“FACTORS INFLUENCING A POST M&A DEVELOPMENT STRATEGY”

“Results of an in-depth case study at a Dutch SME.”

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Executive Summary

This central topic in this research is the integration and development of a cross-border subsidiary in the Czech Republic. The research originates from the desire of a Dutch company that is operating in the automated welding business to gain more insight in the implications that the development and integration of a cross-border subsidiary in the Czech Republic has.

In order to guide the research the following research question was used:

"Which integration aspects and strategic factors influence development strategies of SME's and their cross-border subsidiaries in the field of high-tech welding solutions in CEE in the post-acquisition phase?"

To answer this question a scientific basis is developed in the second chapter of the thesis, this results in a theoretical framework. In this framework existing literature regarding (cross-border) M&As is elaborated on and the relevant internal and external factors that need to be analyzed in order to find strategic options. Starting point in the analysis is the initial reason that the company had to acquire a subsidiary in the Czech Republic. With this in mind the organizational role that the subsidiary has within the corporate system is uncovered, as well as the desired role of the subsidiary for the future in the eyes of different executives. The development of this role is following from a growth strategy. It is clear from the literature that cultural differences are of significant influence on the development and integration of a cross-border subsidiary and its management implications. In order to get an unbiased view semi-structured interviews have been held with several (management-) employees, organizational data is retrieved from intranet; a questionnaire was sent and other secondary data is retrieved from several persons within the organization.

The data analysis is structured using McKinsey's 7S framework. FIRM Y is applying an international M&A growth strategy and acquired a small Czech engineering firm. The strategy for the subsidiary FIRM X is totally determined by the head office and is based on generic expansion. Specialized resources at FIRM X are relatively low cost human resources; the possession of these resources should result in subsidiary initiative that leads to increased visibility in the corporate system. An increase in stimulation of entrepreneurship within the subsidiary can increase visibility of FIRM X in the corporate system. The problems that were found in the literature caused by the institutional framework in CEE are avoided by assigning a local manager. An increase in interorganizational relationships in the Czech Republic is advised in order to further deal with the local institutional framework and uncertainties, a so-called network growth strategy suggested. A continuation in incrementally implementing changes is also suggested from the research in order to avoid unrecoverable sunk costs due to mistakes. Furthermore the influence of culture on the integration of a cross-border subsidiary is emphasized. The Czech culture is still strongly affected by the communist history of the country; this explains the high position of the Czech culture on the power distance and uncertainty avoidance dimensions of Hofstede (1980). Since changing a culture is difficult it is advised to take the culture into consideration in the approach towards the cross-border subsidiary. The results from the VOKIPO (De Cock et al., 1986) questionnaire show that the cultures of both FIRM Y and FIRM X are quite similar, only small differences are found. FIRM Y's culture is mostly human oriented with focus on personal development and FIRM X's culture is identified as innovation oriented with focus on the organization. Both business cultures are more oriented towards flexibility

than on control. This similarity is not in line with expectations and neither with the experience of Dutch management. Apparent was that management styles in both companies differ, mainly regarding cultural aspects like hierarchy perception. In the integration of a cross-border subsidiary responsible management has to value differences in culture and try to combine cultures in order to get the best out of the combination.

One of the most problematic components of the communication seems to be the English language skills. The fact that tacit local market knowledge is concentrated in the head of one salesman is also a limitation together with the fact that FIRM X is totally reliant of FIRM Y regarding technological innovation. Systems within the two organizations should be more integrated in order to further blur the boundaries. There is still a relatively close control system used to monitor FIRM X (requiring frequent reports and visits, but also an obligation for FIRM X to move priorities towards FIRM Y projects), which limits further autonomous development. General management expertise could not be retained after the acquisition. A gradualist approach was applied in the change process, but only with the intend to enable the subsidiary to learn from FIRM Y. Learning from the subsidiary regarding new business, market and culture was not considered as useful.

The formalization of strategic interdependence needs between FIRM Y and FIRM X is advised. Possible contents for this formalization have been suggested in the managerial implications chapter. The need for strategic interdependence and organizational autonomy suggests an absorption approach (full consolidation of operations, organization and culture). In practice FIRM X is given a relatively high amount of autonomy were boundaries should (partly) be kept in place. FIRM Y's integration strategy was found to be ambiguous, because on the one hand FIRM Y requires that to be treated as a preferred and prioritized customer of FIRM X, while on the other hand FIRM X is expected to be independent and realize own revenues.

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Preface

This master thesis is the final assignment for receiving the Master of Science degree in Business Administration at the University of Twente, Enschede. The research is commissioned by FIRM Y B.V. located in The Netherlands between October 2011 and March 2012. In this public version of the thesis the firm is referred to as firm Y and its subsidiary as firm X. This research was intended to provide FIRM Y's management with insights in how to develop and integrate a subsidiary in the Czech Republic. A theoretical framework is developed in order to analyze the practical case based on scientific literature. Existing theory is tested in order to provide new insights regarding integration and development of cross-border subsidiaries in the CEE region and specifically in the Czech Republic.

I want to thank FIRM Y B.V. for providing me with a challenging project and for enabling me to gather all my information (including a trip to the subsidiary in the Czech Republic).

Of course it was impossible to do this research without help. I specially want to give thanks to my supervisor at FIRM Y for his support, advices and encouragement. I also want to give thanks to my supervisors at the University Twente, MSc. Martin Stienstra and Dr. Huub Ruël for critical feedback and guidance during the research process.

Finally I would like to give thanks my girlfriend and my family for supporting and encouraging me during this sometimes challenging period.

I can look back on a pleasant time at FIRM Y with nice and supporting colleagues. I hope this thesis will give the management at FIRM Y insight in how to further develop the Czech subsidiary.

Arjan Nijland

Enschede, March 2012

List of used acronyms

FDI	Foreign Direct Investment
IPRI	Intellectual Property Rights Index
M&A	Mergers and Acquisitions
MNC	Multi National Corporation
MNE	Multi National Enterprise
PEST	Politics, Economics, Social and Technological
SME	Small and Medium Enterprises

1. Introduction

1.1 Working title

Development and cultural integration of cross-border subsidiaries in the Czech Republic.

1.2 Background

The subject for this thesis originates from the experiences and complications that FIRM Y has and encounters in their cross-border acquisition. FIRM Y employs 221 people and therefore is to be classified as a medium sized company as is defined by the European Commission (2011). The company is located in The Netherlands and was founded in 1993. FIRM Y specializes in the supply of automated welding machines for resistance, arc and laser welding and the associated cold joining. The main customers are within the automotive and metal working industries. Core values at FIRM Y are: Smart, Reliable and Partner. Smart concerns the automated welding machines and additional service, it's intuitive and efficient. The reliable value is about customers, for them reliability is crucial and FIRM Y takes great responsibility for this. The last value actually continues on responsibility, FIRM Y concerns itself a partner that ensures the completion of the entire project, so that there is a shared responsibility with the customer.

The company has a broad network of suppliers of which the same reliability standards are expected. FIRM Y already started looking for good outsourcing possibilities in the Czech Republic in 1994. This resulted in eight partners in the Czech Republic that were able to manufacture components for FIRM Y (e.g. Jesva). During the business trips in the Czech Republic FIRM Ys management was always looking for possibilities to extend the activities of its outsourcing partners. FIRM Ys CEO came in contact with Tegema, a Dutch engineering company that was also active in the Czech Republic. The Czech subsidiary of Tegema was set up in the beginning to work for Philips and LG to support the building of a factory. At its top this subsidiary had 25 employees, which were managed remotely from the Netherlands. But the performance of this subsidiary of Tegema was declining. FIRM Y's CEO saw an opportunity to enter the Czech Republic relatively cheap by obtaining a majority share (60%) in this existing entity of Tegema in 2006. Acquiring an existing entity (with people, structure, administration, network, etc.) seemed the best way to enter this country and support growing momentum in the former East Block. This company was engineering products, had the ability to get these products locally produced and was able to install the product (machine) for the customer. An agreement was established that in a period of five years FIRM Y would become the complete owner of this company. Tegema would provide a declining number of engineering hours for the Czech subsidiary so that in the end all tasks were delivered by FIRM Y. In reality FIRM Y became owner much sooner, because Tegema couldn't hold promises. Once FIRM Y was 100% owner the whole company in the Czech Republic was changed from an engineering company towards an assembly factory within six months. There were nine employees at the time that FIRM Y changed the business model and the strategy of FIRM X, they all had the possibility to stay within the new situation, but only four of the nine did stay. This concerned two engineers, one planner and one office employee. This staff was extended with new employees; knowledge was transferred towards these employees by letting them do an internship at FIRM Y's headquarters in the Netherlands in the department that produces jigs. FIRM Y's subsidiary in the Czech Republic (FIRM X) became a hub in FIRM Ys network, FIRM Y had only drawings of jigs, the parts for these jigs would be ordered and delivered to FIRM X, these parts could then be shipped to the Netherlands in a combined shipment, if FIRM X was able to assemble (part of) the jigs, then assembled parts would be shipped to the Netherlands.

The organization defines FIRM X as a “self-supporting organization with a mature and competitive product portfolio of engineering, local sourcing, fixture and cell building, integration and services” (Firm Y, 2011). This subsidiary nowadays mainly engineers and produces jigs for the automated welding machines and production lines that FIRM Y provides its customers with. Currently this subsidiary employs 18 employees and several temporary employees. Regional sales are increasing, but the process needs further optimization. Order intake in 2010 was 3 million euro, for 2011 3,5 million euro is expected. FIRM Y’s management is looking into possibilities for this subsidiary to advance further and gain more competences in the areas of robotics and controlling by employing more specialists. To support the proposed growth process a bigger location is essential, alternative locations (at least three times the current surface area) are currently already being investigated (Firm Y, 2011). FIRM Y is currently in a phase where this acquired company is being developed and integrated, which is a common subject in international business.

1.3 Context

This is a research in the field of merger and acquisition (M&A) development strategy and the (cultural) integration of a cross-border acquired company. With ever more production capacity shifting from Western to Central and Eastern Europe, the development of the Czech company is geographically and strategically well situated and well timed. In order to be able to develop FIRM X a clear analysis of cultural differences and strategy issues is essential.

Generally speaking cross-border M&As like this are more difficult and riskier than acquisitions within the same country, because generic problems of acquisitions are compounded by differences in national cultures, language, political influence and regulatory hurdles in the case of a cross-border acquisition (Angwin & Savill, 1997). The research results in an overview of integration and strategy issues and a plan for the development of FIRM Y CZ that is consistent with the management’s vision. This research is conducted to find out which factors should be taken into consideration by SME’s in the field of welding if they want to expand their subsidiary within the Czech Republic that was obtained by an M&A. In a single case study these findings will be applied on the M&A related case of FIRM Y, so that this research will also have direct practical relevance.

1.4 Problem definition

Following the background and objectives that were indicated, the essence of the problem can be defined. To be able to develop and expand a subsidiary, it is of essential value to have a clear strategy for this subsidiary (De Wit & Meyer, 2004; Garcia-Pont, J.I. Canales, & Noboa, 2009). In the development of a strategy knowledge needs to be gathered about which internal and external factors affect the concerning firm, because there should be a fit between an organization and its environment. These factors are often expressed in terms of the classic SWOT analysis. The SWOT analysis suggests that a sound strategy has to match a firm’s strengths and weaknesses to the opportunities and threats that are encountered in the firm’s environment (De Wit & Meyer, 2004). Focus of this research is on subsidiary development and integration in Central and Eastern European (CEE) countries (the Czech Republic in particular) and how cultural differences influence this process.

Additionally the focus is on high tech firms that preferably operate in the field of welding solutions, because that's the field that FIRM Y is particularly interested in.

1.5 Research questions

In accordance with what we've seen in the problem definition the research question would go into detail regarding strategic aspects and integration factors. The main research question is formulated:

"Which integration aspects and strategic factors influence development strategies of SME's and their cross-border subsidiaries in the field of high-tech welding solutions in CEE in the post-acquisition phase?"

The study is about subsidiaries that are already acquired in the past, which places this study in a post-acquisition timeframe. Since the study focuses on international acquisitions that are already completed, it is mentioned as "post cross-border acquisition" in the central research question. The internal and external factors that influence subsidiary strategy development are integrated in one component "strategic factors", while focus remains on SMEs in the field of high-tech welding solutions. Since post cross-border acquisition integration aspects are also important in the development of a cross-border subsidiary, this is a component of the research question as well. Specifically focusing on CEE and the Czech Republic in particular narrows the research.

In order to make this research question manageable it will be split up into different sub questions. To analyze strategic factors it is important to know which internal aspects do influence international subsidiaries in CEE and particularly in the Czech Republic (De Wit & Meyer, 2004).

What internal factors influence integration and development of SME's subsidiaries?

The (Czech) business to business market in welding solutions and in particular its cultural aspects (Barkema, Bell, & Pennings, 1996; Musteen & Datta, 2010; Musteen, Francis, & Datta, 2010; Weitzel & Berns, 2006) is important to investigate in order to be able to elaborate on the external environment of SME's in this segment, and the influence this has on subsidiary development.

What are the relevant external factors within the Czech business-to-business market in high-tech welding solutions?

Additionally the company that provides the case study is interested in which implications arise when integrating and developing a cross-border acquired company according to relevant M&A literature.

How should SME's integrate an acquired cross-border company to build sustainable business abroad according to existing M&A literature?

1.6 Research Strategy

The used research strategy is a combination of an inductive and a deductive approach. The literature review gives an overview of existing theory on the subject of internationalization and cross-border subsidiary integration and development. This will result in a theoretical framework that will be tested using a single case study, based on a selective sample with one unit of analysis. This single case study will provide an extended insight into the development and integration of cross-border subsidiaries in the Czech Republic. Since the study is focused on SME's the unit of analysis in the single case study is the Dutch SME FIRM Y. Research is conducted at FIRM Y's headquarters located in The Netherlands;

most data will be collected there. In order to gather detailed information about FIRM Y's subsidiary, data will be collected at the subsidiary of FIRM Y in the Czech republic.

The results of this research will offer FIRM Y more insight in the challenges that the development of the Czech subsidiary can encounter in combination with the organizational analysis and an advise in how this organization can best be developed in a ten year lifespan towards a more comprehensive organization. To be able to change the Czech organization an analysis of this organization needs to be made. A SWOT analysis provides insight in the strengths and weaknesses of the internal organization of FIRM Y CZ. Found strengths of the organization should be further exploited en possible weaknesses should be eliminated as much as possible. The external part of the SWOT analysis focuses on the opportunities and threats that an organization faces. This means that the environment in which FIRM Y is operating should be investigated to find new opportunities and to identify potential threats. The identification of these opportunities and threats will give the organization the possibility to anticipate, redirect and reflect on the development towards a "better" organization that has an optimal fit within the FIRM Y group. This research will be of scientific relevance, because it will provide insights regarding experience of a Western SME in the current Czech market situation and the Czech culture in particular. It will be of use for international organizations that plan to internationalize towards the Czech Republic and for scientists who seek for information regarding Czech SME's.

This thesis will continue in chapter two with an overview of existing literature on the subject, this will result in a model that guides the research. Chapter three provides insight in the used methodology in this research. In chapter four will be continued with the case study structured applying the 7S framework. Subsequently chapter five is presenting the results of the case study and chapter six provides an overview of managerial implications for the practice of this particular case.

2. Literature Review

2.1. Internationalization and M&A

A general assumption in the case of a cross-border acquisition is that firms enter foreign markets to exploit the firm's specific resources to take advantage of imperfections in the markets. "Cross-border M&As provide integrating benefits of internalization, synergy, and risk diversification and thereby create wealth for both acquirer and target-firm shareholders." (Shimizu, Hitt, Vaidyanath, & Pisano, 2004). In the development of a cross-border subsidiary it is important to identify the initial reason for internationalization of the acquiring company, because this explains the motivation for development of the acquired company (Lu & Beamish, 2001; Senik, Isa, Scott-Ladd, & Entrekin, 2010).

2.1.1. Internationalization

Internationalization is one of the most important paths for firm growth; two of the most prominent avenues are exporting and foreign direct investment (Lu & Beamish, 2001). The entrance of new geographic markets can broaden the customer base, which enables firms to achieve a larger volume of production. In different geographic areas there are differences in market conditions, a firm can capitalize on these differences by leveraging resources and capitalize market imperfections in different markets. Internationalization presents an important opportunity for growth and value creation, implementation of such a strategy does involve many unique challenges that are typical of the difficulties associated with the liabilities of foreignness and newness. When target markets are dissimilar to the domestic market a firm cannot operate using the same knowledge and capabilities that are used in the domestic market. It is essential to create and obtain new knowledge and capabilities to successfully enter new markets. When internationalizing by setting up a new subsidiary, new business relationships with stakeholders need to be build, but the subsidiary should also establish its legitimacy, and it must recruit and train new employees. Internationalizing firms need to change many of its ways of doing business that where developed in their home country, because there are significant differences along political, economic, legal and cultural dimensions (Lu & Beamish, 2001; Senik et al., 2010). It is important to identify why the acquiring company wanted to internationalize, this in order to be able to develop the cross-border subsidiary. Reasons to internationalize were identified by Senik et al. (2010, p. 293); they work with the internationalization definition of Calof and Beamish (1995, p. 116): "Internationalization as the process of adapting the firms' operations (the strategy, structure, and resources) to the international environment." Five dimensions influence the internationalization process, presented in order of influence (from low to high) these are: motivational, external, industrial, firm characteristics, and relationship or networking (Senik et al., 2010). These dimensions can be helpful in this research to help finding motivations to internationalize and invest in a cross-border subsidiary.

