting to preserve one's culture and practices by remaining separate and independent from the dominant group (Berry, 1983). The fourth mode of acculturation is "deculturation" or "marginality." Deculturation involves losing cultural and psychological contact with both one's group and the other group, and it involves remaining an outcast to both (Sales & Mirvis, 1984).

Many problems of integration may be engendered in post-acquisition period (Mirvis & Marks, 1991). Some of the problems originate from employees’ fears of losing situational control, possibility of losing job and suchlike. As a result, employees may easily accept an “us versus them” thinking, in which the new company will get little trust. According to Schraeder and Self (2003), the companies in post-acquisition phase would face demographic, political challenges as well as culture integration. From their point of view, strategic alternatives, information sharing, communication encouragement, flexible integration plan, participation encouragement could be some feasible methods to manage the culture within the organization. Fralicx and Bolster (1997) also suggest that the culture shock related to the acquisition could be greatly reduced through knowing the direction of the firm, recognizing the diversity in both organizations’ culture and always adopting appropriate leadership. Hofstede (2001) claims that, on the company’s level, cultural differences exist mostly in practices and less in values. To learn to cooperate, to have open communications, to cope with dependent relationships, to use power while keeping up employee commitment will be acquired as strategies for the new organization (Hilal, Wetzel & Ferreira, 2009).

2.4 Theoretical Frame of References

After the authors review the literature about pre-acquisition and post-acquisition phases of internationalization process, the authors are proposing a model as the following which will be used later on in the analysis of the empirical data collected from the Swedish firm. In the pre-acquisition phase, the authors intend to examine company’s motives behind different types of acquisitions, namely horizontal, vertical, conglomerate, bolt-on and platform and their potential links as well. Furthermore, in this phase, the authors will also try to investigate the “five steps” regarding pre-acquisition decision-making, which are planning, identifying, evaluating, negotiating and making the deal (Forstmann, 1994). The different factors concern “five steps” will also be examined accordingly, taking market analysis as an example. As for the post-acquisition phase, the authors will focus on culture management as the most
profound and influential aspect, as Fralicx and Bolster put it as the make-or-break factor. Both national and organizational culture will be investigated. The authors will also try to investigate the links between them as well.

Source: Self-Construction
3. METHODOLOGY

The choice of field to study will affect the choice of methodology to use. In this part, the methodology of this research study will be presented. A qualitative case study with semi-structured interview as data collection technique has been chosen in order to answer the research question and to meet the purpose of the study.

3.1 Research Approach

Quantitative and qualitative approaches are two research approaches which can be used to conduct scientific research. The choice of the method depends on the research problem, questions and the study purpose. A fundamental difference between quantitative and qualitative research strategies is about the theory. Quantitative approach is, normally, used to test the theory; nevertheless, qualitative approach is employed to create the theory (Bryman & Bell, 2007, pp 28). Qualitative research is characterized by flexibility, while quantitative research is characterized by structure. The focus in qualitative methodology is in-depth understanding of human behavior and relies on reasons behind different aspects of behavior. Whereas in quantitative methodology the research technique is instead used to collect quantitative data from a larger population, information concerned with numbers and figures (Jacobsen, 2002; Bryman & Bell, 2007). Both methodologies are closely related to different ideas about how the social reality should be researched. The choice between the two is affected by the research area and will work as a frame to collect the empirical findings (Bryman & Bell, 2007). The purpose of this study is to get a deep knowledge of the internationalization through acquisition. Using a qualitative methodology will also let the researchers have the opportunity to be flexible in the research and to get a clear and broad view about the study (Bryman & Bell, 2007). In view of all these, qualitative approach is chosen as the research approach.

3.2 Validity and Reliability

According to Bryman & Bell (2007), reliability and validity are correlated with each other; they are both about ensuring that the research is well done. Internal validity means whether or not there is a good match between researchers’ observations and the theoretical ideas they develop (Bryman & Bell, 2007). External validity refers to the degree to which findings can be generalized across social settings. External reliability means the degree to which a study can be replicated (Bryman & Bell, 2007). Internal reliability refers to whether or not, when there is more than one observer, members of the research team agree about what they see and hear (Bryman & Bell, 2007). In other words, to measure reliability is actually to make sure the result of the research is repeatable; to evaluate validity is to ensure whether the study is conducted in a valid way. Hence, the authors make use of a large number of data collections from firsthand and secondary sources, striving to achieve validity and reliability of the dissertation. In
the research study, the information gaining from the semi-structured interviews with the president of Getinge AB is considered reliable and valid. Concurrently, the secondary data, such as corporate websites and internal documents are considered reliable as well (Yin, 1994).

3.3 Case Study

A case approach is proposed as appropriate for capturing the complexity of the internationalization phenomenon (Yin, 1994). According to Bryman and Bell (2007), case study is a fruitful way of supplying an intensive insight into specific knowledge. They also state that the case study is useful when “the case is an object of interest in its own right and the researcher aims to provide an in-depth elucidation of it” (p. 63). Furthermore it can also assist to grasp an in-depth understanding of a phenomenon. This kind of research strategy is appropriate for small scale researches that handle few units in a narrow perspective and where an in-depth study is going to be conducted (Denscombe, 2000). He further explains a case study focus on relations and processes to get a better view of how they are linked together. Yin (2003: 13) also states “a case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context”. This kind of strategy can help answer such questions as “how” and “why”. Since our research’ aim is to get an in-depth understanding of internationalization through acquisition, and also since the research questions are characterized by “how”, a case study is chosen.

3.3.1 Case Selection

Based on the research purpose, possible cases characterized by internationalization are searched. A subjective case selection, as is explained by Denscombe (2000), will provide the researcher with the most valuable information when the researcher has knowledge about what is going to be investigated. In contrast, a convenient case selection is when the most convenient sample is selected (Blaxter, Hughes & Tight, 2001). In order to collect valuable information for empirical data, both ways of case selections are employed. With the greatest help from our supervisor, Getinge AB which meets the research criteria is chosen as the case to study. Besides all these, Getinge AB is quite large and successful with a variety of acquisitions in its history.