The *motivational dimension* can be classified into six sub categories: domestic conditions, market issues, resource seeking, globalization, need to follow a supplier and necessity to go international for survival. The *firm characteristics* dimension contains two important sub categories, being the characteristics of the firm itself and the characteristics of the firm's top management. When the choice for internationalization is made on the basis of the firm's characteristics this can be based on the firm's resources. The products of a firm can demand internationalization. Another characteristic that can demand internationalization concerns the capabilities of the firm itself. Finally the reputation of the firm can demand internationalization. The other identified category entails the characteristics of the firm's owners or top management. Their skills and abilities can influence the choice for a firm to internationalize or not. The attitude of owners or top managers does also influence their desire and commitment for internationalization, when the owner(s) or top management does not have an international attitude it is not going to happen. The background of the leaders is the last characteristic that can be a reason for internationalization. The third dimension, "*industrial factors*", consists of four categories that influence the decision to internationalize. Intense competition can drive a firm to internationalization, because it is necessary to stay competitive in the market. The market attractiveness of another country can also lead to internationalization of a firm. The third industrial characteristic is striving for economies of scale. Finally the nature of business sector itself can influence the reason for internationalization, when it is easy to access a foreign market the decision is easier to make. The *external dimension* does consist of four categories: economic forces, political forces, technological forces and social forces. A firm should be aware of the external environment, because it can make it necessary for a firm to go international (Lu & Beamish, 2001; Senik et al., 2010). The fifth dimension (*networking*) is the most important dimension for SMEs to go international, because SME's typically rely extensively on network relationships as they pursue international opportunities (Coviello, 2006; Zahra, 2005; Musteen, Francis, & Datta, 2010; Senik et al., 2010). This fifth dimension consists of three categories: supporting institutions, personal relations and business associates. This helps internationalizing companies to overcome the obstacles associated with entering new markets, like resource constraints and capability limitations. Networks can provide these organizations with access to "external" resources and they enable firms to cope with challenges and risks that are associated with foreign-market entry. SME managers often base their internationalization decisions on "trusted" personal sources of information; it is rarely based on systematic risk-return analyses of alternative opportunities (Papadopoulos, 1988). To measure the influence of networking on the internationalization the relevant personal and business relations need to be identified, together with the supporting institutions in the host-country.

1. Motivational ▪ Domestic Conditions ▪ Market issue ▪ Resource seeking ▪ Globalization ▪ Follow Suppliers ▪ For Survival	3. Industrial ▪ Intense Competition ▪ Market Attractiveness ▪ Economies of Scale ▪ Nature of Industries
2.1 Firm itself ▪ Resources ▪ Product ▪ Capability ▪ Reputation	4. External ▪ Economy ▪ Political ▪ Technology ▪ Society
2.2 Owner/ Key Managers ▪ Skills and Ability ▪ Attitude ▪ Background	5. Relationship (Networking) ▪ Institutions ▪ Personal Relations ▪ Business Associates

TABLE 1: INTERNATIONALIZATION REASONING DIMENSIONS (SENIK ET AL., 2010)

2.1.2. Subsidiary roles

After identifying the reason for internationalization it is important to formulate the subsidiary role within the organization (Birkinshaw, Hood, & Johnsson, 1998). Integration of a subsidiary is an interactive and gradualist process in which both sides learn to work together en cooperate in the transfer of strategic capabilities (Quah & Young, 2005). This process depends on the amount of strategic interdependence and organizational autonomy that is required. Those are the two central dimensions of acquisitions according to Haspeslagh and Jemison (1991, p. 139). The first dimension is about the nature of the interdependence that is needed to facilitate the type of strategic capability transfer (value creation) that is expected. Organizational autonomy is associated with the need to preserve intact the acquired strategic capabilities after the acquisition. This subject will be further elaborated on in 2.4.3. because of its importance for this research. There are three general contrasting perspectives regarding the contributory roles of subsidiaries: environmental determinism, head office assignment and subsidiary choice (Birkinshaw, Hood, & Johnsson, 1998, p. 222). The first perspective sees the role of a subsidiary as a function of its local environment (strategic importance of the country; dynamics of local competitors, suppliers and customers; industry factors), similar to the external reasoning dimension of Senik et al. (2010). The second perspective states that head office management is responsible for defining the strategic imperatives of the whole company. This entails that head office assigns roles to subsidiaries to let them conform to corporate strategy. The third perspective works on the assumption that subsidiary management understands the local market and capabilities better than head office does. Which implies that they can decide best which role their subsidiary should play. This perspective focuses on the subsidiary's specific resources and capabilities, the subsidiary's management aspirations and the subsidiary's employee effort/ initiative as determinants of the subsidiary role.

Birkinshaw et al. (1998) provided a process model that track a series of autonomous subsidiary actions, or initiatives to develop the international value-added scope of the subsidiary.

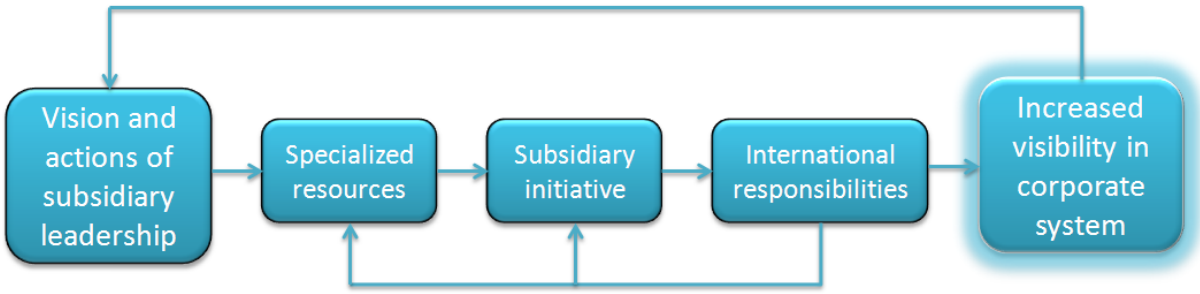

FIGURE 1: PROCESS MODEL OF SUBSIDIARY ACTIVITIES AND SUBSIDIARY RESOURCES (BIRKINSHAW, HOOD, & JOHNSSON, 1998, P. 224)

They define a subsidiary as: "any operational unit controlled by the MNC and situated outside the home country" and conceptualized this according to the resource-based view[1] as a heterogeneous bundle of resources. Resources that are not location bound offer potential for contributing to the MNC's firm specific advantage if they meet three criteria: The resources must be *specialized*

[1] The RBV sees a firm from an inside-out perspective, a resource can be thought of as a strength or weakness of a given firm. The basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable resources at the firm's disposal (Wernerfelt, 1984).

(superior to those available elsewhere in the corporation), the resources should be *recognized by corporate management* (widespread understanding and acceptance of the subsidiary's specialized resources in other parts of the MNC) and should be *transferable and leverageable*. Development of specialized resources can be stimulated by the vision and actions of subsidiary leadership. Specialized resources provide opportunity for initiatives, which in turn can lead to an increase in international responsibilities. Subsidiary initiatives and the development of specialized resources are stimulated when there is an entrepreneurial culture in which initiative and risk-taking behavior can thrive. In an entrepreneurial culture operational-level participants see opportunities that exceed the "opportunity set" that is proffered by top management in corporate strategy. When employees act on the opportunities they see, autonomous strategic behavior or intrapreneurship[2] occurs (Burgleman, 1983). Intrapreneurship consists of five dimensions according to Kuratko, Montagno and Hornsby (1990, p. 53), these dimensions are: management support for intrapreneurship, reward and resource availability, organizational structure and boundaries, risk-taking, and time availability.

Birkinshaw et al. (1998) did find a strong relationship between low level of local competition and high-contribution subsidiaries. It was found that weak local competition leads to a higher level of contribution of the subsidiary for the MNC as a whole. A possible explanation for this phenomenon is that high-contribution subsidiaries are predominantly exporters, which implies that they do not think in terms of local competition. High contributory roles in this study appeared to be gained because the subsidiary was in a relatively protected niche. The contributory role was operationalized by Birkinshaw et al. (1998) by asking subsidiary presidents what percentage of their revenues were gained from "international responsibilities" (activities it undertook for the corporation as a whole), what percentage of total revenue was realized by international sales and by asking subjectively what the added value contribution to the corporation was. The researchers argue that subsidiary initiative enhances the flow of information (it provides the MNC with distinctive information and capabilities), which, ceteris paribus, improves the efficiency of the MNC as a whole. An example is the retaining of a certain supplier because it has always fulfilled a certain service, subsidiary initiative could offer better options. In order to benefit from a subsidiary it is important to recognize the resources and capabilities this subsidiary has. "If the MNC is to effectively utilize its far-flung resources (Bartlett & Ghoshal, 1986), it must first understand what those resources are and where they reside." Subsidiary initiative is positively influencing competitiveness, but it is not a driver of product diversification for the MNC as a whole according to Birkinshaw et al. (1998). Subsidiaries are not creating entirely new technologies, they are building on existing ones to improve their performance, because generally subsidiaries have to align their initiatives with the strategic priorities that are set by the MNC. Otherwise initiatives are likely to be seen as self-interested behavior that is not in line with the core competence of the MNC.

The first table in appendix 1 provides an overview of the identified opportunities and threats that where found in the internationalization and M&A literature.

2.3. Strategic factors

In the pre-acquisition phase the acquirer has its motivations to start an M&A process. These motivations implicate a certain desired future subsidiary role and a need for (specialized) resources.

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[2] Intrapreneurship is defined as entrepreneurship inside of the corporation (Pinchot, 1985).

When this is clear the search for a suitable partner can be started. This study will examine a case where a subsidiary is acquired in the Czech Republic. Several authors have elaborated on M&A processes in transition economies like the Czech Republic (Meyer & Peng, 2005; North, 1990; Shimizu, Hitt, Vaidyanath, & Pisano, 2004; Peng & Heath, 1996), this section provides an overview of the strategic factors that influence the development of a cross-border subsidiary in transition economies according to these authors.

2.3.1. International M&A and subsidiary growth strategies in transition economies

When the subsidiary role is clarified, one can start to develop an organizational growth strategy for the subsidiary. Three firm growth strategies have been identified in the literature: Generic expansion strategy, Mergers and acquisitions strategy and network based strategy (Meyer & Peng, 2005). Generic expansion calls for an internal supply of resources such as capital, technology, and managers. Mergers and acquisitions (M&As) require functioning strategic factor markets. Developing networks and alliances requires building of trust and mutual understanding. In this study focus is mainly on the development of a growth strategy for a cross-border subsidiary in a transition economy. The development of an organization in a transition economy is highly influenced by the unique institutional conditions, "the rules of the game in a society" (North, 1990, p. 3). The institutional infrastructure is formed by the national culture, government regulations (and individual industry support), access to financial resources through financial institutions, and generally available resources in the environment (Shimizu et al., 2004).

The first two strategies that are identified are supported by formal institutional frameworks (laws and regulations), while the third strategy is supported by an informal institutional framework (customs, norms and cultures). In CEE firms the informal network-based growth strategy represents the most viable strategy, because generic expansion is often infeasible, and due to a lack of functional formal capital markets M&As are also unrealistic (Peng & Heath, 1996). These network based growth strategies emphasize on intangible assets (e.g. knowledge or trade secrets) that are embodied in managers' micro interpersonal ties and the firms' macro, inter-organizational relationships (Meyer & Peng, 2005). The selection of an appropriate growth strategy requires top management to inventory internal strengths and weaknesses of the organization, as well as evaluate the opportunities and constraints the external environment presents (Peng & Heath, 1996). Firm growth is defined by Peng and Heath (1996) as a multidimensional construct: "firm growth primarily involves expansion of organizational size measured by assets and employees; increase in volume of sales, profit levels, or activities; as well as generation of new economic functions or more lines of products and services". A network-based growth strategy often reflects inability of a firm to possess all necessary resources to undertake generic expansion alone or to merge and acquire other firms. A strategy like this represents a firm's effort to reduce environmental uncertainties through development of inter-organizational relationships (Peng & Heath, 1996).

Strategic Choice	Mode of Organizing	Institutional Prerequisite
Internal, generic expansion	Hierarchy	Capable managers
Mergers and acquisitions	Market	Functioning strategic factor (e.g., financial) markets
Inter-organizational relationships (i.e., networks)	*Hybrid (neither hierarchy nor market)*	*Trust and* **mutual** *understanding*

TABLE 2: THE GROWTH OF THE FIRM: A THREE-STRATEGIC-CHOICE MODEL (PENG & HEATH, 1996)

The institutional environment in the CEE countries is vastly different from that of the Western economies, which reduces the generalizability of these growth strategies. The institutional framework of a society serves as constraints to regulate economic activities by providing the rules of the game in which organizations act and compete, it is defined as “the set of fundamental political, social and legal ground rules that establishes the basis for production, exchange and distribution” (Davis & North, 1971, p. 6). North (1990) states that the institutional framework in a country consists of both formal and informal constraints concerning individual and organizational behavior. Formal constraints include political (and judicial) rules, economic rules (free/closed market, competition, taxes), and contracts. Smallbone and Welter (2001) mention that many enterprises in transaction economies operate at least part of their activities in the shadow economy in order to survive, because they are active in a situation where formal constraints aren’t functioning. This is when informal constraints become important, those are embedded in culture and ideology; they include: codes of conduct, behavioral norms, and convention. In CEE countries the strong presence of informal constraints, together with the lack of capable managers and strategic factor markets, stimulated the development of the network-based strategy. In transition economies in general there are high costs associated with an economic exchange (transaction costs), these high transaction costs due to the current formal constraints stimulated the development of the network based growth strategy in transition economies. These high transaction costs lead firms to internalization of transactions to avoid turbulence in the environment. Since growth strategies through internal expansion or acquisition are often infeasible, an alternative growth strategy in the form of networking (boundary blurring) is chosen (Peng & Heath, 1996) to concentrate more of the transactions within the internal environment. Peng and Heath (1996, p. 513) define networking according to academic literature as “a firm’s effort to establish long-term relationships with other firms in order to obtain and sustain a competitive advantage”. Economies of scale and scope can be achieved, and organizational learning can occur, when resources are pooled and coordinated well. Specifically when the members of a network are being exposed to Western management and technology through licensing or joint ventures they may help diffuse knowledge as such throughout the network (Peng & Heath, 1996). For Western firms to be successful in transition economies, at first efforts should be made to identify relevant networks, their members and their blurring boundaries. Further it is advised to identify and select knowledgeable local managers, and to work incrementally so that unrecoverable sunk costs due to mistakes can be avoided. “Strategic attempts should be made to identify the relevant networks and to cultivate relationships with them” (Peng & Heath, 1996).

Peng and Heath (1996) conclude that network-based organizational forms provide necessary adaptability that is required to survive and prosper within the institutional frameworks of transition economies. Their model suggests that the growth of the firm is constrained by (a) its capability to have capable managers that transmit information regarding organizational routines to its members and (b) its ability to overcome transaction costs that are incurred in the growth process.

The second table in appendix 1 provides an overview of the identified opportunities and threats that where found in the literature regarding international M&A and subsidiary growth strategies in transition economies.

2.4 Cross-border subsidiary integration aspects

2.4.1. Post cross-border acquisition integration insights

In addition to the strategic development it is important to integrate the cross-border subsidiary in the MNC and facilitate the cooperation in such a way that it adds most value to the corporation as a whole. In cross-border acquisition integration and development the cultural differences between companies are very important (Uhlenbruck, 2004). "The cultural and institutional contexts in which firms operate have a significant effect on the strategic orientations developed and applied by top managers" (Shimizu, Hitt, Vaidyanath, & Pisano, 2004). The importance of cross-border management skills is often underestimated opposed to general management skills when integrating a cross-border acquisition originating from CEE (Villinger, 1996). Cross-border acquisitions are defined by Shimizu et al. (2004) as acquisitions involving an acquirer firm and a target firm whose headquarters are located in different home countries. The authors state that additional challenges that arise in the integration process of a cross-border acquisition are affected by corporate cultural distance between the firms and the institutional and cultural distances between the home and the host country. The success/performance of these acquisitions depends on the integration process and adopted control systems. When much integration is desired, cultural distance becomes more important and closer coordination and control is necessary to successfully implement corporate strategy. Shimizu et al. (2004) also found that managers differ in their strategic orientation, managerial practices and adapted control systems according to the cultural and institutional context they originate from.

According to Datta (1991) different studies suggest that acquisitions in general have a high failure rate and that profitability of target firms, on an average, actually declines after an acquisition. Market reactions to cross-border acquisitions on the other hand are often reported to increase value for both parties on the longer term (Shimizu et al., 2004, p. 336). Shimizu et al. (2004) point out that successful cross-border M&A's require a global mindset[3] to be developed by managers and key personnel. This mindset helps viewing the acquired firm not from an idiosyncratic cultural perspective, but from a broader perspective that recognizes the value of different cultural perspectives. Corporate and national cultural differences present potential opportunities when analyzed according to the resource based view. Strategic differences can facilitate synergy creation, which should be the desired effect in M&A (Larsson & Finkelstein, 1999). When cultural differences are analyzed from an organizational-learning perspective one could find a positive relationship between cultural distance and post-acquisition performance (Morosini, Shane, & Singh, 1998). Morosini et al. (1998) argue that since routines and repertories that will be valuable in the future are unknown, it can be valuable to possess a greater variety of potentially valuable routines and repertories by acquiring a firm from a culturally distant country. Shimizu et al. (2004) state that "cross-border M&As with greater cultural and institutional differences provide enhanced opportunities, but also larger challenges in realizing these opportunities." The knowledge of the partner's language and cultural aspects are crucial for managerial learning processes for both the acquirer and the acquired (Villinger, 1996). It often occurs that "managers shy away from the integration task because of uncertainties about the fundamentals of the acquired business, because

[3] "A mindset that combines an openness to and awareness of diversity across cultures and markets with a propensity and ability to synthesize across this diversity" (Gupta & V.Govindarajan, 2002)

of organizational or cultural differences, or because of a fear that they will be resisted" (Haspeslagh & Jemison, 1991).