3.3.2 Data Collection

After being notified of the company’s decision, the authors started developing the case study by gathering secondary data. In the beginning, basic information was collected from the companies’ corporate websites, as well as from the news releases and articles about the company. Besides, secondary data like annual reports, internal documents and previous work were requested from the companies and school respectively. These were the sources from which the authors receive the basic qualitative and quantitative data such as culture program and corporate net sales. Bryman and Bell (2007) point out that research document studies can be used for describing the company and its
history especially in a case study, because documents can offer at least partial insights into past managerial decisions and actions, they can also be useful in building up a “timeline” particularly in processual studies of organisational change (p. 566). However, using only the secondary data was far from enough to gain a deeper understanding of the research study (Andersson & Wictor, 2003). Hence, the literature and theoretical framework were examined to check what particular information the authors need to know for their research study. Afterwards, a questionnaire was developed as a semi-structured interview guide (Appendix), which offered the interviewee freedom and flexibility in answering (Bryman & Bell, 2007), containing items about the internationalization through acquisition with different types of questions like direct ones with follow-up ones, open-ended etc. An email with a brief range of the questionnaire was sent to the president of Getinge International Group about one week in advance; in doing so, the president was given full room for reflections and explanations to offer the authors more detailed useful information on the interview questions. Since this research topic is strategically sensitive, although the authors used every possible way to make the interview atmosphere as casual as possible in order to obtain the most information, it might still skew the data.

### 3.3.3 Case Analysis

Firstly, general case descriptions are written according to the information from various sources and personal interview, which gives an overall picture of Getinge. Eisenhardt (1989) claims this process would allow the researchers to become intimately familiar with the case and enable the unique pattern to emerge. Another important thing which should be noted is that during the process, the theories are also applied and compared with the companies’ actual behaviors (Eisenhardt, 1989) in order to check whether the theories and the reality match. As Yin (2003) also states there are three types of analytical strategies, one is relying on theoretical proposition where secondary data should be compared with primary data, which is the one the authors have chosen.
4. EMPIRICAL FINDINGS

In this section the empirical findings from the research will be presented. First, a brief overview of Getinge AB will be given, as well as their acquisitions and post-acquisition culture management. The background information are collected through corporate website. All other data are obtained from interviews supplemented with company documents, annual reports and previous research. The layout will be conducted in line with the theoretical framework.

4.1 Getinge’s Basic Information

Getinge AB was founded by Olander Larsson in 1904, which was involved in manufacturing and selling various types of agriculture machinery (Uduak Richard Akpan, 2006; Getinge AB, 2010). Electrolux acquired the company in 1964 (Getinge AB, 2010). Electrolux is a large multinational appliance manufacturer. Getinge AB first started to grow via acquisition through the help of Electrolux in 1973 when the disinfection company Växjö Rostfritt and CTC’s autoclave manufacturing were acquired (Getinge AB, 2010). In the following four decades, Getinge AB has engaged itself with a number of acquisitions (Getinge AB, 2010). Currently, Getinge AB becomes a leading provider of medical equipment and systems in the world, which greatly contributes to innovation and technological progress in the field of disinfection and sterilization. The Getinge Infection Control business area consists of two divisions —Healthcare and Life Sciences together with the two other business areas, Extended Care—ARJOHUNTLEIGH and Medical Systems—MAQUET(Getinge AB, 2010), which has been shown below. Meanwhile Getinge Infection Control has three customer segments: Healthcare, Pharmaceutical/Medical device and Research (Getinge AB, 2010).

Source: Getinge corporate website

Based on the corporate history, initially the company concentrated on selling sterilizers within the Northern Europe. Later on, with the help of Electrolux they got the ticket to the worldwide market. Getinge gradually expanded itself through organic growth and
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acquiring other companies as well. The relationship between Electrolux and Getinge lasted for 25 years when Rune Andersson and Carl Bennet acquired the company from Electrolux in 1989 (Getinge AB, 2010). A series of additional acquisitions are made since then, and by the end of 2009, Getinge has net sales of 23 billion SEK and a total of around 12,100 employees worldwide (Getinge AB, 2010).

An interview was conducted with Mr. Herald Castler on April 20th, 2010, the president of Getinge International Group. As was explained by him, the internationalization process of Getinge is characterized with a substantial range of acquisitions. Around 200 acquisitions could be found during their internationalization, all of which greatly contribute to the growth of Getinge. Although their main strategy is still organic growth, 50% of their revenue is developed from acquired companies. The medical equipment market is very fragmented unlike the automobile industry. In the automobile market, it is difficult to have a strategy of growing 50% by acquisitions, whereas it is much more suitable to grow by acquisitions as there are thousands of small-and-medium sized companies in the medical equipment market. The major reason, as is given by the president, is that medical system market is still in the growth stage. The more mature the industry is, the higher threshold to enter becomes, and the less companies there are to be acquired.

4.1 Getinge’s Internationalistion through Acquisition

Getinge AB started its internationalization when it was acquired by Electrolux from the 1960s. In 1973, the English firm Sterilizing Equipment Company was acquired. Acquisitions did not stop after Rune Andersson and Carl Bennet bought Getinge from Electrolux in 1989. In 1990 another English company Scott Western was acquired into Getinge’s business of infection control. Three years later, the French disinfection company Stirn Industries was also bought. Soon after, in 1994, the French disinfection company, Lancer was bought by Getinge. This year Getinge’s sales exceeded SEK 1 billion with around 1,000 employees; meanwhile, it was also listed on the Stockholm Stock Exchange. In 1995, its distribution company, Lic Care (now Lifco) is acquired and forms its own business area. After one year, the MDT Corporation was acquired and became a major part of the Infection Control business area in the US market. A series of acquisitions was found in 1998 when Kemiterm in Denmark, MTP in the US, Omasa in Italy, Royal Linden in the Netherlands and SMI/BBC in France were brought into Getinge’s business area Infection Control. In 2006, Business Area Infection Control acquired their agent in Czech Republic to strengthen their position in Eastern Europe. Currently, according to the president, infection control of Getinge is almost present in every major market.

The other two ranges of businesses—Extended Care and Medical Systems are both developed from acquisitions. In 2000, the German group, Maquet, a world-leading manufacturer of surgical tables, was acquired and formed the basis for a new business area, Medical Systems. In 2001, the French company, ALM, was acquired. It was a world-leading manufacturer of surgical lights and complemented the product range offered by the Medical Systems business area. Just one year later, HERAEUS was also
acquired to further strengthen Medical Systems’ product range. Although the president himself is in charge of infection control, he still kindly explains that it is much easier to find new acquisitions targets in Medical Systems, as the application area is much wider, and there are more companies in this field. This kind of strategy also applies in Extended Care. In 1995, Getinge merged with the Swedish company Arjo, specialized and world-leading in products for geriatric care relating to hygiene and patient handling. This was the basis for the future business area, Extended Care. In 1998, Pegasus and Egerton in the UK plus Medibol in the Netherlands were acquired. In 2000, Getinge’s Extended Care business area expanded through the acquisition of Parker Bath in the UK, Lenken Healthcare in Ireland and Gestion Techno-Médic in Canada. In January 2007, Huntleigh Technology PLC was acquired to broaden Extended Care's product offering and further strengthen the market organization.

According to the president, Getinge classifies acquisition into two categories; one is strategic acquisition, the other is bolt-on acquisition. Strategic acquisition refers to those acquisitions that are big in size compared with the relative size of the business. They are usually of significant importance such as entering a completely new country, a new technology or a new market segment within the industry. A mistake may cause serious consequence. On the other hand, bolt-on acquisitions are usually small in size, which only serves for the purpose of adding to the overall strength of the company. If it goes wrong, it will not be a matter of life or death. As is explained by the president, the motives behind these acquisitions are mainly two; one is to strengthen market or sales, the other is to obtain advanced product technology. If it is because of technology reason, it has to be decided whether this new technology fits into company’s portfolio of products or not. If it is because of market, the feasibility must be decided along with the risk coming with it. The president explains it is extremely difficult and risky for the company to enter a business with a new market and product/technology; however, new markets with old products are also very difficult to enter compared with old markets with new products. It costs a lot to enter a new market which needs a lot of expertise and capitals. The easiest would be to sustain old markets with old products.

4.2 Getinge’s Pre-acquisition Decision-making

In most cases, in the beginning news would usually spread in the industry that certain company is not successful, which makes the owner want to sell it. Interestingly, there would be no such ideal situation of several good candidates to choose from; in medical systems, usually several companies will compete for one good targeted company. Then key personnel in charge of acquisition in Getinge would determine the attractiveness and whether the two businesses will be matched very well. One interesting example is that once there is a company with a unique technology that looked extremely interesting for Getinge; however, there were doubts whether this technology would be accepted. A survey of 100 customers revealed the technology had problems that they had not been thought about before. At the same time, according to the president, the significance on the present business has to be decided so that strategic or bolt-on acquisition can be classified. In either case, an acquisition board will form and decide
whether this is something that is worthwhile to investigate. If it is a strategic acquisition, it has to later go to the board of directors for approval. If it is a bolt-on acquisition, the acquisition board can just make a decision based on a business level. In this early stage, Getinge will base itself on public information and approach the other company and get to know whether this company is for sale. If the company is interested in selling, a process then will be started. Normally a confidentiality agreement is signed between two parties. The one to be acquired will be asked to provide confidential information. Accounting company or consultants would be hired to investigate how the targeted company is looking with the help of experts within the focal company. Legal company is also brought in to examine due diligence such as ownership structure and legal agreements. The acquired company is mostly the one which drives the whole pre-acquisition process. So a good idea of how to make it profitable has to be had before the acquisition.

4.2 Getinge’s Post-acquisition Culture Management

The president explains that culture is not an issue top the agenda to consider before actual acquisition happens; however, he agrees that it does influence the post-acquisition integration a lot. His company takes culture into more and more consideration, particularly during the post-acquisition management. They understand there are many cultural differences such as the different attitudes toward openness between the East and West. As the president introduces, 80% of employees from Getinge AB are non-Swedish. The company has a very strong international corporate culture instead of a strong Swedish culture. All of the companies which have been acquired could originally have their own strong national or corporate culture. So how to instill Getinge’s own international culture into the acquirer company becomes an issue for Getinge’s post-acquisition process management. According to President Herald, the company has certain programs working with culture such as management training for Asian, American and European. He also expresses wishes to have a trainee program that could bring people around the world and have them circulated to other countries to learn culture and mostly different ways to conduct business. Nowadays, key employees could be exposed to different trainings to study knowhow of different cultures. It is a gradual process after the acquisition. In many cases, they would use a communication program to carry its culture into the acquired company, which could be viewed as the following (Fig. 2).