2.4.2. Cultural factors

As was mentioned in the preceding sections culture is of great influence on cross-border M&A's (Lu & Beamish, 2001; Senik et al., 2010; Shimizu et al., 2004). When analyzing national cultural factors in international management, the work of Hofstede (1980) is undeniable (Tung & Verbeke, 2010). The work of Hofstede (1980) is focusing on values, which are operationalized in constructs called dimensions. Ever since Geert Hofstede's "*Culture's Consequences: International Differences in Work-Related Values*" was published in 1980, researchers apply the cultural values framework that Hofstede (1980) pioneered for the defining of both organizational and national culture. Hofstede (1980) operationalized the values framework in constructs called dimensions. He introduced four dimensions, which were later expanded with a fifth dimension by Hofstede and Bond (1988, p. 16). These dimensions are power distance, individualism-collectivism, masculinity-femininity, uncertainty avoidance (Hofstede, 1980) and long versus short-term orientation (Hofstede & Bond, 1988). Hofstede (1980) concludes with a fundamental fact in international business: "organizations are culture-bound". Which implies that in the integration of a cross-border acquired company the different cultural aspects have to be taken into account.

The power distance dimension covers the extent to which the less powerful members of organizations and institutions accept and expect that power is distributed unequally. In general every society is unequal, but there are differences between societies regarding inequality (Hofstede & Bond, 1988). The second dimension is describing the degree to which individuals are integrated into groups (individualism vs. collectivism). Individualism is when ties between individuals are loose and you have to look after yourself and your immediate family. Collectivism on the other hand is when people are integrated into strong, cohesive social groups and have a unquestionable loyalty toward each other. The distribution of roles between the sexes is another important dimension identified by Hofstede (1980). This dimension covers a distinction between an assertive/competitive (masculine) and a nurturing (feminine) pole. These first three dimensions refer to three types of expected social behavior: towards people higher or lower in rank, towards the group and towards one's sex. The fourth dimension indicates to what extent a culture programs its members to feel either uncomfortable or comfortable in unstructured situations. An unstructured situation is a situation that is novel, unknown, surprising, or unusual. Uncertainty-avoiding cultures consist of strict laws and rules, safety and security measures and a belief in one absolute Truth. People in uncertainty accepting cultures are less emotional and more tolerant of behavior and opinions that differ from their own, they are relativists. The fifth dimension found by Hofstede and Bond (1988) indicates the extent to which a certain culture is more long-term (future) orientated or more short-term orientated. Style of leadership is strongly affiliated with the organizational culture. Leadership styles can be analyzed according to the eight leadership roles that were identified by Quinn (2003):

1. Innovator role	5. Coordinator role
2. Broker role	6. Monitor role
3. Producer role	7. Facilitator role
4. Director role	8. Mentor role

2.4.3. Post-acquisition integration management

It is clear from preceding articles that in order to reach a successful integration of the acquired company you need adequate management that proactively seeks out ways of utilizing the subsidiary's resources effectively (Birkinshaw et al., 1998). The essential task for the management in any acquisition is to create value that was not possible before the acquisition; this means that capabilities between the two companies need to be transferred. In order to realize this the creation and management of interdependencies is required (Haspeslagh & Jemison, 1991). These interdependencies disturb boundaries between acquirer and acquired and are likely to be resented by acquirer management. In order to transfer capabilities between the firms and overcome possible resistance it is important that the interdependency is carefully managed. Haspeslagh and Jemison (1991, p. 140) identified three types of capability transfer: resource sharing, functional skill transfer, and general management capability transfer. Resource sharing involves the combination and rationalization of operating assets. Transfer of functional skills can only occur when people are moved across organizational boundaries or when information, knowledge, and know-how are shared. This is because skills reside in individuals or groups of people, and their procedures and practices. The third type of capability transfer can create value through improved strategic or operational insight, coordination, or control; this can be achieved partly by direct, substantive involvement in general management decisions (or more permanently by the installation and use of systems, controls, budgets, and plans that improve both the strategic decision making and the operational efficiency of acquired management). The study by Haspeslagh and Jemison (1991) suggests that in most cases, independent of the variety and number of possible synergies, it is advised to recognize only one type of capability transfer as the dominant source of initial value creation in the integration process. But they do also mention that some individual acquisitions may involve benefits from more than one type of capability transfer. Value can also evolve from the acquisition itself, the so-called combination benefits. These include greater cash resources or borrowing capacity between the firms or benefits that arise from greater size (added purchasing or market power). It is advised to formally assess the strategic interdependence needs of an acquisition. It helps managers to develop a more unbiased, objective view of the strategic intent. The categorizing of strategic tasks in a way that reflect the required extent of interdependence helps management focusing on organizational tasks that are needed to bring out expected benefits. And finally the consideration of only those interdependencies that are regarded as crucial for achieving the desired benefits of the acquisition result in a clearer sense of strategic and organizational trade-offs that are involved. However, the organizational factors that are central to the integration process must be addressed before these trade-offs are made. (Haspeslagh & Jemison, 1991)

Because Haspeslagh and Jemison (1991) do regard strategic capability transfer as the vital value creating point, it is essential to preserve this capability that is to be transferred. A paradox in acquisitions is that the pursuit of capability transfer itself may lead to destruction of the capability that is being transferred. In order to transfer capabilities it is required to disrupt or dissolute boundaries, while at the same time preservation of capabilities requires protection of these boundaries. It is often the case that the acquired company needs organizational autonomy (boundary protection) to preserve its capabilities. Thus managers in acquiring firms do certainly have to consider the need for organizational autonomy when developing an integration strategy, because acquired value should not be lost in the process. When preservation of the organizational culture of the acquired company is essential to maintain strategic capabilities it is advised to provide autonomy. This implies that the important question is not how different two cultures are, but whether the preservation of that difference in the long term will be useful. When there is indeed a genuine need to maintain the autonomy, one needs to find out how much autonomy is needed and if there are specific areas where this autonomy needs to be preserved. Haspeslagh and Jemison (1991) suggest managers who are integrating acquisitions to have an early focus on which strategic capabilities need to be preserved, to what extent they depend on preservation of cultural differences, and to what extent this can be contained in a sub-part of the organization. This focus may enable managers to distinguish between strategic interdependence and the organizational autonomy that is desired by the acquired company's management to retain independence. Based on the relationship between these two key factors a matrix of four integration approaches is developed by Haspeslagh and Jemison (1991), it is shown in figure 2.

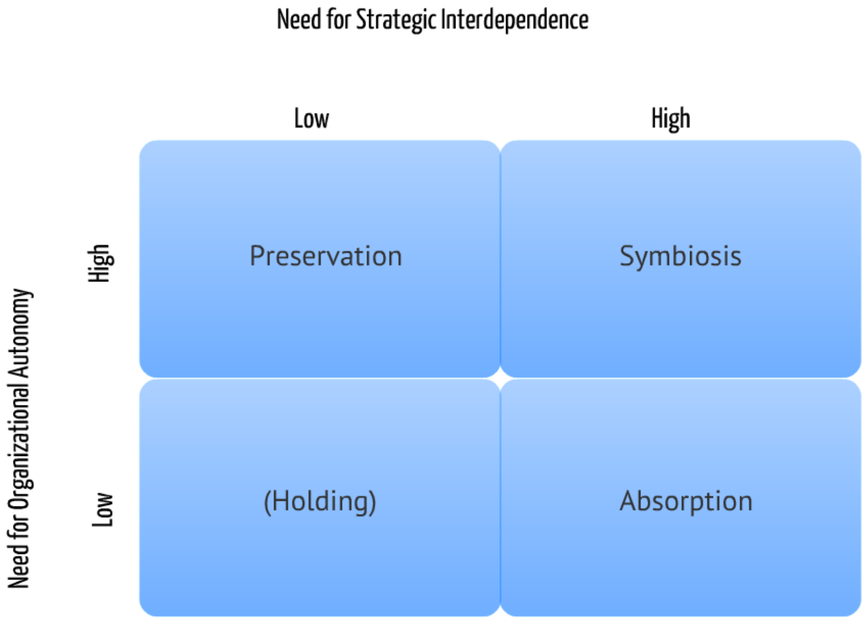

FIGURE 2: TYPES OF ACQUISITION INTEGRATION APPROACHES (HASPESLAGH & JEMISON, 1991)

In the preservation approach management's focus is to keep the source of acquired benefits intact. The metaphor that best captures the way value is created in preservation acquisitions is nurturing, another possible source of value creation in preservation acquisitions is learning. The "opposite" absorption approach requires courage of management to ensure that the vision for the acquisition is carried out. The integration implies a full consolidation, over time, of the operations, organization, and culture of both organizations. Main integration objective in this approach is dissolving the boundaries between the two firms and the timing is important, not the question of how much integration should take place. The symbiotic approach presents the most complex managerial challenges, because the desire for both strategic interdependence and organizational autonomy is high. Management must ensure simultaneous preservation and blurring of boundaries in a gradual process. To succeed in symbiotic amalgamation of the two organizations it is essential that each organization takes on the original qualities of the other. The last approach in the matrix is labeled as a holding acquisition. No such acquisition was identified in the sample by Haspeslagh and Jemison (1991), but an acquisition like this would be one where the organization has no intention of integrating and creating value through anything except financial transfers, risk-sharing, or general management capability, even though the two organizations are in no need for organizational autonomy. Haspeslagh and Jemison (1991) did find two other factors (quality and size of the acquired firm) that influence the determination of the integration approach, but they were qualified as less significant in shaping the nature of the integration process.

Quah and Young (2005) provide a phases approach for the post-acquisition management process and they point out that these phases should have defined objectives and actions. The authors identified five factors influencing the post-acquisition management process: level of integration, post-acquisition changes, timing of changes, cultural influences and employee behavior in the acquired firm. In the study by Quah and Young (2005) all analyzed M&As were characterized by a preservation strategy followed by an absorption strategy. There were minimal post-acquisition changes in the first 1-2 years in order to learn about the new geographic market and the local ways of doing business. After those years more aggressive post-acquisition changes were implemented rigorously. A common finding was also that at first senior management of the acquired company was retained in order to conserve expertise. When senior management was eventually (approximately three years after acquisition) replaced, the main post-acquisition changes were more successfully/quickly adopted then before. The replacing senior executives should also be locals in order to retain the image of a local firm for its customers. The timing of post-acquisition changes should take place over a period of time and not immediately after the acquisition, following a gradualist approach. This way an acquirer cannot only learn about its new business and markets, but also about national and organizational cultures.

The study by Quah and Young (2005) does suggest that the main sources of either negative or positive behavior in the acquired firm are based on how well the acquirer acknowledges and handles cultural differences after the acquisition. Two types of resistance during the post-acquisition process were identified: management resistance and employee resistance. Management resistance originated mainly in the fear of loss of control, failure to build mutual trust, dislike of being 'forced' to change and reluctance to alter established processes. When the acquired company has a strong entrepreneurial culture preceding the acquisition, this will also lead to more resistance at management level. Employee resistance comes up later in the post-acquisition process when common systems and processes are implemented in the acquired company.

Quah and Young (2005) identified post-acquisition conflicts that resulted in employee resistance. Those conflicts arose and escalated over issues such as the timing of reorganization, and communication and implementation of proposed future changes. A clear communication process about immediate goals of the acquirer results in positive employee behavior (lack of or low levels of resistance) in the acquired firm (Quah & Young, 2005). In order to make the post-M&A process easier to handle the acquirer should plan integration strategies, at least in outline terms. This pre-M&A process includes setting up an M&A team with a balanced mix of personnel from both firms; being specific about motives of the M&A; being clear about the contributory role and the future plan; conducting a preliminary cultural audit among management personnel; and reassuring employees about their future within the company to reduce fear and anxiety. The actual post-acquisition process is more crucial and requires more attention (Quah & Young, 2005). Quah and Young (2005) describe this process as lengthy and difficult, they pronounce that in order to reduce resistance and cultural conflict, the acquirer plans and implements the following four points:

- In the first year, conduct a full-scale cultural audit and communicate the results to employees involved in the post-acquisition changes.

- The force of cultural influences should be anticipated by both firms and both should be flexible and open to differences.
- Understand that interactions of national and organizational cultures differ during the various phases after the acquisition took place.
- Be sensitive to the implementation of post-acquisition changes on issues such as timing and obtaining co-operation from employees.

Following these points will allow the acquirer to achieve success in terms of realizing synergies, increasing profits and operating income, quickly transferring of unique knowledge and genuine competitive advantage from international acquisitions (Quah & Young, 2005). The sequential, evolutionary approach to the reorganization of internal management processes and actions that is proposed by Quah and Young (2005), has to be responsive to contingent factors. The authors also conclude that this approach has to be balanced alongside other pressures related to timely achievement of tangible results (acquired) and performance improvement (acquirer).

2.4.4. Effects of post-acquisition integration

The post cross-border acquisition integration ideally has to result in positive effects for the acquisition to be regarded as successful. In this paragraph relevant theories are explained and measurement variables for analyzing acquisition success are provided. The literature does also provide some extra integration related organizational areas that need to be taken into account when trying to achieve synergy effects.

Studies on the effects of post-acquisition integration have argued that related acquisitions[4] should exhibit superior performance and synergy effects compared to unrelated acquisitions (Datta, 1991). A study by Shelton (1988) suggests that acquisitions that permit access to new but related markets create the most value for shareholders. "The primary objective in post-acquisition integration of operations is to make more effective use of existing capabilities." But several other studies show that many acquiring firms are unable to manage the integration of acquired firms effectively. This is frequently the case when there are incompatibilities in organizational areas of the two firms, regarding management styles, reward and evaluation systems, organizational structures, or organizational cultures. These incompatibilities may reduce synergy effects of the integration. Possible differences in management styles are for example: risk-taking propensities, tolerance for change, decision-making approach, control/communication styles and participation of subordinates in decision-making (Datta, 1991). Significant differences in management styles can contribute to "cultural ambiguity", which is a situation that is characterized by uncertainties about whose style or culture will dominate. In general this results in imposing acquirer management style on the acquired firm that subsequently loses its identity and a poor post-acquisition performance is delivered, this generally occurs in acquisitions with high operational integration (Buono, J. L. Bowditch, & Lewis, 1985). Hayes (1979) argues that different management styles can effectively work together if the interaction between acquiring and acquirer firms is limited. This situation can exist in situations of low post-acquisition operational integration. But it often occurs that the acquiring firm management ends up imposing own styles on the acquired firm anyway, so low post-acquisition integration does

[4] Acquisitions that have a strong strategic fit with the acquiring company (i.e. is in the same or similar business and fits within the corporate strategy)

not necessarily mean true autonomy. According to Datta (1991) the acquired firm is often subjected to close control and scrutiny (e.g. increased reporting, frequent visits by management of acquiring firm, fundamental changes required in management priorities).

Differences in reward and evaluation systems were hypothesized by Datta (1991) to have effect on post-acquisition performance, but the supposed effects on post-acquisition performance were not observed in the study. It is though important to realize that systems in an acquired company can serve better in the cross-border situation than the systems of the acquiring firm (which may seem superior). Post-acquisition success can be assessed using multiple criteria: post-acquisition sales growth, post-acquisition profitability of the acquired division, cash flow changes, importance given to the acquired entity by the acquiring firm after the acquisition, and the opinions expressed by executives and industry analysts. Quah and Young (2005) measure performance by profits, sales and employment growth rates for a ten year period; the performance of manufacturing metrics as compared to the headquarters site; and synergy effects since the acquisition that relate to sharing of operational resources and transfer of functional and management skills.

Post-acquisition learning has also been treated as an opportunity for improvement that arises from an acquisition. But it's also a necessity to overcome problems in the new organizational situation. Learning has been defined by Villinger (1996) as: "Learning in organizations represents the process of developing a potential to improve actions (behavior) through better knowledge and understanding (cognition)." Villinger (1996, p. 190) identified four major types of managerial learning in cross-border acquisitions:

- Learning in the sense of developing into a generally more effective and efficient manager.
- The acquisition of specific, applicable, functional know-how and technical competencies.
- The development of a deeper understanding of and an improved sensitivity for the partner company's and country's culture.
- The acquisition of the partner's language, thus being able to communicate directly without the use of interpreters.