![Fig 2: Cultural Exchange within Getinge regarding post-acquisition management](Source: Adapted from interview with Mr. Harald Castler)
In the first or second year after acquisition, there will be a high frequency of interaction between different levels. The first two levels, especially managing director, are very important to convey the corporate culture, as the authors have marked them in red in terms of their importance (Fig.2). As the President explains, certainly there will be interaction made on different levels; however, leader is the person who sets the culture in the new company. One perfect example is the case of an acquisition of a French company. The old managing director of that company left a good impression on Getinge with his competence and assessment. Therefore he still became the managing director of the new company. Under the leadership of him, the new organization soon grasped the culture and business philosophy of Getinge and flourished. They even did not place any Swedish people to help with the culture exchange. On the other hand, the old managing director of another private company Getinge acquired could not fully understand its culture. He was very successful with his own business before; however, Getinge’s culture and business philosophy seemed too complex for him to grasp. After ten years, Getinge had no choice but sell it. For Getinge, another way to instill the corporate culture is to send top management persons to the new organization to directly carry on the culture, usually managing director and human resource manager. As in the case of China, Getinge sent three Swedish to Getinge Shanghai Trading Co. Ltd to manage the company.
5. ANALYSIS

*In this part, the empirical findings will be analyzed according to the theoretical framework. The company will be analyzed in order to study the pre-acquisition decision making and post-acquisition culture management process.*

5.1 Analysis of Pre-acquisition Process

According to various authors (e.g., Begg, 1991; Forstmann, 1994; Lorange, 1994), the pre-acquisition process is made up of different stages such as planning, identifying, evaluating and negotiating; a variety of activities would be embedded in these different stages. However, it is not necessarily the same from what has been identified in empirical findings. In most cases, said by Mr. Herald Castler, there would be no such ideal situation of several good companies to choose from. Take medical industry for instance, normally several companies will compete for one focal company instead. It can also be drawn from the interview data that the pre-acquisition process is started by the willingness of the focal company. Therefore, in the planning stage, the acquirer company will not set out an acquisition goal, spend time analyzing its own strengthens and weaknesses (Forstmann, 1994), and then start to seek and decide between several candidates (Smith, 2005). This means the stage of identifying is not necessarily a part of the whole pre-acquisition chain. Interestingly enough, business forecast and market analysis in the planning stage (Smith, 2005) seem to be very important, which also permeate the later stage. As the president explains, the degree of attractiveness and compatibleness is very essential to be examined before the acquisition goes into more details. Synergy prediction (Krüger & Müller-Stewens, 1994) will also be made. Both of these constitutes the process of evaluating the business (Begg, 1991). The example of Getinge’s survey of 100 customers to examine the market acceptance of a certain company’s technology clearly explains the importance of market analysis. Making this distinction between *bolt-ons* and *platforms* (Nolop, 2007) is of critical importance because it leads to different criteria and procedure for evaluating potential deals. Getinge also categorizes this way but with different definitions. They use bolt-on and strategic acquisitions according to the different significance to the present business.

The platform acquisition refers to acquisitions that take company into a new (though adjacent) business space or activity (Nolop, 2007). Getinge posits that those acquisitions are usually big in size compared with the relative size of the business. They name them as strategic acquisitions. They are usually of significant importance such as entering a completely new country, a new technology or a new market segment within the industry. A mistake may cause severe consequences. Two types of acquisitions are quite in line with it. One is the *market extension acquisition (product concentric)* in the broad category of *horizontal acquisition* category (Larsson, 1985), which refers to the acquiring concern and the acquired company make and sell the same kind of product but on geographically different markets. Mr. Herald Castler
denotes it as entering different market with the same product or technology. It can be shown in Getinge’s acquisitions of English firm Sterilizing Equipment Company in 1973, French disinfection company Stir Industries in 1993, MDT Corporation in US market in 1996 and so on. Economy of scale (Bain, 1959), economy of speed (Chandler, 1977), experience effects (Davidson, 1985), synergy motives (Larsson, 1990) and increased market power (Shepherd, 1979) most importantly, are what acquirer seeks in this one. The other kind of acquisition is product extension (market concentric) which belongs in the category of conglomerate acquisitions, or as Larsson (1985) put it — complementary acquisition. It refers to acquisitions which combine companies with different (i.e. noncompeting) products but functionally related or complementary. The president posits this one as entering same market with new products. It can be shown in Getinge’s forming of the two other business areas—Extended Care and Medical Systems. They almost share the same targeted market, but the field is only functionally related. Examples are Getinge’s acquisition of German group Maquet in 2000, French company ALM in 2001, HERAEUS in 2002, Huntleigh Technology PLC in 2007 and its merger with Arjo in 1995. Both operational synergy (Fuller, 1975; Larsson, 1989) and diversification (Salter & Weinhold, 1981) are sought by this means of acquisition.

So what strategic questions we shall ask to determine whether it is worthwhile to conduct a platform acquisition? Based on the motive analysis, such questions could be as: Is this a business that company wants to be in? Is it sufficiently adjacent or complementary to the firm’s current offerings? Will the company have understanding and acceptance from its customers for offering the new products or services? Does the new space or market promise faster or bigger growth than our present businesses do? Those established formal criteria will usually be the consideration for board of directors before approving any platform deal. Meanwhile if approved, these questions and their analysis will still permeate the pre-acquisition process.

According to Nolop (2007), bolt-on acquisition fits neatly into a business or market that company is already in. Getinge considers it usually small in size, which only serves for the purpose of adding to the overall strength of the company. It is just like a bolt into a whole construction. If it goes wrong, it will not be a matter of life or death. Horizontal acquisitions of competitors on the same market and forward and backward integration of vertical acquisitions (Larsson, 1985) can be categorized into this one. Getinge’s acquisitions of the other English company Scott Western in 1990, another French disinfection company Lancer in 1994 and a series of companies in 1998—Kemiterm in Denmark, MTP in the US, Omasa in Italy, Royal Linden in the Netherlands and SMI/BBC in France were added to Getinge’s product and market power. In 1995, its distribution company, Lic Care (now Lifco) was acquired. In 2006, Business Area Infection Control acquired their agent in Czech Republic to strengthen their position in Eastern Europe. These are two examples of Getinge’s vertical acquisitions. The motives behind these acquisitions are economy of scope and scale (Bain, 1959; Panzar & Willig, 1981), control of resource dependence (Pfeffer, 1972) and increased market power (Shepherd, 1979), financial revenues. The requirements for bolt-on acquisitions are decidedly more short-term than the ones set for platform acquisitions. With platform acquisitions, companies are usually much more concerned
with the long-term growth projections for the business than we are with the short-term opportunities to increase revenue or reduce costs. The strategic questions may be: Will the acquisition help the company to cross-sell products and services? Will it be an opportunity to combine facilities or staff with our existing businesses? Can the company gain complementary technology or intellectual property that can add to competitive advantage and that would be more expensive to develop on our own? Will it help to strengthen our presence in certain markets, particularly in the cases of independent dealers or distributors? Will it generate return on capital shortly after the acquisition, maybe 10% within two to three years? The acquisition board will usually ask these questions before getting into further details with the focal company.