The dominant barrier to successful learning from a Western perspective is "language problems", a real understanding of the true underlying meanings in communication is frequently impossible. Those language difficulties are followed by problems due to pronounced differences in cultures, (socio-political and economic) systems, mentalities and ways of thinking. Another barrier lies, according to Western managers, in problems caused by local colleagues' lack of openness and defensiveness. This last barrier is a heritage from the communist society, because these were controlled through negative feedback, thus encouraged avoidance behavior and generally defensive and secretive attitudes. From a central eastern European perspective on learning barriers language difficulties again represent the dominant problem, followed by differences in cultures, systems, mentalities and thinking. A third learning barrier according to central eastern European managers lies in problems due to expatriates involved in post-acquisition management, they are not always willing or able to accept local specifics, thus revealing lack of openness and readiness for "un-learning" on the western side. Some CE managers even recognize problems on their own part, they tend to misjudge their skills, to fear open communications with their western partners, and they are sometimes still influenced by the traditions of the communist system. Villinger (1996) concludes that western acquirers in CEE should put more emphasis on language and cultural skills in selecting and training employees who are expected to get involved in post-acquisition management efforts. If available a 're-patriate' (Czech-born immigrant) would be an ideal employee. (Villinger, 1996)

In line of post cross-border acquisition effects it is important to analyze the effect on the innovative performance that the acquisition has. Especially in high-tech industries one would expect that the desired effect of an acquisition is increased innovative performance. Cloodt, Hagedoorn and Van Kranenburg (2006) examine the effects of acquisitions on the innovative performance of companies in high tech industries. They found that non-technological M&As contribute little to the innovativeness of the acquiring firm, in some cases they even found a negative effect on innovativeness. They also found that the absolute size of acquired knowledge base does improve post-acquisition performance, but only during the first two years, thereafter it even has a negative influence. The absolute size of acquired knowledge was measured by listing the number of patents that the acquired companies obtained in the last five years before the acquisition. The total amount of patents granted is the absolute size of the acquired knowledge base. Cloodt et al. (2006) did find that with the integration of a relatively large knowledge base, fewer resources are available for innovative activities (because more resources are needed for the integration process), which implies a lower post-acquisition performance. Acquiring companies should strive for acquisition of a company that has moderate relatedness regarding the knowledge base. There should be enough overlap to facilitate the absorption process, but on the other hand, the combination of the knowledge bases requires enough diversity to make a substantial contribution to the post-acquisition innovative performance. In order to gain innovativeness after an acquisition, the acquiring company should search for acquisition opportunities that do have a technological background with a modest knowledge base that is moderately related to the acquiring company. Cloodt et al. (2006) also find that a bigger acquired company (in terms of employees), with a different knowledge base and a different culture has better chances in enhancing post-acquisition innovative performance. But the acquiring firm has to be able to integrate this knowledge and to alter the existing routines in the organization

2.5. Theoretical framework

The literature review resulted in some opportunities and threats that we should take into account while conducting the research. These opportunities and threats can be found in a table in appendix 1. In figure 3 the literature review is visualized in a theoretical framework that represents the examined literature as a research model. This figure presents a graphical overview of the preceding literature review to summarize the main topics that will be elaborated on in this thesis. The model is situated within a frame that represents Central and East European countries. Three topics influence the post M&A development strategy. In general the whole process is influenced by the phenomenon of internationalization using cross-border mergers and acquisitions. The strategic factors that influence development of a post M&A strategy are represented on the left. In essence this topic contains the subsidiary growth strategy the acquirer has in mind, the external and institutional environment of the subsidiary and the relatedness of the acquired company. Three growth strategies are identified of which one is identified in the literature as the best suitable for companies in CEE countries. The company in the case study is applying the M&A growth strategy, cross-border M&As are the central topic in this thesis. "Integration aspects" that where found in the literature review include the aspects that influence the integration process. Examples are the language differences, the managerial skills, the adopted control systems, the presence of a global mindset, the national and organizational cultures that the company has to deal with, the amount of capability transfer, different integration approaches and finally the desire and possibilities for organizational learning. The topics that are identified in the literature review are not mutually exclusive and they all need to be considered while developing and integrating an acquired company. An overview of the literature can be found in appendix 2.

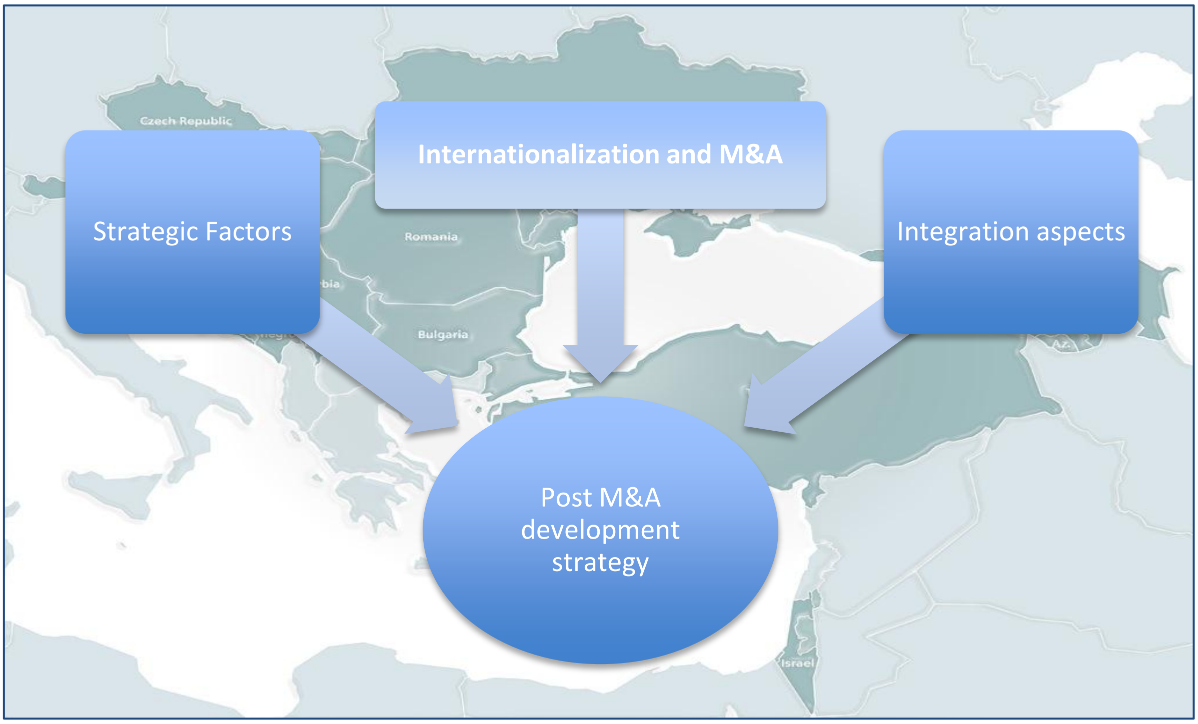

FIGURE 3: THEORETICAL FRAMEWORK

3. Methodology and Data collection

In the previous chapter an overview of existing literature was presented, in order to provide a theoretical basis for the research. In this chapter the methodology that is applied in the research is introduced together with the data collection methods.

3.1. Methodology

To identify and describe aspects and strategic factors that influence integration and development of a cross-border subsidiary it is important to gather information regarding this subject in practice. Since there is no possibility to control the research object and its environment, as would be the case with an experiment, a case study strategy is the most advised strategy to conduct this research. This because case study research is strong when the research project has a purpose to explain and/ or understand a contemporary phenomenon (Yin, 2003), particularly when a more complex and detailed explanation is required as is often the case in an M&A situation. To be able to test the theoretical model in practice SMEs with internationalization experience can provide insight. In order to obtain detailed and unbiased organizational information, this study will focus on a single organization and analyze this organization in a single case study design. Eisenhardt (1989) and Eisenhardt and Graebner (2007) advocate the generative purpose of the case study method in the field of management research. A case study is particularly relevant “in the early stages of research on a topic or to provide freshness in perspective to an already researched topic” (Eisenhardt, 1989, p. 546). The topic of this thesis has been discussed extensively in literature, because it is in the field of internationalization and M&A. The thesis tries to provide new insights in the perspective of post cross-border acquisition integration by studying the case of a Dutch SME and it’s subsidiary in the Czech Republic. A case study is defined by Robson (2002) as “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence”. The subject for the case study is a Dutch SME, named FIRM Y. FIRM Y is active in delivering high-tech automated welding solutions to its international customer base; the firm is in the process of adapting its operations to the international environment. Of particular interest is the fact that the firm did acquire a small firm in the Czech Republic in 2006, which really made it fit the definition of a multi-national corporation that manages production and delivers services in more than one country. This previously acquired subsidiary is in the process of integration within the FIRM Y organization, this process classifies as a post cross-border subsidiary integration. The research is limited to this single case due to timing constraints that follow from the fact that this thesis is written as final product for the Master Business Administration.

This research has a practical relevance, because its goal is to identify post cross-border subsidiary integration dimensions that help optimizing this process.

3.2. Data collection

The research draws on various literature sources, but also fieldwork where data is collected in practice. The literature review resulted in a theoretical framework that helps identifying critical dimensions for subsequently the identification of the reasons for the internationalization, the development of the growth strategy, cross-border mergers and acquisitions and the integration/development of M&As, the cultural differences that influence such a process and the international management aspects. Organizational data is gathered by analyzing organizational (internal) information, available from intranet, semi-structured interviews[5], a VOKIPO (De Cock et al., 1986) questionnaire and documentation. The use of a variety of sources improves the external validity of the research; results are more generalizable because they are not influenced by the personal bias of one respondent. But generalizability is limited to other SME's in high-tech (welding) production solutions with acquisitions in Eastern and Central Europe (Czech Republic). The nature of the research process is of a qualitative kind, which implies that the case study is based on qualitative data[6]. Eisenhardt and Graebner (2007) state that the case study method provides a good bridge from rich qualitative evidence to mainstream deductive research. In this exploratory study[7] a single organization will be analyzed as one whole entity, not divided into different sub-units (which would make it a holistic case study).

In order to obtain in-depth qualitative data, multiple face-to-face semi-structured interviews will be held with employees and management at FIRM Y in the Netherlands, but also with employees and management in the subsidiary in the Czech Republic. Semi-structured interviews with experts in the field are considered one of the best ways to gather data that provides a deep insight in the research topic at hand (Yin, 2003). In the Netherlands interviews will be held with the core management team, consisting of the two executive officers, the chief operations officer, the financial controller and the sales manager. The core management team is responsible for strategy development and must be able to give insight in the vision and experiences regarding FIRM X. In addition to the core management team the logistics officer and the jig production manager will also be interviewed because those are the people who are most involved with the Czech subsidiary in their daily operations. In the Czech Republic the director will be interviewed between January and March 2012, as well as at least three of the Czech employees (if available more employees will be interviewed). With the combination of Dutch and Czech respondents, the relevant differences between these cultures can be identified. A prior selection of people who are most involved with the subsidiary helps in selection of knowledgeable people that have a well-developed opinion about the subsidiary in order to increase internal validity. In order to structure the interviews the themes from McKinsey's 7S model (Waterman, Peters, & Philips, 1980) will be followed. The central idea in the development of this model was that organizational effectiveness stems from the interaction of several factors (Structure, Strategy, Systems, Shared Values, Skills, Style, Staff and Skills). The interview questions are structured using these factors in order to be able to adequately process the information and group the results. The questions for the interviews can be found in appendix 3. This approach allows a deeper understanding of the context and the processes involved in the post cross-border acquisition integration and development phase. According to Saunders et al. (2009) the interviews should have an open-ended, in-depth and semi-structured character in which the researcher keeps

[5] "Wide-ranging category of interview in which the interviewer commences with a set of interview themes but is prepared to vary the order in which questions are asked and to ask new questions in the context of the research situation" (Saunders, Lewis, & Thornhill, 2009)

[6] "Qualitative data are non-numerical data that have not been quantified. They result from the collection of non-standardized data that require classification and are analyzed through the use of conceptualization" (Saunders, Lewis, & Thornhill, 2009).

[7] "An exploratory study is a valuable means of finding out "what is happening; to seek new insights; to ask questions and to assess phenomena in a new light" (Robson, 2002, p. 59)

an unbiased attitude. Additionally a VOKIPO questionnaire will be held at both the acquirer and the acquired in order to obtain quantitative data regarding organizational culture (De Cock et al., 1986).

With the gathered information and the knowledge adapted from the literature, existing theory will be tested and extended. This implies that this study is of an inductive kind.

The theoretical framework presented in chapter 2 was deductively subtracted from existing theory and provides a framework for analysis that can be applied on the information that is derived from the fieldwork at FIRM Y. This approach results in a clear description of the situation at FIRM Y that is combined with the theoretical foundation, in order to find discrepancies in the theory and the specific case (practice). This strategy will result in an extension of existing literature on the subject of international management and cross-border subsidiary integration, because existing knowledge is combined and applied on a case study that is active in welding solutions in Eastern Europe.

The analysis of the case at FIRM Y according to the theoretical framework will uncover relevant internal and external strategic factors that influence the development and integration of a cross-border subsidiary. Eventual discrepancies between theory and practice result in strategic recommendations for FIRM Y regarding the development of the cross-border subsidiary and in extension of the existing literature on the subject.

4. Case study

4.1. Introduction

In order to test the model that was presented in chapter two a case study at FIRM Y is conducted. This case study helps identifying critical dimensions for subsequently the development and integration of a cross-border subsidiary in the Czech Republic from a Dutch company perspective. The case study at FIRM Y is structured by utilizing the 7S framework that was developed by employees of consultancy firm McKinsey (1982).

4.2. Reasons for internationalization

Respondents in the case study identified the following motivational factors for the internationalization of FIRM Y: The main domestic condition that resulted in the decision to internationalize was the fact that the amount of technicians available in the Netherlands is limited and they will require a relatively high salary if they are found. Regarding market issues was identified that the home market in the Netherlands lead the firm to internationalization; because customers of the segment that FIRM Y is mainly active in (automotive branch) are located in other parts of Europe, especially in Central and Eastern Europe. In the Netherlands necessary resources are all available, but especially the human resources can be found less expensive in CEE, this means that the resource-seeking factor also plays its part in the reason for internationalization. FIRM Y was operating in the global market before the acquisition of FIRM X, but the company has the desire to become a more global organization with different cross-border subsidiaries in the near future. The experience that is gained by expanding to the Czech Republic can be utilized in the expansion to China. There was no direct need to follow a supplier for FIRM Y, but customers do value outsourcing in CEE. FIRM Y had already some outsourcing activities in the Czech Republic regarding turning and milling machines, which made it easier to take the step into this country. FIRM Y is operating in an international market; in order to stay competitive a cross-border subsidiary is a pre. Customers do value a subsidiary in countries in CEE, a significant part of the customers is even situated in CEE. The valuation by customers is demonstrated by their desire in the purchasing conditions that a part of the production is outsourced in CEE; it’s not obligated or necessary but it certainly is valued.

The second dimension that Senik et al. (2010) identified is the firm characteristics dimension with the two sub-categories “firm itself” and “firm’s top management”. Concerning the “firm itself” category the first category is based on the firm’s resources, for FIRM Y the search for human resources with a technical background was an important reason that can be classified in this category. FIRM Y’s product does demand internationalization, because the company serves an international customer base, but this is not a driving factor for obtaining a subsidiary in this case. A third identified category is about a situation where capabilities of the firm itself can be better exploited in another country, this is not the fact for FIRM Y, capabilities are still best exploited in the Netherlands at their current location. Finally there was a reputational factor identified by Senik et al. (2010), this factor was also identified in the case of FIRM Y, in the negotiation process being an international organization can in some cases be seen as an advantage for potential customers. In the case of Matador (a Czech company in FIRM Y’s segment) the fact that FIRM Y has a subsidiary in the Czech Republic has even made it easier to sell a project. In the future FIRM X must be able to provide services to FIRM Y’s customers regarding modifications and/or maintenance, which is then also a factor that increases FIRM Y's reputation and image in the market. The second sub-category concerns the firm's owners or top management. FIRM Y's owners are internationally orientated; the kind of business FIRM Y is in does demand this. FIRM Y has already served international customers for a long time, which means that there certainly are international skills and abilities. The long international history of the firm does also explain the international attitude that the owners (and top management) have. The owners do both have Dutch origins and are with FIRM Y for a very long time, which means that the background of the owners does not directly influence the internationalization desire towards CEE.

The industrial factors dimension contains the category intense competition; internationalization is not necessary to stay competitive in the business that FIRM Y is in, with just the headquarters in The Netherlands it is possible to remain competitive. The automotive branch is relatively big in the Czech market, a quick search on the internet results in 187 tier 1 suppliers (tier 1 suppliers in the automotive branch are very important in FIRM Y's business) who are situated in the Czech Republic. However the attractiveness of the Czech market is not a direct driver of the internationalization towards the Czech Republic, because FIRM Y is able to serve this market by employing international account managers. Despite of this it is attractive for FIRM Y to be present in the CEE region to reach current and potentially new customers easier. In the CEE region the Czech Republic is also attractive because of the central location in this region. Gaining economies of scale was not a direct driver for the internationalization of FIRM Y. The initial intention was to create a subsidiary that was able to assemble jigs at a lower cost price. But this is due to labor costs in that region, not due to the extension of the production capacity and realizing economies of scale. The nature of the industry itself did partly influence the decision to internationalize. There were already some suppliers and customers active in the CEE region and since the borders are open it is relatively easy to enter a CEE country. FIRM Y's CEO was in contact with a Dutch company (Tegema) that had an existing entity in the Czech Republic. Tegema's interest in their Czech subsidiary was declining, they could not provide the subsidiary with enough (engineering) work and they were willing to sell. This made it fairly easy for FIRM Y to enter the Czech Republic at a fair price, which eased the decision to internationalize.