Not surprisingly, pure conglomerate is seldom considered, just as Scherer (1980, p.124) notes that this is too conglomerate to have any clear competitive, buyer-seller, or functional relationships. When the acquisition under consideration is a platform, strategic reasons are usually more salient instead of short-term revenue. The higher degree of difficulty usually entails more risk but with a potentially higher reward. The president also explains it is extremely difficult and risky for the company to enter a business with a new market and product/technology. Efforts will be made to analyze the types of acquisition and the extent of worthiness to start the acquisition. Criteria analyzed above keep the decision-maker highly conscious at the beginning. Each of these questions will be thought about when determining whether the intended acquisition will be bolt-on or strategic. In this early stage, Getinge bases itself on public information and approach the other company and get to know whether this company is for sale or not. If it is for sale, then the process starts, along which the acquirer will become the major driver.

In the following evaluating phase, advantages and disadvantages of the potential company (Forstmann, 1994), acquisition value of the candidate (Krüger and Müller-Stewens, 1994), post-acquisition management concern, external relation management (Anderson et al., 2000) are the issues the acquirer needs to examine. According to the president, a confidentiality agreement will be usually signed between the two parties. The one to be acquired will be asked to provide confidential information. Accounting company or consultants would be hired to investigate how the targeted company looks. Legal company is also brought in to examine due diligence such as ownership structure and legal agreements. Finally, negotiating and making the actual agreement of the acquisition is undertaken. The actual amount of the initial offer but the price to which it is ultimately prepared to be drawn (Berg, 1991) should be made. Normally, several other companies will participate or even interfere this process. In the case of Getinge's plan of acquisition of a Chinese firm, there were around 15 companies bidding for it. A Japanese firm offered the highest bidding and acquired it.

The way how the future business will be managed is one critical issue for Getinge to have a general idea during this stage. Managing director is among one of factors that company needs to consider according to President Herald Castler. One factor which seems not to be considered much here (cf. Downing & Hunt, 1990) is culture, which will be discussed in the later analysis of post-acquisition process.
5.2 Analysis of Post-acquisition Process

People seem not to be considered very much in the pre-acquisition process (cf. Downing & Hunt, 1990). Companies seem not to bother asking such question as: Is the target company culturally compatible with the acquirer company? However, culture is of fundamental importance to company’s post-acquisition success, as Fralicx and Bolster (1997) put it as a make-or-break factor in the acquisition equation. According to Sinclair (2003), it is the “soft issues” like culture, not so much the hard, rational factors like finance, that most impact the success or failure of an acquisition. Acquisitions are primarily the coming together of two organizations on a human and cultural level. Walsh (1998) also contends with extensive planning in pre-acquisition and careful implementation in post-acquisition acquisition success is still not guaranteed. From this perspective the main managerial task of managing acquisitions after the purchase is the understanding and the careful handling of social and cultural process triggered by the encounter of the two companies on different national levels.

A lot of multinational companies have started to realize the importance of culture, which also includes Getinge. This is the “soft” aspect of Getinge. Many exchange programs have been installed to establish and instill culture worldwide. Most of international companies such as Getinge tend to have an open and international corporate culture, which seems not quite affected by national culture. Like in the case of Getinge, according to President Mr. Herald Castler, the company does not make use of its Swedish culture to a large degree. However, things are not necessarily this way. Although international company like Getinge may not have a quite strong national culture from its origin, it will still be affected by culture of other countries. A successful international corporate culture is definitely a culture that is fully aware of distinctions among a variety of national cultures. Meanwhile, the study tends to believe that the national culture of company’s origin usually seems not very noticeable. Though Getinge tend to neglect the importance of its own national culture, its influences on the operation could be salient. Take transparency in Getinge as an example, they view openness is very important when doing business in Europe; however, people in the East tend to be shy and not very straightforward. The attitude towards openness for the East is certainly influenced by Confucian dynamism—one category within national culture (Hofstede, 1997; Doole &Lowe, 2008). This difference towards openness constitutes culture clashes (Nguyen & Kleiner, 2003), which could seriously influence the outcome of the post-acquisition management. This point is confirmed during the interview; therefore, both national and corporate culture should be paid much attention when it comes to post-acquisition process management.

National culture, according to Hofstede (1997), consists of individualism, power distance, uncertainty avoidance, masculinity and Confucian dynamism. Take uncertainty as one example, weak uncertainty avoidance means that people face uncertainty, deal with it easily without being afraid of taking risks while strong uncertainty avoidance implies desire for knowing the future and following strict rules. This mentality of national culture could create problems for post-acquisition
management. As the President explains, in most cases the acquired company initially is doing losses. After acquisition, cutting cost is usually used to make it profitable. One of the ways to achieve it is to lay off people, which will certainly cause uncertainty and anxiety among the new organization. If not addressed properly, this problem could greatly affect the new organization in a negative way. One of the strategies Getinge uses is to make a clear cost management plan in the very beginning and implement it in a quick way, and then teamwork and corporate morale are used to build up certainty. Keeping this in mind and finding a way to address issues regarding national culture can indeed help to smooth the post-acquisition process. The authors suggest integration could be one of the means to deal with it. It refers to some degree of change in both groups' understanding of national cultures and practices; the flow of cultural elements is balanced because neither group tries to dominate the other and really try to understand differences regarding national culture differences.

Corporate culture, on the other hand, as Kotter and Heskett (1992) claim, is also of significant importance to the company’s long term business operation. Various scholars in this field (eg. Buono et al., 1985; Roberts, 1970; Chatterje et al., 1992) agree. Top management personnel in Getinge also have consensus on this point. However, as Gordon (1991) mentions, corporate culture will sometimes avoid change, which may cause problem for the management of acquired company. To cope with it, acculturation is often brought up to conduct the post-acquisition culture management process (Berry, 1980; Berry, 1983). Berry identifies four modes—integration, assimilation, separation and deculturation through which acculturation takes place, defining means of how two corporations adjust to each other. This study believes a successful post-acquisition cultural management will usually transfer from the stage of integration to assimilation; on the contrary, an unsuccessful one would usually be from integration to separation; the worst of all will be from integration from deculturation. After the acquisition, there will be structural assimilation of two cultures; however, there will be little cultural and behavioral assimilation. The acquired company’s employees still try to maintain many of their own basic assumptions, beliefs, practices and cultural elements. However, they are willing to be integrated into the acquirer’s culture system as long as efforts are made in a correct way. In doing so, the acquired group could relinquish their culture as well as most of their organizational practices and systems (Sales & Mirvis, 1984), and accept the identity and culture of the other, which successfully arrive at assimilation (Berry, 1983, 1984). It can be shown in Getinge’s successful post-acquisition management of the French company. If unfortunately not, the acquired group will refuse to become assimilated with the acquirer in any way or at any level. The acquired group will remain separate and independent from the dominant group. Much worse is the one with deculturation, the acquired group will usually disintegrate as a cultural entity or even disintegrate in real sense. Getinge’s case of a private company very well illustrates this point. That company could not understand Getinge’s culture and business philosophy; sadly after years’ losses, Getinge had to sell it to others.
Corporate culture might not be the single most important factor which determines the success of post-acquisition success; however, it is of great significance. Therefore, So how to properly manage the corporate culture after acquisition—smoothly transfer from integration to assimilation becomes a critical issue for company’s international process. As various authors argue (eg. Schraeder & Self, 2003; Hilal, Wetzel and Ferreira, 2009) argue, communication, establishing sound relationship and appropriate power using could be regarded as some effective methods to reduce the cultural difference in the acquirer company. Getinge’s staff trainee program is clearly among one of the most common approaches to help with the corporate culture transmission. The different levels of management communication also are very effective, especially on the managing director and human resource manager level; this could be seen from Getinge’s cultural exchange regarding post-acquisition management (Fig2). From the Getinge’s two cases regarding post-acquisition management, the authors detect the managing director is really important person to choose. It is also confirmed by from the first level in Fig2. As president explains, one of the biggest problem regarding post-acquisition management may be the managing director is not the right person, and it takes years to find out. Managing director is not only the person who implements the culture but also the person who carries out the different strategies. Right leadership has to be implemented in the new company; therefore it is extremely important that company should have a good idea of who is going to be the new managing director for the new organization in the pre-acquisition phase. It would also be equally important to try to help and guide the managing director in the post-acquisition phase.
6. CONCLUSION

In this chapter, general conclusion of this research is drawn; and the research questions outlined in the first chapter are also answered. There will be a discussion about the theoretical and managerial implications. This in turn will be followed by research limitations and suggestions for further research on the subject of internationalization through acquisition.

6.1 General Conclusion

Based upon the problem discussion and theoretical framework of our field of interest, the purpose of this master dissertation is to investigate a company’s internationalization through acquisition regarding the pre-acquisition decision-making process and post-acquisition culture management. To reach this purpose, four research questions are formulated, as are stated in the introduction. By studying the case, the following conclusions can be drawn.

6.1.1 RQ1: What are the Motives behind Different Types of Acquisitions?

According to Federal Trade Commission (e.g., FTC, 1973), acquisition is divided into horizontal, vertical and conglomerate acquisitions. Horizontal acquisitions are further developed into pure horizontal and market extension (product concentric) (Larsson, 1985). Vertical acquisitions include forward and backward acquisition. Conglomerate acquisitions consist of product extension (market concentric) and pure conglomerate (Larsson, 1985). Nolop’s (2007) classification between bolt-on and platform seems more practical. According to him, bolt-on acquisition fits neatly into a business or market that company is already in; the other, platform acquisition, takes company into a new (though adjacent) business space or activity.

Different types of acquisitions possess different kinds of motives. Economy of scale (Bain, 1959), economy of speed (Chandler, 1977), experience effects (Davidson, 1985), etc. can be categorized as the synergy motives that underlie horizontal acquisitions (Larsson, 1990). Economy of scope (Panzar & Willig, 1981), control of resource dependence (Pfeffer, 1972), etc., are considered as potential reason for conducting vertical acquisition. Both operational synergy (Fuller, 1975; Larsson, 1989) and diversification (Salter & Weinhold, 1981) are sought by conglomerate acquisitions. As the authors state in the empirical findings, Getinge uses another terminology to examine the acquisitions’ significance to the present business to determine the criteria and procedure for evaluating potential deals, which is bolt-on and strategic acquisition. This is a little bit different from Nolop’s classification between bolt-on and platform acquisition. However, their focuses are the same (e.g., long-term growth projections vs. short-term revenue increase and cost reduction). According to the authors’ findings, bolt-on acquisition includes pure horizontal and vertical acquisitions, while the platform acquisition includes market extension acquisition and product extension. The most important motive behind a bolt-on acquisition is to reinforce a firm’s position in
existing business transactions, while for a platform, to enter a business with a new market or a new product or technology becomes substantial.