The fourth dimension identified by Senik et al. (2010) is the external dimension, which contains the four factors that are applied in a PEST analysis. Some or all of these factors can demand of an organization to go international. The category economy was said to have the most influence on the internationalization decision according to the respondents in the study by Senik et al. (2010). For FIRM Y the influence of external economic factors is also significant, because an important part of the key automotive industry is located in the CEE region. In order to be closer to this industrial cluster a subsidiary in CEE is a pre. Another economic reason is found in the fact that CEE has relevant resources available in the form of a relatively cheap technical workforce compared to the Netherlands. Political reasons were also mentioned by 63 percent of the experts that were interviewed by Senik et al. (2010). For FIRM Y the membership of the Czech Republic in the European Union made the decision to acquire a subsidiary there easier. Acquiring an existing entity in the Czech Republic was making the process less complex, because political issues are avoided. The people at Tegema originate from the Czech Republic and are familiar with political factors like tax policy, labor law, environmental law, trade restrictions, tariffs, etcetera in the relatively unstable Czech political environment. Technological reasons were identified as the third category within the external dimension that influences the reason to internationalize. The technological level of the workforce in the Czech Republic in general is rather high related to other CEE countries. According to the OECD 16,2% of total university degrees is engineering, manufacturing or construction related in the Czech Republic. There are nine universities in the Czech Republic that have technically orientated faculties, which deliver 17,000 technical graduates per year, of which 8,300 are mechanical or electrical engineers. For FIRM Y this technological factor was one of the reasons to choose for the Czech Republic. The last category that influences the reason for internationalization is the society as a whole, the socio-cultural factors. In the case of FIRM Y the influence was limited to the fact that the level of education in the Czech Republic is relatively high related to other countries in CEE and the people are eager to learn new things. There were no other socio-cultural reasons mentioned in the interviews.

The last dimension *networking/relationship* was identified by 85 percent of the experts in Senik et al.'s (2010) study, which meant that this was the most influential factor in the internationalization process of Malaysian SMEs. In the respondents in the case FIRM Y it is overly clear that personal relations of the CEO played a great role in the this particular acquisition. He was familiar with the owner of Tegema B.V. in the Netherlands, who had a subsidiary in the Czech Republic that he was willing to sell. This personal relation was not the reason to internationalize, but it was certainly the reason for acquiring this particular company in the Czech Republic. Buying an existing entity helps gaining support of governance agencies and it saves the time of starting up a firm from scratch. The respondents at FIRM Y did also mention the importance of linking up with existing suppliers and customers in the CEE region. FIRM Y did already have a network available in the Czech Republic before they acquired the subsidiary (e.g. 4 to 5 existing suppliers and also an existing (potential) customer network), FIRM X does now use partly the same suppliers as FIRM Y and the Czech company searched for its own suppliers. Examples of companies in the supplier network are: Fanouk, Ralatins, ABB, Obal, VESTO (pneumatics) and Gestako (clamps). FIRM X is currently extending the network of business partners by acquiring its own customers in the local market, but this search is started after the acquisition and the extending network at FIRM X is not highly valued at FIRM Y.

4.3. Strategy

In the 7S model one of the so called hard variables is the strategy of the organization, in this paragraph the strategic intention for the acquired cross-border subsidiary (FIRM X) will be outlined regarding literature about the subsidiary role, followed by the subsidiary growth and integration strategy.

4.3.1. Subsidiary role

FIRM Y's strategy results in the vision that it wants to provide customers with state-of-the-art welding machines in order to provide them with the advantage (cost reductions and/or distinctiveness). FIRM Y wants to be a smart reliable partner for its customers and is aiming to strengthen the market position within Europe, while keeping an eye open for chances in the rest of the world. (Firm Y, 2011). Regarding internationalization FIRM Y BV (FIRM Y) is applying an M&A growth strategy and acquired a small engineering firm in the Czech Republic; this is FIRM Y's first international acquisition.

Initially the vision for FIRM X was to extent engineering capacity and to outsource some assembly work of FIRM Y. Currently FIRM Y approaches FIRM X as an autonomous supplier of jigs and simple assembled parts, but there is still the desire to extend the possibilities of FIRM X. At this time approximately 90 percent of the Main Cabinets, the control units, is outsourced to the Dutch company SPL. With a larger production surface at FIRM X and the right amount of knowledge it will be possible to outsource this part of the process towards FIRM X in order to save costs and to be able to further broaden the portfolio and knowledge of FIRM X. From the point of view of the FIRM Y Holding the role of FIRM X is to be a healthy company that makes profit. FIRM X's role is identified as: *assigned by the head office*. FIRM Y's management is totally responsible for defining the strategic imperatives of the company; FIRM X has to conform their role to corporate strategy.

Resources at FIRM X are not location bound, technically everything that FIRM X does can be done at FIRM Y in the Netherlands. The only resources in CZ that are specialized are the human resources, those are specialized in terms of costs. Jigs can be assembled at lower costs because the wages in CZ are significantly lower. This was the main reason for corporate management to acquire a cross-border subsidiary in CEE in the first place and thus are human resources at FIRM X certainly recognized. Transferability of these resources is also ensured, because CZ employees can easily be temporary hired in the Netherlands. In the start-up phase of the subsidiary there was some resistance, because on the one hand Dutch employees were afraid that the Czech employees would take over their jobs and on the other hand the Czech employees didn't like going to the Netherlands. And finally the leveragability of the human resources is also ensured, by letting the Czech employees cooperate with the Dutch employees they improve the quality of their work. Other resources at FIRM X are not specialized and can all be replaced.

The people in CZ are feeling they get enough room to show initiative, but in practice there are no initiatives identified that are currently coming from FIRM X. Operational level participants at FIRM X see opportunities for extension of possibilities and international responsibilities, but they are not acting and striving to realize this. An example is a respondent at FIRM X who thinks that with more responsibilities FIRM X could do more engineering work than is currently the case, but he is not trying to realize this. At FIRM X there is management support for intrapreneurship, but it is not really stimulated. The vision of FIRM X is highly influenced by the strategic priorities that are pronounced by the management at FIRM Y. The management at FIRM Y does not require stimulation of intrapreneurship from FIRM X's management, they don't need an entrepreneur, just a good manager. Performance of FIRM X's management is rewarded in a yearly evaluation, but this is not measurable. Besides there is no availability of time and resources to stimulate intrapreneurship. People in CZ are risk-avoiding and mainly happy to have a job for a mother company outside of CZ that gives them a fair salary. All in all this implies there is no strong intrapreneurial culture present at FIRM X. FIRM X has to deal with relatively strong local competition for the projects they market themselves, but since they depend on FIRM Y for about 90% of their turnover there is no real motivation to be competitive in the local market. The competition is heavy because there are big, further developed corporations that serve the segment that consists of orders ranging from 100.000 to 1 million euro's. These companies have the ability to manage greater projects and are more experienced in welding processes and robot integration (e.g. KOPR and DEL). On the other side of the market there are the small family companies that employ between one and ten people, these companies compete with FIRM X on the smaller orders ranging from 30.000 to 40.000 euro's in value. FIRM X is seen as a professional company with good leadership and a logical firm structure (including management, sales, planning, engineering, etc.), which also implies relatively high costs per hour for a company in the Czech Republic. FIRM X sees itself mainly as an exporter for their *"mother company"*. FIRM Y does not see FIRM X as a high-contribution subsidiary, during the interviews it is more referred to as a flexible shell of the company that helps dealing with capacity limitations. When combining the turnover of both companies the contribution of FIRM X is about 8%, which is not an extremely high contribution to the total, especially when including the fact that only 10% of this 8% is realized by local sales. The subsidiary in the Czech Republic offers FIRM Y a growth path that is less expensive, because investments in the Czech Republic are cheaper in general. In the case of a shrinking project portfolio it costs less to let employees in the Czech Republic be unproductive for a while, then this would cost in the case of unproductive Dutch employees. Subsidiary initiative is limited according to respondents, the problem solving capabilities are improved over the years, but real initiative is not identified. The lack of subsidiary initiative from FIRM X restrains the flow of information and potential efficiency improvements.

The role that is assigned by the head office to the subsidiary is one that entails a strong relationship to the acquiring firm. The strategic interdependency is relatively high, FIRM X depends on orders of FIRM Y and FIRM Y on the other hand depends on the capacity that FIRM X has available to offer flexibility. FIRM X's dependency of FIRM Y is bigger than the other way around, because FIRM Y provides FIRM X with work (e.g. when FIRM Y has overcapacity there is no work send to FIRM X). FIRM X's sales and engineering departments are not able to fill the assembly capacity, which means that assembly work delivered by FIRM Y is necessary. FIRM Y's dependency of FIRM X is limited to the flexibility that is offered by FIRM X, jig assembly can perfectly be transferred to FIRM X if FIRM Y is too busy. Both companies are definitely strategically interdependent. Organizational autonomy was not necessary after the acquisition, there were no strategic capabilities acquired that demanded preservation. The acquired company was mainly consisting of engineers while FIRM Y desired a switch towards a more assembly-oriented organization. The engineering capacity at FIRM X was also not as advanced as was expected in the first place (specialization was mainly digitalization of drawings in AutoCAD). Regardless of this fact FIRM X is currently operating autonomous, it is a different organization owned by the holding and operates as a profit center (e.g. own profit and loss statement, own balance sheet, and own limited liability registration in CZ) that has FIRM Y as main customer. FIRM Y receives an invoice for a jig they bought from FIRM X and the other way around FIRM X receives a credit note in the case that an inadequate product is delivered. In the case that a quotation is too high FIRM Y can refuse the offer and order the jig somewhere else. It really is a customer/supplier relationship that results in a higher sense of responsibility for FIRM X. But since the two companies are subsidiaries of the FIRM Y holding the shareholders of the holding have to be informed about structural changes and stock transactions that FIRM X wants to execute, they also have to sign for this.

4.3.2. International M&A and subsidiary growth strategy

International M&A is the strategy that the FIRM Y holding applied when they acquired Tegema in the Czech Republic in 2006. This was a typical cross-border acquisition, which was new to FIRM Y at that time. This acquisition was almost six years ago and the firm in the Czech Republic is in a continuing development process. FIRM X's growth strategy can be classified as "generic expansion". FIRM X has to realize growth by finding its own customers whilst at the same time the firm has to be able to cope with growing demand from FIRM Y NL. A rise in capacity is demanded by FIRM Y by setting certain goals (e.g. number of employees or square meters), FIRM X can autonomously decide how they want to reach those goals. FIRM Y wishes to shift the growth on certain disciplines to the Czech subsidiary in the future in order to save costs and reduce risks regarding overcapacity. More disciplines are transferred to FIRM X step by step, at first only jigs, now also standard cells and in the near future this will be extended with electro cabinets. In general more electro technical-, mechanical-, programming- and project management knowledge will be transferred to FIRM X using incremental steps. From the holding's point of view FIRM X has to reduce dependency of FIRM Y, the Czech firm has to become more self-supporting and contribute relatively more to the profit of the holding. From FIRM Y's point of view FIRM X will stay in the role of a (very good) supplier, not the whole MT is certain that FIRM X can ever provide for itself. In short FIRM X has to extend in terms of knowledge, skills and size according to the management's vision. This vision for the future contains no desire for integration of the two companies, but FIRM Y's management realizes that they should turn FIRM X into a success in order to proof to themselves that FIRM Y is able to operate internationally. The development of FIRM X is a benchmark in internationalization capabilities of FIRM Y. FIRM X's role stays complementary according to FIRM Y's management, FIRM X serves another product/market combination and is active in the lower segment with smaller projects and jig assembly. FIRM Y wants to see a rise in volume flexibility and more tasks must be interchangeable between FIRM Y and FIRM X. The vision is that FIRM X will grow relatively faster than FIRM Y and that the two companies will be more balanced in the future. This growth process of FIRM X can be relatively faster because of the lower wages in the Czech Republic and the FIRM Y business process that is based on selling hours. Every direct hour can be linked to a project and every direct hour can be exchanged between the two companies, sales and management are examples of indirect hours (overhead costs) that cannot be linked to projects and are difficult to exchange between FIRM Y and FIRM X.

In the case of FIRM Y the experienced influences of the Czech institutional environment are limited to more bureaucracy and a complicated legal system which originates from the old regime (socialism) in which all economic objects where nationalized and operating according to a national economic (five-year) plan (Jenerálová, 2011). In practice this means that you need a lot of autographs and stamps in order to get where you want, which implies that the process takes longer. An example is the amount of statistical reports that FIRM X has to deliver to the government, these are not making the process more difficult, but it takes extra time that potentially could be used otherwise. FIRM Y does not experience the bureaucracy as problematic, because they just accept the delays. The political situation in the Czech Republic is not stable, but has no significant influence on FIRM X, none of the respondents saw this as a problem. Regarding the economic situation the respondents realize the privileges of the membership of the European Union. The Czech Republic became a member of the European Union on 1 may 2004, which led to inflow of foreign direct investments like the investment FIRM Y made in 2006 (Jenerálová, 2011). The experience that FIRM Y has with its subsidiary is all from the post-EU membership period, so there are no trade restrictions that FIRM Y has to deal with. There was no sign of significantly higher transaction costs identified in the case study in the CEE region. The fact that a transaction takes more time has no significant influence on costs according to the respondents and some even had the idea that transaction costs are lower in the Czech Republic than in the Netherlands. The proposed networking strategy to obtain and sustain competitive advantage is not being applied in the FIRM X case. The only long-term relationships that FIRM X has are with E.ON (rental agreement) and since 2011 with the bank (financing is possible due to guarantees of FIRM Y), for the rest the company tries to maintain a flexible capacity just as FIRM Y does in the Netherlands. Internalization is not feasible at the moment due to the relatively low amount of orders and the fact that the main customer is FIRM Y in the Netherlands.

4.3.3. Cross-border subsidiary integration strategy

In order to be able to develop an integration strategy for a cross-border subsidiary in the Czech Republic, information about the external components of the Czech market is of fundamental value. An overview of known facts from different sources about the external environment will be presented in this paragraph.

Companies operating in Eastern Europe have been facing and are continuing to face a rapid stream of fundamental changes with respect to their external (as well as internal) environments. The whole society develops from a relatively rigid and restrictive socialists or communist system, towards an 'open' market-oriented democracy. "There is a shift from controlled ideology, central planning and hierarchical structures towards pluralism, decentralization and, consequently an increased emphasis on individuality." (Villinger, 1996) A firm in the Czech Republic before the transition was in general not concerned about profitability, mainly because the government automatically wrote off debts and provided operating funds where needed. This implies that there was little incentive to improve financial performance. As a result there was neither motivation nor room for firm growth in the form of sales, profit, or new products. Opposed to market economies, the most fundamental feature of planned economies like the Czech Republic was the comprehensive use of central economic planning and bureaucratic control. Before the transitions the central government developed a national plan that was decomposed incrementally into a set of targets and orders for specific (state-owned) enterprises (Peng & Heath, 1996). These state owned enterprises had soft budget constraints, which implies that the existence of a western parent company with seemingly 'unlimited' resources might well undermine the incentives for improvement and learning effects (Villinger, 1996).

The Czech Republic is now economically one of the most advanced countries among the post-Soviet bloc EU member states, the GDP is 192.2 billion dollars and there are 10.4 million inhabitants (GDP per capita US$18,288). In the Global Competitiveness Index the Czech Republic is ranked 38th out of 139 countries and is in the third stage of development (innovation driven). The top three of most problematic factors for doing business in the Czech Republic are in general: corruption, inefficient government bureaucracy and tax regulations. The country relies on an excellent education system and highly efficient and well-developed goods, labor, and financial markets. This was confirmed by FIRM X's management for the region around Zlín where FIRM X is situated. Since the end of the Second World War this region is famous for shoe industry and development of machinery, the region also has a concentration of the best-educated designers available. The industry (e.g. ZPS, Taj-Mac) stimulated technical education in this region, which resulted in the highest density of technical people in CZ for the Zlín region. The Czech manager acknowledges that the foreign language is difficult for this post-war generation, but he mentions that this barrier is of less importance with the new generation of educated people. He sees the mixture of the post-war technical generation and the new generation well educated people as ideal for a company like FIRM Y. The Zlín region is considered by the manager of FIRM X as a region with good investment conditions (e.g. man power, skills, reliability, knowledge, experience).

There is also a strong commitment toward advancing technological readiness according to the World Economic Forum (2011). "In transition economies, the dominant feature influencing the nature and pace of entrepreneurship and small business development is the external environment, which, in some cases, appears hostile in social, economic and political terms. In an unstable and weakly structured environment, informal networks often play a key role in helping entrepreneurs to mobilize resources, win orders and cope with the constraints imposed by highly bureaucratic structures and often-unfriendly officials. “Moreover, the social context inherited from the former socialist period appears to affect both the attitudes and behavior of entrepreneurs and the attitudes of society at large towards entrepreneurship.” (Smallbone & Welter, 2001) The influence on FIRM X of these factors is generally limited, but two examples are found. The search for a new premises is complicated, due to the fact that prices are raised as soon as it is known that a foreign owned company is trying to buy something. The relatively large knowledge base thanks to the connection to FIRM Y can result in customers who ask for a quotation and possible solutions to their problems in order to profit from the knowledge without placing an actual order. Another general problem in the transition towards a market-economy was the lack of a well-defined property rights-based legal framework, which led to high transaction costs (Peng & Heath, 1996). This problem is not found in the case study at FIRM X and the Czech Republic anno 2011 has a relatively high Intellectual Property Rights Index (IPRI) score of 6,5, which places the country on the 33th place of the 129 economies that are measured (Americans for Tax Reform Foundation/Property Rights Alliance, 2011). However there are still remainders of the pre-transition period, which results in the greater influence of informal institutions and constraints. Because during the transitions the previous formal constraints (i.e. the planning regime) have been weakened, while the formal constraints for a market-based economy also where lacking.