6.1.2 **RQ2: How does the Pre-acquisition Process Look Like?**

According to this research, planning, evaluating, negotiating and making the deal are the four essential steps in the case of Getinge concerning pre-acquisition process instead of the “Five Steps” (Forstmann, 1994). In reality, it seems to be a common phenomenon that only one company wants to sell itself at a certain point of time. Therefore, identifying is not necessarily a part of pre-acquisition process, because there will not be such ideal condition of several candidates to choose from in the case of Getinge.

As a result, in the stage of planning, there seems to be no need for Getinge to set out an acquisition goal, spend time analyzing its own strengths and weaknesses and then find a suitable target (Forstmann, 1994). Steps like business forecast, market analysis, attractiveness and compatibility analysis (Smith, 2005) and making the distinction between bolt-on and platform are still critical for them though.

In the stage of evaluating, as different researchers suggest companies should consider the following: the initial offer (Berg, 1991), advantages and disadvantages of target company (Forstmann, 1994), due diligence (Krüger & Müller-Stewens, 1994). This is also confirmed through the case of Getinge. Most interestingly, the interview with the president shows that top management concern and future business management consideration are also two major issues for Getinge in this stage, of which to the knowledge of the authors theory has not yet established.

This study has shown that in the case of Getinge although these four steps are all essential, planning and evaluating seem to be the two most important stages which involve a series of quite unique aspects. Take market analysis and business forecast as an example, they permeate the whole pre-acquisition process. If performed in a bad way, they will exert huge negative impact on the pre-acquisition success. Some of these unique aspects even exert huge influence on the post-acquisition success, such as top management concern and idea of how future business is managed.

6.1.3 **RQ3: How do Companies Manage Culture after the Acquisition?**

Culture is not a factor top the list to consider in pre-acquisition for Getinge; however, it is fundamentally important for firm’s post-acquisition success according to various researchers (e.g., Fralicx & Bolster, 1997; Bolster, 1997; Sinclair, 2003; Hoetzel, 2005). This study shows that it is the “soft issues” that matter most including both national and corporate culture.

When addressing national culture, the issues that Getinge considers are more or less in line with Hofstede’s (1997) five dimensions of culture—individualism, power distance, uncertainty avoidance, masculinity and Confucian dynamism. This may seem not very noticeable; however, if taken a closer look, almost all of the program dealing with
overseas culture management in Getinge could mirror national culture. Integration is usually used as a means to balance and understand national culture and its practices.

Corporate culture, on the other hand, is the one which is vigorously implemented across companies. However, it resists change as Gordon (1991) mentions, which will bring cultural shock and conflict (Fralicx & Bolster, 1997). Acculturation is often brought up to conduct the post-acquisition culture management (Berry, 1980; Berry, 1983). Many ways could be used to ensure a smooth cultural and behavioral assimilation, such as establishing sound relationship and appropriate power using (Schraeder & Self, 2003), open communication (Hilal, Wetzel and Ferreira, 2009), correct guiding and using of top management personnel (Interview with Getinge, 2010), staff culture training programs (Interview with Getinge, 2010).

6.1.4 RQ4: What are the Possible Links between Pre and Post-acquisition?

Two factors seem to link pre-acquisition and post-acquisition could be found in the case of Getinge: one is the idea of how future organization is managed; the other is the appropriate choosing of managing director. They are both in the pre-acquisition stage; and through the empirical findings and analysis, the authors find out two factors could probably exert huge influences on the post-acquisition success.

According to Getinge, if company does not have a proper way or at least any idea to make the new organization profitable, then acquisition process might just well stop at pre-acquisition without incurring future losses. If unfortunate not, normally the future organization will simply suffer by making losses or failing after several years.

In the case of Getinge, when it comes to managing director in the acquired company, he or she is the person who actually implements the strategies and culture within the new organization. It has been confirmed through Getinge that many unsuccessful cases are due to the improper choosing of managing director, and it takes years to find out. Therefore, a good idea of who is going to be the new managing director is indeed of importance before the acquisition. Furthermore, a good interaction (Fig2) proves also effective to guide top management personnel. This is based on the study of Getinge though, which could be further examined in other companies.

Although culture is still not a factor top the list to consider in pre-acquisition decision-making, Getinge has gradually paid more and more attention due to its substantial importance for post-acquisition process, especially for culturally distant companies.

6.2 Implication

After answering the research questions, the authors find out that the actual way Getinge acts in terms of internationalization through acquisition, differs in some aspects compared with the theories; and even some parts lacks theoretical explanations. From our research study, the authors can conclude that there are some implications that could be implemented into the future literature study in this field. Meanwhile,
managerial implications outlined afterwards can be seen as recommendations for managers working with internationalization through acquisitions.

6.2.1 Theoretical Implications

The research coincides with the theory on several points, but differs on others. First of all, earlier researches in the area of internationalization through acquisition, either focus on pre-acquisition decision-making (e.g., Larsson, 1985; Begg, 1991; Forstmann, 1994; Nolop, 2007) or on post-acquisition management (Berry, 1983; Hofstede, 1997; Nguyen & Kleiner, 2003). Although there are extensive researches already conducted on both areas, it seems that there exists an obvious gap between pre-acquisition and post-acquisition. This study investigates the whole process, which focuses on pre-acquisition decision-making process and post-acquisition culture management and their possible links such as the idea of how future organization is managed and the appropriate choosing of managing director for the new organization. It turns out the two phases are connected and correlated. Further theoretical study is suggested in this field; as the study shows, it could indeed give insights into how the process of companies’ internationalization through acquisition looks like from a more holistic view.

Moreover, as the authors identified, the distinction between bolt-on and platform acquisition seems to be of great significance on the criteria and procedures the acquirer is going to take during the stage of planning. However, this is an area where theoretical support is not fully established. The only latest finding is done by Nolop (2007). The authors have taken that as a common negligence because this area is much more practical than theoretical. Meanwhile, more efforts have been put on the classic differentiation between different types of acquisitions (FTC, 1973; Larsson, 1985) instead of strategic decision-making. Interestingly enough, the theory and practice have some similarity in some way, which is shown in the analysis and RQ1. Still, research into this area would be much more desirable if theory could mirror practice in a more proper way.

Thirdly, the general conclusion drawn for this study shows that identifying of potential candidate is too optimal a condition for pre-acquisition process. In retrospect, the theories suggest companies should spend time in setting out an acquisition aim, analyzing its own strengthens and weakness and then trying to find a suitable acquisition (Forstmann, 1994). However, in the case of Getinge, the pre-acquisition process is normally triggered by some information that certain company within the industry is about to sell. And then Getinge decides whether to acquire it or not. There will not be several companies at the same time for Getinge to choose as the theory may suggest. Therefore, identifying is not necessarily one necessary step in pre-acquisition process according to this study.

Last but not least, the empirical findings and analysis have both indicated the importance of two influential factors in the pre-acquisition i.e., the idea of how future organization is managed and the appropriate choosing of managing director for the
new organization. However, a lack of theoretical support about the two issues could not help fully grasp the gravity of pre and post acquisition.

6.2.2 Managerial Implications

Although theories may not mirror practices in every perfect way, they can still offer many suggestions along with the authors’ findings. Planning, evaluating and culture management are the three steps which the study shows mostly determine the success or failure of an acquisition. Many aspects have to be examined when managers decide whether to acquire a company or not, such as the attractiveness, compatibleness, the degree of synergy effects. The strategic significance to its own businesses has to be assessed to classify between bolt-on and platform acquisition. This in turn could determine what criteria, procedures and degree of concern that company is going to have. Meanwhile, the idea of how future organization is managed and the appropriate choosing of managing director for the new organization are two critical factors to be considered before the acquisition. After the acquisition, different aspects of national and corporate culture demand serious attention. Managers have to encourage interaction between two companies to ensure a smooth flow of culture and operation.

6.3 Limitations

Inevitably this study suffers some limitations that will affect the outcome of this research, which have been demonstrated in the following.

Firstly, although the authors try to make this research as objective as possible, it still reflects the authors’ interests and values; hence their operations through their intention will probably decrease the study’s trustworthiness.

Secondly, only the president of one of the business areas of Getinge was interviewed and this research topic is strategically sensitive. Although the authors used every way to ensure getting the most information from interview and supplement themselves with a variety of secondary data such as corporate website, annual reports and scientific articles, it might still skew the data.

Thirdly, the authors only focus on the most important and intriguing part of post-acquisition—culture management and do not include other operational aspects like finance. The authors conclude from various researchers that culture is the most important “soft” aspect, which determines the long-term success of post-acquisition. Meanwhile, the authors do consider an overall plan for how future business is managed in pre-acquisition is of critical importance. Thus, other aspects regarding post-acquisition management are not included. However, this might affect the research from a holistic point of view.

Finally, this study shows it is difficult to generalize conclusion based upon the limitations provided above and the fact that this is a single case study. Even though there are many limitations, the research study is still valid and reliable and can be the basis for many more research studies conducted in this field.
6.4 Recommendations for Future Research

Further studies in this subject are very important, as they will not only give a broader view, but also a deeper and clearer understanding of the subject. Further researches should be broadened to select more industries in order to construct a general theory in the area of internationalization through acquisition. In order to back up and strengthen the results and conclusions of this study, further researches which take account of the factors mentioned above in this study is crucial. Suggestions for these further studies are as follows.

A research involving other international companies in other geographical areas within other industries.
A research of how the classification of bolt-on and platform acquisition affects pre-acquisition process.
A research of how the planning of future organization is managed in pre-acquisition stage is influencing post-acquisition success.
A research of how the choice of top management personnel such as managing director in the acquired company is influencing post-acquisition success.
7. REFERENCE


APPENDIX: INTERVIEW GUIDE

The following questions will be used only for the authors’ intended academic study.

A. Face Sheet Question

1. What is your role/title in the company?
2. In what field would you say you have the most experience?
3. Do you have any international working experience? If yes, could you please tell us about it?

B. Company’s Basic Information

1. What was your company’s original business field? When and how did the change happen?
2. Are there any links among the three different ranges of services?
3. When did the internationalization process of your company start?
4. What is the percentage of employees in your company dealing with the international department?
5. How would you describe the relationship between your company and Electrolux during the 25 years?

C. Company’s Acquisitions

6. How many acquisitions approximately have your company engaged in the past?
7. Why does your company choose acquisition as the main strategy to internationalize? In other words, what are the main objectives for acquisitions?
8. What are the different steps before the actual acquisition is made? What are the important aspects as you think in different steps of pre-acquisition? Could you tell us some details about this?
9. How does your company choose a targeted company among others? Are there any criteria for such companies?
10. Has your company ever acquired firms with the same products and markets? Could you explain more about this, such as the motives?
11. Would there be any attempt made to acquire a manufacturer or a distributor? Could you elaborate more on that?
12. Does your company develop all of the technology? If not, does acquisition play any role in securing new technology?
13. Has your company ever tried to extend activities to into geographic markets by acquiring companies in other countries?
14. Could you please say something about the forming of the two new ranges of services, namely extended care and medical systems?

D. Culture Management

15. Would culture aspects be taken into account early in the decision process of acquisition?
16. How does your company manage the culture differences in different countries? Can you please give us some examples?
17. After acquisition, does your company try to implement the culture within the acquired firm from headquarter?
18. What is the main difficulty in solving the culture dissimilarity on the national level? How does your company cope with it?
19. What is the main approach to deal with the different organizational culture? Please give us some examples.
20. What kind of role does culture plays in a successful acquisition?
21. Do you think culture will destroy an acquisition? Why?
22. How does your company deal with the information sharing after acquisition?