To compete within the international environment there are three key components identified in the literature: knowledge of the market, international networks and focus on technological innovation (Musteen & Datta, 2010). SME’s within the Czech Republic are strongly dependent of market knowledge, this knowledge allows these firms to better meet customers’ requirements and anticipate competitors’ moves. It also facilitates the identification of potential alliance partners and the development of supplier networks. FIRM X’s knowledge of the local market is a form of tacit knowledge that is concentrated in the head of the only salesman that is currently employed. This knowledge is partly made explicit by the salesman in CZ by reporting to FIRM X and FIRM Y management. In the report that was made for 2010 the salesman identified 128 companies within the association of Czech automotive suppliers and 61 companies in the association of Slovak automotive suppliers. But for the local market the CZ sales department should also focus on additional industries in order to become more independent of FIRM Y, according to current corporate strategy. Currently FIRM X serves the local market with jigs, simple machines or mechanization. Examples of local customers in CEE are: Edscha, CIE, TVD, Magna, PWO, Faurecia and ABB. Local customers are located by using internet, databases and the utilization of knowledge from FIRM Y or other partners. Respondents at FIRM X state that it is very time consuming to reach potential customers (and to *“get in”*). Revenues are rising, but still relatively low. In 2011 one relatively large and complicated machine was sold, this order contained a lot of engineering hours and assembly went well. This experience should open doors for more machines to be sold, engineered and produced by FIRM X for local customers. Another working example here lies in the LCC[8] project, this is a relatively simple machine with a manual operated jig and welding robot that finishes the product. This machine can work without complicated control software. FIRM X is able to produce this LCC independent and has build a similar project in 2010 for key account Faurecia.

[8] Low Cost Cell

Respondents identify the branch were FIRM X is in, as a closed branch where there generally is no competition arising from new entrants. According to the interviews the industry that FIRM X is working in is pretty hard, one mistake can easily mean the end for your business. Furthermore emphasis on technological innovation is significantly associated with international performance (Musteen & Datta, 2010), regarding technological innovation FIRM X can profit from the strong connection with FIRM Y. Currently there are not sufficient resources available at FIRM X that enables the company to innovate independently of FIRM Y, the possibilities are maxed out within the current capacity of the engineering department, which currently even works with a temporary employee. Witt (1998, p. 169) states: "It probably is the most important management task for Eastern European firms to understand the markets and to build up market knowledge via creation of networks." Networking, both formal and informal, is central to the success and survival of small firms in CEE countries with their unique environment (Musteen, Francis, & Datta, 2010). In the current strategic course FIRM X uses the network for strengthening the supply chain. In order to be able to do more work for FIRM Y it is evident that FIRM X is able to use its local network. In the current state FIRM X is utilizing maximum capacity when they receive one order from FIRM Y, with efficient networking use the subsidiary can be able to handle more than one order at the same time in the future according to one of the respondents. This same respondent thinks networking will be less useful from the market side, because FIRM X has to be a best practice supplier of FIRM Y, not a competitor in the CEE automotive market, "*never bite the hand that feeds you*".

An example of a strategic change that has been implemented at FIRM X is the focus FIRM X has to have on its own local market and the uncoupling of sales in order to support this. FIRM X's sales department can operate independent of FIRM Y's sales department in order to independently find customers on the local CEE market for smaller automation projects. Another example is the mutual agreed wish for extended capabilities and capacity. FIRM X will be able to build electro cabinets in the near future thanks to received support and training from FIRM X. This extension of capabilities will result in more synergy effects, especially regarding volume flexibility. Currently the only synergy effect that can be attributed to the cross-border subsidiary is that FIRM X can benefit from purchasing conditions that FIRM Y has with her suppliers.

4.4. Structure

The second hard S in the 7S model is about the way in which the organization's units are related to each other. FIRM Y and FIRM X are officially both 100 percent subsidiaries of the holding with their own separate structure. From the perspective of the holding both companies just have to deliver profit en growth. The holding's shareholders are at the same time FIRM Y's management, in that role they see FIRM X as a supplier and as a flexible shell for FIRM Y. FIRM X is a small organization that consists of eighteen employees. The organization has a functional hierarchical structure (Business Plan, 2011) with one general manager at the top of the chart; an administrative employee on financial matters assists this manager. The sales division consists of one person who is actively searching for local customers and makes quotations for potential customers. Additionally this salesperson is general troubleshooter (e.g. in case a customer asks for a modification during the project), makes the planning and capacity calculations and is responsible for ISO operations. The engineering department currently consists of three employees of which one temporary employee, these are mainly engineering and designing the local projects, one of them is the head of engineering. Production/logistics at FIRM X is also a separate department that is responsible for planning, assembly and service of projects. The logistics division is situated under planning; this logistics division is in charge of procurement and calculation of projects. The assembly division is responsible for electrical/mechanical assembly, megatronics/welding processing and service. One PLC/Robot programmer is currently being trained in the Netherlands, he will also work within the assembly division in the near future. The current organizational charts of both FIRM Y and FIRM X are for clarity added in appendixes five and six. FIRM Y works as a project based organization with a matrix structure that consists of general management with four staff functions (HR, Finance, Facility Management and Canteen/Secretariat). Then there is a separate sales department that is responsible for account management, sales and explicate possible solutions for potential customers. When a project is sold and accepted a project manager is assigned to it, this project manager then leads the different disciplines for the duration of the project. In practice FIRM X is a key supplier of FIRM Y's jigs and from FIRM X's viewpoint FIRM Y is the main customer. FIRM Y's logistics department outsources work to FIRM X, FIRM X can calculate her own price setting for the received order. This price setting should not only cover costs, but should also include a profit for FIRM X, since it is a profit center under the holding that has to report financial results to FIRM Y's management team. FIRM Y's management believes that in the future the organizational structure of FIRM X will convert more towards the project-based structure that FIRM Y works with. But it is self-evident that this is only feasible when the organization is bigger in terms of employees and projects. Recently FIRM X started looking for a technical manager who should be responsible for planning, capacity, trouble shooting and ISO operations in order to take these responsibility of the shoulders of the only salesman that FIRM X has. There is also a desire for more standardization and formalization of procedures, reports and orders between FIRM X and NL. The recently appointed Chief Operating Officer at FIRM Y is responsible for improvement of the cooperation between FIRM Y NL and FIRM X. The business unit manager at FIRM X stays responsible for the firm's results and should be able to make forecasts and develop strategy.

4.5. Systems

The third and last hard variable is concerning the used systems within the organization. It concerns formal and informal streams of communication, procedures and processes. FIRM X is a small organization where informal communication forms dominate. In communication between FIRM Y and FIRM X e-mail contact is most frequently used to transfer information and discuss about problems (e.g. customization request by customer or supplier delay in delivery time), mostly between FIRM X and the logistics department, the project leaders and the jigs department. For the logistics department at FIRM Y the project- and capacity overviews are the most important forms of information, when additional information is needed e-mail contact is often sufficient. However there are examples of situations where e-mail contact is limited, not all asked information is provided, which implies that the boundaries between the two companies occasionally are still present. Experiences regarding cooperation and especially communication differ strongly between departments. For the regular information exchange (from engineering clearance to production/buy order) there is an Enterprise Resource Planning system integrated in both firms (Microsoft Navision) which allows for an efficient way of working and controlling. This ERP integration is resulting in blurring boundaries between the two companies. An example was given by one of the respondents with regards to the part list that has to be made. First this part list had to be made manually; nowadays it is automatically filled in by the system based on the digital drawing. Regarding the engineering department FIRM X is kept behind because not all available Product Lifecycle

Management (PLM) software of FIRM Y is implemented at FIRM X. FIRM X is switched from their old system towards SolidWorks, but the collaboration with FIRM Y's engineering department is limited because FIRM X is not licensed to use the Product Data Management (PDM) system SmarTeam. A big investment is needed to implement SmarTeam at FIRM X, the payback time of this investment cannot be calculated, since the potential cost-savings can't be quantified.

In essence the production processes are identical at both FIRM Y and FIRM X regarding the jig assembly department. In the beginning the processes that were used at FIRM Y were transferred to and implemented at FIRM X in order to bring the organization to a similar level. Planning, engineering and assembly regarding jigs is nowadays approximately on the same level. Previously FIRM Y would do a pre-purchasing check as they do with other suppliers, in order to verify if the ordered jig was satisfactory to their needs. Nowadays this pre-purchasing check is unnecessary. One respondent even clearly stated that a jig from FIRM X is nowadays preferred over a jig that is outsourced at another company. Since the knowledge on this discipline is comparable it is possible to exchange mechanics between both organizations. An important difference with FIRM Y is that FIRM X always has to outsource the parts that they need for their jigs, while FIRM Y can decide to internally produce parts when the capacity allows this. The process-oriented way of working with a project management structure is further developed at FIRM Y in the Netherlands. There are more protocols (e.g. kickoff, reports, checklists), steps are clearer defined and there is dedicated project management. But in essence the business processes are identical at both firms.

There is a weekly consultation regarding capacity and running projects with FIRM Y's logistics department and the business unit manager at FIRM X. Also there is at least every week interaction between FIRM Y's financial controller and the business unit manager at FIRM X on financial matters. On a monthly basis the order intake, exploitation budget and utilization hours (of the preceding month) is being reported to FIRM Y's MT. Regarding the sales department there is also a weekly activity report, this report is not obligated, but it is available for the Dutch sales department to get an overview of the activities that have been undertaken by the salesman at FIRM X in the last week, other than that there is no formal interaction anymore between the sales departments of both firms since 2010 (since then the strategic focus of FIRM X sales was changed from searching projects for FIRM Y to only searching projects for FIRM X). There is relatively little interaction in person between the management of both firms, approximately once every two months someone from FIRM Y is visiting FIRM X or the other way around. Previously there was also someone of FIRM Y's jig assembly department present at FIRM X approximately once every quarter in case of problems or for training purposes, but these visits are not needed anymore since FIRM X's assembly department is on an adequate knowledge level for jig assembly.

The pay system at FIRM X is based on a fixed salary for every employee; respondents in CZ mentioned that the salary at FIRM X is better than it is in native companies. In general foreign owned firms in the Czech Republic do pay better salaries than firms that are originating in the Czech Republic according to the Czech respondents. The level of the salaries is defined in different scales; FIRM X's business unit manager can evaluate every employee individually, thanks to the small company size. When an employee has a good performance there is a possibility to move up a scale, for extreme achievements there is a bonus possibility within the existing scale. There is also a bonus system that consists of a list of points on which an employee can score, to a maximum of 100 percent. The parameters are: independency (max 20%), expertise/specialties (max 20%), English skills (max 40%) and pro-activity/flexibility (max 20%), based on these parameters a bonus is fixed for six months, after which it will be evaluated. English skills are tested by the teacher who gives the training in English language at FIRM X, the other parameters are assessed by the concerning department leader by rating the “best” employee 100, the other colleagues are then assessed relatively to this “best” employee. The central idea is that this system stimulates all employees to become “the best” in all parameters. The growth in base salaries is subjectively set by the business unit manager and has to be discussed with FIRM Y’s management for confirmation. At FIRM Y a certain percentage is determined every year by the financial controller that is available for growth in salaries, the heads of the departments do suggestions for salary growth and higher management decides if it will be honored. At FIRM Y there is also an opportunity to earn a bonus in the case of extraordinary good performance. There is no formalized/measurable system for fringe benefits and evaluation available at both FIRM Y and FIRM X.

4.6. Skills

The skills element is closely linked to the core competences of an organization, which actually is why the organization exists. Core competences do make an organization resistant to the mechanisms that were identified by Hamel and Heene (1994): imitation, theft and substitution. These mechanisms make the competitive advantage of today a necessity to be competitive tomorrow. Imitation is no big issue for FIRM X since the projects are all engineered to order and there is no mass production. In the near future FIRM X plans to build Low Cost Cells, which is a relatively standardized system. These cells are potentially sensitive for imitation, since the whole process can be imitated and software can be copied and reprogrammed. But in practice this is not experienced as a real threat. By theft is meant the buying of information and/or people by other companies. At FIRM X there is a limited risk of theft, technical people are wanted and can be lured away by organizations that offer higher salaries, but FIRM X does already pay a competitive salary compared to other companies in the Czech Republic and people are satisfied with their work for FIRM Y. This means that the risk of theft is minimized, but when specialized people with a high amount of knowledge are leaving the company this involves high costs (new people have to be trained and a lot of time is put into schooling of these employees) and it reduces quality of the delivered products. The last mechanism is the risk of substitution; this is a risk that FIRM X has to deal with. The jigs that are assembled at FIRM X are responsible for 80 percent of the revenues and can relatively easy be assembled at competing organizations. Since FIRM Y is the biggest customer of FIRM X this risk is also limited, but there is a desire to let FIRM X be more self-supporting in the future which definitely makes substitution a risk that should be taken into account when FIRM X wants to stay competitive.

The activities in FIRM X’s portfolio consists mainly of jigs, at first they only made uncomplicated jigs for approximately five pieces and nowadays also laser jigs and complete relatively simple machines can be engineered and produced. The finishing touch for the jigs always has to be done by FIRM Y, because FIRM X does not have the required equipment (measuring arm) and programming knowledge to finish the jigs. Over the years the quality of the jigs that are delivered by FIRM X has certainly improved, the quality is currently as good as it can get considering the equipment and knowledge limitations (previously all jigs required corrections at FIRM Y). Another limitation is the late delivery of parts by the customer, it often occurs that there is some adjustment necessary after completion of the jig. FIRM X is actually referred to as a *“pre-assembly firm”* by the jig department in the Netherlands. The use of FIRM X’s engineering capabilities by FIRM Y has decreased over the last years due to a change in management’s vision, engineering hours for the FIRM Y jigs are fulfilled at

FIRM Y or Mechdes in the Netherlands. FIRM X also has to outsource PLC[9] programming to a local company or to FIRM Y. FIRM X is not identified as an innovative subsidiary regarding the products that are delivered to FIRM Y, but the organization is more innovative on process level since it was acquired by FIRM Y. On local projects FIRM X can be innovative, an example of an innovative project is a production line that was developed for the modification of a trunk button. There were no specific skills available at Tegema CZ at the time of the acquisition; the existing entity in the Czech Republic was the only reason to take over. Engineering skills of the Tegema period are not really being applied nowadays; FIRM Y is better utilizing the possibilities of the engineering capacity than the previous owner did in the past (Tegema used the Czech subsidiary primarily for digitalization of product drawings). The number of activities that FIRM X has in her portfolio is gradually increasing regarding technical possibilities (e.g. robot programming), a broader local order portfolio is developing and larger orders can be accepted. In the near future an extra skill for FIRM X will be the building of electro-cabinets, in time there is also a desire to gain PLC programming knowledge at FIRM X. Naturally the lower operating costs in the Czech Republic make the main competitive advantage of FIRM X. Wages are about 58 percent lower than in the Netherlands.

General management skill transfer was not directly applied in the M&A case of FIRM Y. FIRM Y gave the business unit manager responsibility, so that he had to make decisions in the best interests of the firm. The first managers couldn't stand this pressure and left the firm shortly after their hiring. The central thought is that the mother company has to decide on every subject. Of course some practical management skills are transferred indirectly, FIRM X's management learns Western management skills through working with the Dutch organization FIRM Y. Respondents at FIRM X do all agree that current management is adequate and certainly an improvement over the previous management. Another notable point is the fact that the director at the time of the acquisition was more positively described by the respondents at FIRM X then he was by respondents at FIRM Y. One respondent mentioned a previous Tegema director as *"the best manager he ever had"*, especially because this director had a very clear vision of the future. Cross-border management skills where not identified in the FIRM Y case, the partner's language is not learned and sensitivity towards cultural issues is limited to temporary acceptance of issues like lack of initiative.

[9] Programmable Logic Controller

4.7. Staff

The staff is also an important part of the internal analysis of an organization according to the 7S model. Staff is one of the most important and often also the most expensive resource a company has. There were nine employees at the time that FIRM Y changed the business model and the strategy of FIRM X, they all had the possibility to stay within the new situation, but only four of the nine did stay. This concerned two engineers, one planner and one office employee. That only those four employees stayed was due to the fact that assembly work was not what these employees wanted to do and in some cases the attitude of the Dutch manager was the cause. The staff that stayed after the acquisition was extended with new employees and knowledge was transferred towards these employees by letting them take internships at FIRM Y's headquarters in the Netherlands in the department that assembles jigs. In the beginning there was a Dutch manager heavily involved in the development process of FIRM X, this manager was in CZ a lot of the time and had an own desk there. Additionally a Czech manager was hired who was responsible for the development of the company too, especially at the times that the Dutch manager wasn't there. Currently there is a Czech business unit manager (3th generation in six years) at FIRM X who is responsible for the results of the company and also hires personnel. This manager was selected due to his managerial experience and his history with working for a Western European company in the Czech Republic. Respondents at FIRM X did also mention the importance of the salesman for the development of the company, because he is responsible for the acquiring of customers for FIRM X's self-engineered machines. Furthermore the Dutch CEO and shareholder of the FIRM Y holding is responsible for the development and closely monitors the progress FIRM X makes in order to serve the best interest of the shareholders. A Chief Operating Officer has been assigned at FIRM Y who is going to coordinate the cooperation with FIRM X on operational level, starting in 2012. Currently FIRM X employs 21 employees (all Czech nationality), but one of the goals for 2012 is that this amount grows towards 26 employees. Respondents at FIRM Y suspect that the organization in CZ will grow in the future, possibly faster than FIRM Y NL does. There is general consensus about these growth prospects amongst FIRM Y's management. The expectations of FIRM Y's higher management regarding FIRM X's growth are generally higher than the expectations that lower positioned employees have. Respondents at FIRM X responded to the question regarding employee growth in actual numbers. Expected engineering capacity in the future is maxed out to 5 engineers. Further the main focus seems to stay on assembling jigs for FIRM Y since respondents at FIRM X expect that the organization can grow towards approximately 45 people in the future, of which 38 people should be working in (jig) assembly according to the Czech respondents. People in the Czech Republic are generally on a higher technical level than the people in the surrounding countries in CEE, this was also one of the reasons that FIRM Y acquired a company in the Czech Republic. Employees at FIRM X are willing to learn, this is also stimulated by offering English class and by making English language skill part of the performance pay system. FIRM X does receive technology updates by e-mail, these are the same updates that FIRM Y employees receive in the Netherlands. On the job training for employees of FIRM X is used to increase knowhow, currently one employee is doing an internship at FIRM Y to learn robot programming.

4.8. Style

The style of the organization concerns the leadership in the organization and how their management style influences the organization's routines. One person, the strategic business unit manager, fills in FIRM X's top management. He is responsible towards the FIRM Y holding and reports to FIRM Y's general manager and since 2012 to FIRM Y's manager operations.

The different roles will be briefly discussed in this paragraph; scores are given to both FIRM Y and FIRM X leadership on the different roles on a scale of 100, all in relation to the other roles. The *innovator role* is not strongly recognized in the leadership style in the Czech Republic. The strategic business unit manager has a clear vision for the future of FIRM X and he does also communicate this, but this vision is actually developed by FIRM Y's management. Operational goals are also based on targets set by FIRM Y's management, there is no creativity on a visionary level. The manager is able to convince others in the company of the ideas and vision that he has, but this vision is not based on risk-taking behavior or creativity [20]. At FIRM Y the innovator role is much more present in the higher management, there is a clear vision of the future which is communicated towards FIRM X, FIRM Y's management does also set clear operational targets for the cross-border subsidiary (e.g. number of employees, capabilities). Creativity of FIRM Y's management is limited regarding FIRM X, the subsidiary is merely used for outsourcing of capabilities that FIRM Y could also provide for itself if needed. Risk taking behavior regarding FIRM X was not identified in the past (relatively small investment and save strategic paths were taken), in the near future the company will invest in a new premises for FIRM X initiated by FIRM Y's management, this can be identified as risk-taking and entrepreneurial behavior [80].

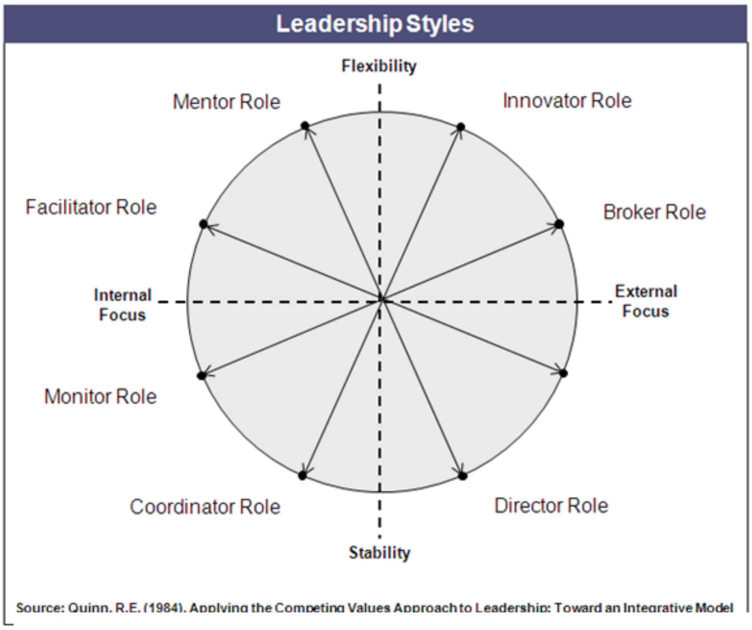

FIGURE 5: COMPETING VALUES & ROLES (QUINN ET AL., 2003)

The *broker role* is more externally focused and linked to the network that managers should have available according to Peng and Heath (1996), they suggested identifying and selecting knowledgeable local managers that have a relevant network within the industry. FIRM X currently has an experienced manager who originates from the Czech Republic and who has worked for a foreign owned company before. He is able to transmit information regarding organizational routines to its members and is able to find his way in the bureaucracy in the Czech Republic. He knows how to position FIRM X in the external environment and has a network available that enables him to develop FIRM X further. Negotiation skills could not be identified by subjectively interviewing and observing FIRM X's management [60]. This can also be said regarding the analysis of FIRM Y's management, but in the data collection one example regarding negotiation skills was found in the details about the acquisition. FIRM Y did acquire Tegema CZ for a relatively low price back in 2006, this could indicate good negotiation skills, but with the current data this can't be validated. The ability to present ideas and build up a power base and a respected company is also a determinant of the broker role, this ability was found in the FIRM Y case. An example is how FIRM Y flourished in the past after a re-launch and management buy-out at Aarding Weerstandlas B.V. [90].

The analysis does also show a limited task oriented *producer role* of FIRM X's management. Production and speed of production are not identified as main goals of FIRM X's management. There is no fanaticism and drive found in setting an example for employees, employees see their boss purely as a manager who works for FIRM Y and is not the owner of the company. Of course productivity is stimulated, but optimization is not the main target [10]. At FIRM Y productivity is very important, FIRM Y's management demands constant improvement. Respondents did also mention that management at FIRM Y demands movement of priorities by employees at FIRM X, FIRM Y projects must be prioritized above local FIRM X projects [80].

The *director role* is more present at FIRM X, the manager has clear goals, divides tasks, develops rules and procedures and gives instructions. These are all strongly influenced by FIRM Y's management, but the tasks for a director are well filled in. Respondents did also mention the influence of the past in the Czech Republic, people are used to a more directive management style. Another point that is referred to by Quinn is that the director is the only captain on the ship and is strong in making decisions. Regarding decision making the current management at FIRM X has its limitations, because decisions concerning problems are often moved to the *"mother company"*. FIRM X management is in the process of developing more towards the management style of FIRM Y according to most respondents in the FIRM Y management team. Shortly after the acquisition there was a quick implementation of new processes (jig assembly and new software) at FIRM X and there was a manager from FIRM Y present. After six years FIRM Y's management is still the initiator of strategic change at FIRM X, but there is no Dutch manager present anymore [70].

The *coordinator role* is strongly identified in the case of FIRM X's leadership, main focus of the business unit manager is the optimization of the internal structure and the processes within the organizational system. The manager divides available resources and tasks within FIRM X and focuses on the unity of the organization [85]. At FIRM Y the coordinator role of management is even further developed by implementing a project management system that enables cross functional management through the organization [95], it is expected that FIRM X will also develop towards a project oriented organization in the future when the organization grows.

The sixth role assigns much importance to *monitoring*; this role is also strongly present at FIRM X. The business unit manager is focusing on details in the organization and controls and analyses the results. He is constantly searching for facts regarding processes and mistakes that are made and tries to keep people focused [80]. FIRM Y's management is even more filling in the monitoring role regarding FIRM X, FIRM Y demands weekly and monthly reports from FIRM X to monitor the progress of the subsidiary and see if they meet goals [90].

In the *facilitator role* management is encouraging teamwork and problem solving. This facilitator role was not found to be very strong. Teamwork is important at FIRM X, but it is not the main focus of FIRM X's management. Management is more focused on the results than on improvement of business processes. Problems must be solved as quickly as possible (often a short-term oriented solution) and if management cannot think of a solution, help is asked from FIRM Y [40]. Which again implies that FIRM Y's facilitator role is stronger, because at FIRM Y teamwork is stimulated and management demands from FIRM X to make more decisions independently [75].

The last role that is mentioned by Quinn is the *mentor role*; this role is partly identified at FIRM X's management. People are seen as resources that can be developed further by providing them with training, schooling and personal support (e.g. English class and robot programming training at FIRM Y). There is also care for the individual employee, but purely on an organizational level. One respondent clearly stated that problems from a private situation have to stay at home. There is no interest for private problems in the workplace. Good performance at work is clearly valuated and employees receive compliments for their achievements [75]. This mentoring role is also relatively strong at FIRM Y; there is much attention for effective communication and development of individuals in the organization (e.g. on the job training, promotion possibilities, etc.) [80].

These leadership roles are summarized in figure 5 that visualizes Quinn's Competing Values and Roles. On the horizontal axis flexible systems are competing with control systems, on the vertical axis internal focused systems compete against systems with an external focus. Every quadrant consists of two management roles that fit best for the leader in this quadrant, but the opposite roles should not be forgotten in order to be a good leader, all values should be considered. An imaginary perfect leader would be perfect on every role. In figure 6 is visualized how the leadership role is filled in at both FIRM Y and FIRM X according to objective data analysis based on observations and interviews.

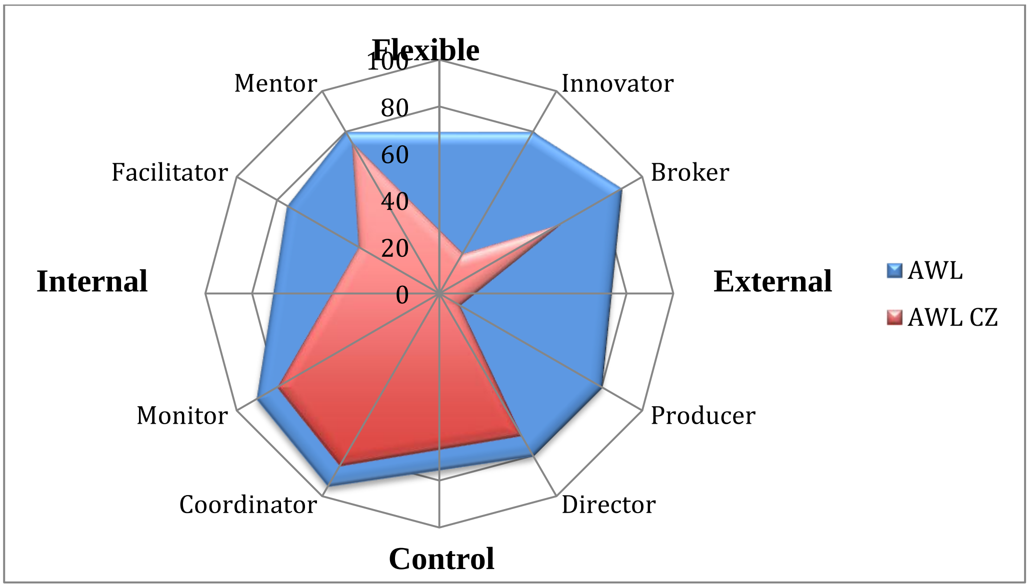

FIGURE 6: VISUALIZATION LEADERSHIP ROLES AT FIRM Y AND FIRM X

Managers at FIRM Y are not really viewing the acquired firm from a broader perspective that recognizes the value of different cultural perspectives, they just see the differences and learn to work with it and thus no global mindset was observed at FIRM Y. When asked Dutch managers at FIRM Y mention that they experience a formal, respectful and polite attitude amongst Czech people. Czech people do not easily make decisions; they need motivation for decision-making. In the process of integration of FIRM X the management at FIRM Y does learn about Czech habits and learns to work with it. An example is the need to ask detailed questions in order to receive all required information (e.g. regarding progress of projects). In one of the departments at FIRM X the style and presence of a Dutch manager was experienced as very positive, because this was a good and respectful leader who brought clarity and work to FIRM X. The assignment of a Chief Operations at FIRM Y will likely increase the frequency of management contact in the near future.

Shimizu et al. (2004) did also find that managers differ in their strategic orientation, managerial practices and adapted control systems according to the cultural and institutional context were they originate from. The cultural and institutional context will be further elaborated in the paragraph regarding shared values.

4.9. Shared Values

McKinsey visualizes the seventh S in the 7S model in the center of the others, because it links everything together. The shared values are concerning the business approach, corporate culture and the identity of the firm. Uhlenbruck (2004) acknowledged the importance of cultural differences between companies when integrating and/or developing a cross-border acquired company. In this study is tried to identify the corporate culture by observation and the use of a VOKIPO[10] questionnaire. The VOKIPO questionnaire was initiated at both FIRM Y in the Netherlands and at FIRM X in the Czech Republic in order to identify cultural differences between the acquirer and acquired company. The corporate culture is influenced by the culture of the country where the company is situated in. In order to analyze the culture of a country Hofstede's (1980) research provides dimensions on which a culture can be measured. Unfortunately the Czech Republic is not included in Hofstede's (1980) original research, so information regarding this country in Hofstede's work is based on estimates. These estimates are shown in figure 7, where the scores of the Netherlands and the Czech Republic are visualized in a graph.

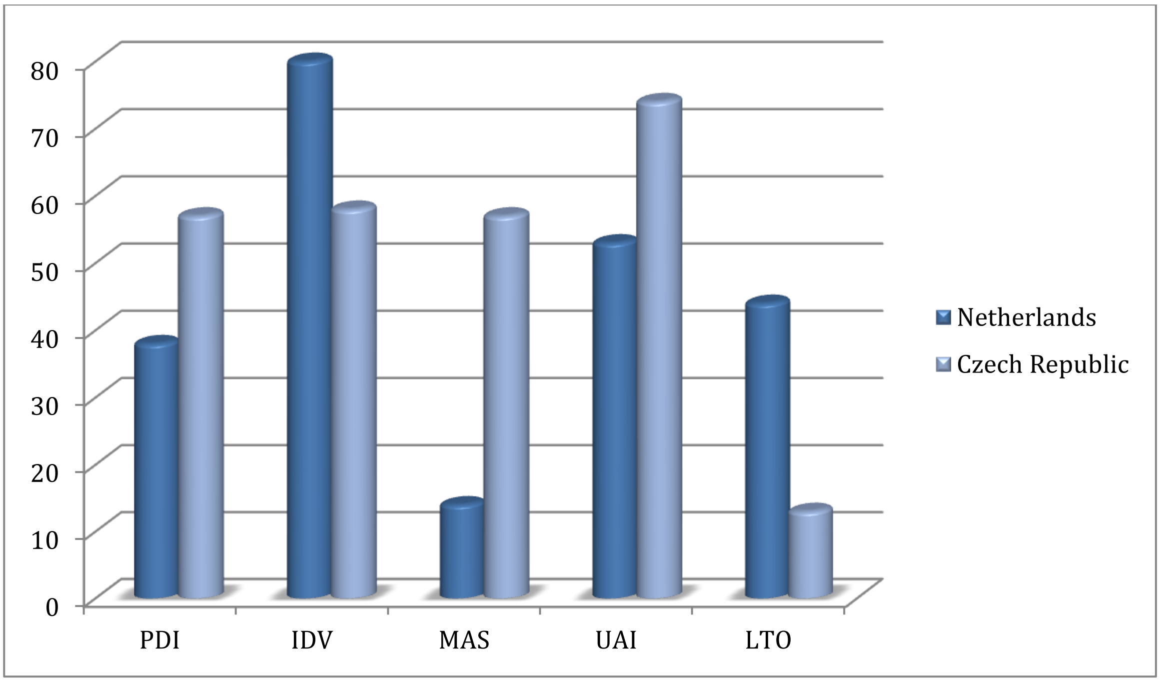

FIGURE 7: CULTURAL DIFFERENCES BETWEEN NL AND CZ (HOFSTEDE, CULTURAL DIMENSIONS, 2009)

[10] Verkorte Organisatie Klimaat Index voor Profit Organisaties, (De Cock, Bouwen, & De Witte, 1986)

Kolman, Noorderhaven, Hofstede and Dienes (2003) identified important differences between value orientations in the Netherlands and Central Europe. Kolman et al. (2003) conducted a survey amongst students in the Czech Republic and three other CEE countries to improve the validity of these estimates and adjust them accordingly. Table 2 shows the scores for the Czech Republic that are identified by Kolman et al. (2003) and compares them to the scores that Hofstede (2009) estimated.

	Kolman et al. (2003)	Hofstede (2009)
Power Distance	78	57
Individualism-Collectivism	68	58
Uncertainty avoidance	81	74
Masculinity-femininity	81	57
Long- versus short-term orientation	28	13

TABLE 4: CULTURAL DIMENSIONS CZECH REPUBLIC (KOLMAN ET AL.,2003, HOFSTEDE, 1980)

The observations on power distance in the Czech Republic suggest a position above the midpoint of the scale. Czech managers tend to see themselves as dominant and superior individuals who are preordained to lead (Thorpe & Pavlica, 1998). This is not in line with the analyzed power distance in the organizational culture in the case of FIRM X, superiors in the company are easily accessible and power is decentralized where possible. The attitude towards the manager is informal and often the first name is used in communication. The power distance between FIRM X and FIRM Y is on the other hand far above the midpoint of the scale, but only when seen through the Czech perspective. Czech employees look up to Dutch employees that work for the *"mother company"*; hierarchy has more impact than in the Netherlands. Czech employees just do exactly as they are told. One of the respondents mentions this as a *"Calimero effect, the boss is the boss and you have to do what the boss tells you to do."* For the Czech employees this power distance is self-evident and not really experienced as such, but Dutch employees prefer to be treated as equals and prefer direct/clear and complete communication. The experience with the younger generation of Czech employees is that there comes a little bit more initiative, but still employees are unsure and like to get confirmation. Czech employees do think more in terms of problems than in challenges and prefer to transfer these problems to their superiors. Kolman et al. (2003) characterized the Czech Republic as an individualistic country, at least for post-communist Central-European standards. Kruzela (1995) even draws this individualism all the way back to the Hustite movement in the fifteenth century, where Jan Hus strongly emphasized on individual rights and responsibilities. Thorpe and Pavlica (1998) calculated a score of 38 for the Czech Republic, but this doesn't seem to correspond with the findings in most other sources (Kolman et al., 2003). Respondents were differing in their thoughts about individualism, in general the experience is more towards the individualism side of the scale. On a working day people are more individualistic, but on the other hand there are "group oriented" company barbeques/parties and there even is a mountain biking team of FIRM X. The individualism was at first experienced as negative by the involved people at FIRM Y, because employees in CZ just did things the way they were told as good as possible. They were not working for the end result (group), but just for their own good performance and self-esteem. However at FIRM X this individualistic behavior is currently not experienced anymore. Kolman et al. (2003) calculated a score of 81 on the uncertainty avoidance index; this corresponds closely with Thorpe and Pavlica's (1998) findings (score 80 on UAI). This indicates that the Czech Republic can be characterized by a high degree of uncertainty avoidance. This means there is an emotional need for rules (regardless if they work or not), people have an inner urge to work hard and be busy, punctuality and precision are the norm, innovation may be resisted and security is an important element in individual motivation. Respondents did mention that Czech people are avoiding uncertainty by just saying "yes" on what you ask of them, this is experienced as easy on the one hand, but on the other hand this also means there won't emerge any discussion that can provide potentially good ideas and thus limits innovation. The Czech Republic is clearly on the masculine side with a score of 81 on the masculinity-femininity index of Kolman et al. (2003). Thorpe and Pavlica (1998) also indicated that managers in the Czech Republic in general have a very masculine attitude, they see themselves as "strong male individuals". Kolman et al. (2003) state that the most pronounced difference between the Netherlands and the Czech Republic regarding masculinity, is on the item in the questionnaire regarding the extent to which people can be trusted. A high amount of trust in people represents the feminine side (The Netherlands), whilst a low amount of trust represents the masculine side (Czech Republic). Masculinity is also caused by an important item in the questionnaire, this regards the reaction on the statement: "when people have failed in life it is often their own fault". Czech respondents agreed more on this statement, which implies more masculinity. The fifth dimension is where the Czech culture stands out, the findings by Chadabra (1994) show clearly a short-term orientation: "Many Czech managers opt for short-term profits, and spend much time looking backwards rather than planning for the future". The Czech Republic scores very low on this index in the research of Kolman et al. (2003), Thorpe and Pavlica (1998) and the estimations of Hofstede (2009), which indicates the culture's short-term orientation that was also observed at FIRM X. Respondents do indicate that the short-term thinking is slowly changing towards a more long-term oriented way of thinking, the organizational culture is somewhat changing. But this is identified as a slow and long-lasting process.

Kolman et al. (2003) conclude that it is important to place these findings in perspective, because cultural shifts in Central Europe will continue for the upcoming decades. A keen eye on value shifts in these countries is required in management practice. In order to further analyze the business culture in the Czech Republic a VOKIPO questionnaire was send out to the Czech subsidiary of FIRM Y, the question list is translated from the original version of De Cock et al. (1986) and can be found in the third appendix. VOKIPO is short for Shortened Organizational Climate Index for Profit Organizations (originally formulated in Dutch). The questionnaire was made using Google Docs and send to all employees by internal e-mail on Friday morning the 3th of February 2012. Not only to the 18 employees of FIRM X, but also to all 221 employees of FIRM Y in order to be able to place the results in perspective. At FIRM Y in the Netherlands 33,5% of the employees (74) filled in the questionnaire, at FIRM X there was a response rate of 38,1% (8 respondents). These response rates were regarded as reasonable since the entire population was asked to participate, every possible respondent was included in the sample. These response rates are accepted as adequate, since Baruch (1999) stated that for academic studies involving top management or organizations' representatives a response rate of approximately 35 percent is reasonable. There is not differentiated among different departments, because the general organizational culture needs to be analyzed. The comments section that was included at the end of the questionnaire was five times used to mention the difficulty of the statements (at FIRM Y in the Netherlands). The statements were not changed from the original version in order to motivate people to really think about the statement, otherwise there would be a risk that an answer is given without thinking it through. Other comments were concerning curiousness to the results or the demand to stay anonymous. Results of the questionnaire are spread out in the organization in order to inform people, to confirm anonymousness and to thank them for their response. The questionnaire consists of 36 statements that each have a blank field where respondents can fill in one of the following four possibilities:

1. No/not/none	3. To some degree
2. Not really	4. To a large extend

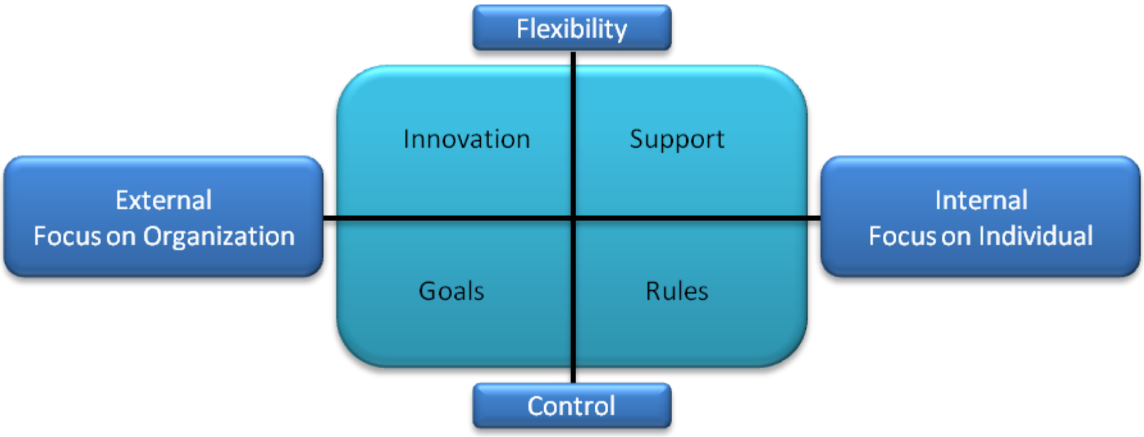

FIGURE 8: CULTURAL ORIENTATIONS (QUINN, 1988)

The questions are all linked to one of Quinn's (1988) four cultural orientations: support, innovation, goals or rules. Which are closely related to the leadership styles in chapter 4.8 and again coupled to the extent of external (organization) focus and the amount of flexibility. The cultural orientations and their linkage towards control/flexibility and internal/external focus are visualized in figure 9.

The innovation orientation is based on the focus on development of new products or services, on creativity and on risk-taking. The support orientation is based on participation, mutual trust, group cohesion, and personal growth. The third orientation is about respect for the rules of an organization, hierarchy, analytical and rationality in procedures. The goals orientation is all about the final product, reaching targets, production efficiency and management by objectives.

Culture at FIRM X is not strongly present in one of the orientations exclusively, the

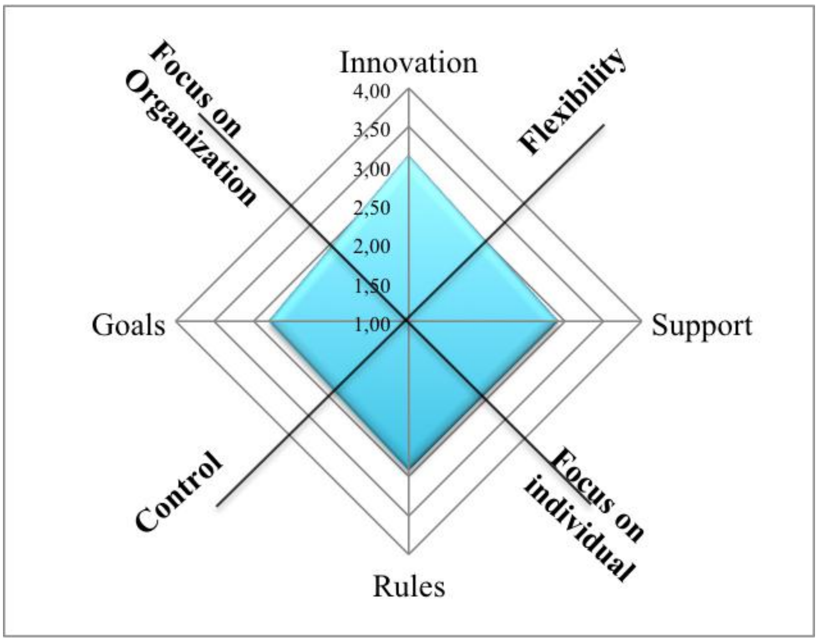

FIGURE 9: ORGANIZATIONAL CULTURE FIRM X

results present a relatively high orientation on innovation at FIRM X (average 3,14 out of 4), this is where the visualization peaks. Support and information orientation is both rated on about 2,8 out of 4, and the rules orientation scores an average of 2,9 on a scale of four. The results are summarized in figure 9. Based on a questionnaire that was filled in by 38,1 percent of the employees, FIRM X's culture can be qualified as innovation oriented. This means the culture is open for development of new products and services. It is a dynamic, creative culture where people are open for new things and entrepreneurial behavior is accepted. Entrepreneurship is valued partly because employees want the company to develop and grow, at least for job security (unemployment protection is limited in the Czech Republic). The results of the questionnaire suggest that FIRM X's is flexible and focuses relatively more on the organization then on the individuals in the organization. Compared to FIRM Y this actually the same score on innovation (3,14 for FIRM X and 3,13 for FIRM Y). Naturally these results have to be placed in perspective, the VOKIPO questionnaire measures how employees value their own organizational culture, it doesn't imply that FIRM X is more innovative than FIRM Y. Regardless of this fact FIRM X's culture is also innovation orientated and employees want to be innovative in their work. Respondents where asked if they identify the business culture at their company as entrepreneurial, a quote of one of the respondents at FIRM X perfectly describes how entrepreneurship is perceived: *"Yes, we have to build a more independent company".* Whilst the innovation orientation is represented most at FIRM X, the support orientation is relatively the most represented in the culture of FIRM Y (3,27). There is an informal culture where people trust each other and there is group cohesion, a so-called *"FIRM Y feeling".* Another aspect is the room for personal growth within the organizational culture. Personal growth is even stimulated at FIRM Y, people receive possibilities to expand their knowledge by following trainings or other forms of education. The cultural orientation at FIRM Y is relatively more focused on the individual then on the organization as a whole, whilst FIRM X is relatively more focused on the organization as on the individual. But it has to be acknowledged that the scores are very close together. The focus on the individual that FIRM Y's culture has is also clear when looking to the possibilities that employees of FIRM X get. The employees of the subsidiary that are open to personal development can get the same (amount of) trainings as employees at FIRM Y. There is a central thought that people should stay at the company, gain more knowledge and develop themselves, this also counts for the employees of FIRM X. Employees at FIRM X want their company to develop and grow further, particularly because they want to stay employed. Both company cultures are more flexibility than control oriented, which definitely makes the two organizational cultures comparable and thus compatible with each other. Respondents did mention that they did not see great

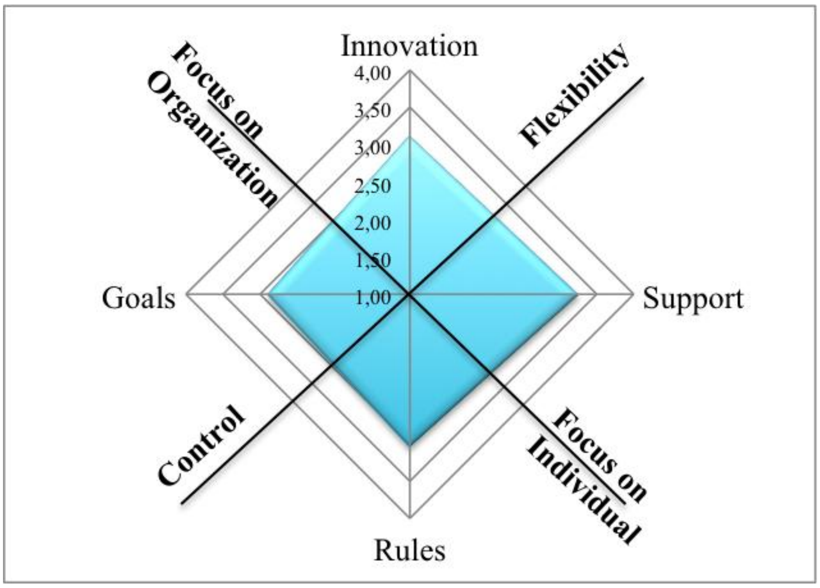

FIGURE 10: ORGANIZATIONAL CULTURE FIRM Y

differences between the Dutch and Czech culture, at least on organizational (FIRM Y) level. As one respondent said it: *"A human being is a human being, doesn't matter where he is from. You just normally interact with each other, just like working with Dutch people. It must be possible to use some harder words when corrections are needed in a working relationship, you should make no distinction when working with another culture."* The greatest difficulty that is experienced in cooperation between FIRM X and FIRM Y is the language barrier, learning each other's language is very difficult, because the languages are totally different (western and non-western). Communication is in English, which isn't the native language for either company. This results in imprecise and time-consuming information exchange on the non-standard issues. Villinger (1996) identified a barrier in problems caused by lack of openness and defensiveness of subsidiary employees towards the acquirer, these problems were found in the FIRM Y case study. One of the respondents said: *"It is often necessary to call them in order to get information. When they encounter problems it takes a long time before they mention it. For example, they can call you at the last moment that they need money, while they knew this was coming two weeks ago. They send a cash flow statement and mention that they have no money and have to pay suppliers tomorrow."* In a certain situation information was asked from FIRM X regarding a calculation, avoidance behavior and secretive attitudes were experienced in this one case. Villinger's (1996) study suggested this kind of behavior is a heritage of the communist period, in which organizations were controlled by negative feedback. Subsidiary employees do in some cases experience resistance from FIRM Y when they ask for information, one respondent mentioned: *"If people from CZ need help from NL, the best way is to visit FIRM Y NL, meet the people and discuss, then there will be better communication in the future"*. This answer implies that communication on a distance with the acquirer has its limitations.

5. Results

The conducted case study at FIRM Y gives insight in the experience of Dutch SME that acquired a Czech subsidiary. In this chapter the results of the case study are elaborated on, structured by the theoretical framework of chapter two.

5.1. Internationalization and M&A

In the case of FIRM Y there were several reasons identified that led to internationalization towards eastern Europe (CZ): low-cost labor in CEE, limited availability of technicians in the Netherlands, image of the company and networking. All dimensions of internationalization reasons have been identified in the case, in order of importance: motivational, networking, firm, external and industrial. The reason of FIRM Y to acquire the subsidiary in the Czech Republic where both rational and personal orientated.

5.2 Strategic factors

FIRM Y's expansion strategy was identified as a combination of generic expansion and (international) M&A; growth is realized in the Netherlands, but also by acquiring a cross-border subsidiary. The strategy that is imposed on this cross-border subsidiary is more in line with a pure generic expansion growth strategy (Meyer & Peng, 2005), growth in local sales is required of FIRM X, while at the same time there is a growing demand from FIRM Y as a customer. FIRM Y requires FIRM X to become more comprehensive and extend capabilities in order to broaden the flexible shell of FIRM Y. A generic expansion strategy according to Meyer and Peng (2005) requires internal supply of resources and a well functioning formal institutional framework. The three most problematic factors that were identified in the formal institutional framework in the Czech Republic are corruption, inefficient bureaucracy and tax regulations. The formal institutional framework is not causing much trouble in the case of FIRM Y in their cooperation with FIRM X according to the respondents (it only results in some delays), if problems arise in dealing with this framework FIRM X should be able to solve them without help of FIRM Y. The necessity for a networking growth strategy was not found in the case study at FIRM X, but inter organizational relationships within the Czech Republic can smoothen the growth process by improving flexibility and avoiding corruption and bureaucracy issues. In the FIRM Y case study there were no issues identified concerning higher transaction costs, which suggests that since the Czech Republic is a member of the European Union the argument regarding higher transaction costs must be nuanced. The advantage of establishing long-term relationships with suppliers or customers to obtain and sustain a competitive advantage, and to reduce uncertainties still exists. FIRM Y is working incrementally in the development of FIRM X and has tried to find the best local management that is available in order to avoid unrecoverable sunk costs due to mistakes.

The M&A is characterized by an absorption strategy followed by a symbiosis strategy. The post-acquisition changes were quite big in the beginning, because FIRM Y wanted to refocus from engineering towards assembly. FIRM Y wanted to retain the senior management of the acquired company, but the manager that was working for Tegema decided on the last day before start of the new strategy that he did not want to proceed. Which meant that FIRM Y could not conserve general management expertise and encountered management resistance. The replacement of senior management and a relatively high amount of personnel resulted in a quick adoption of post-acquisition changes already in the first year. FIRM Y hired local people for management, FIRM X's management had to be replaced several times, but every time this was a Czech. Employee resistance that can be expected later in the post-acquisition stadium was avoided by communicating clearly about immediate goals and by letting people go who didn't want to proceed in the new way of working. This resulted in a positive employee behavior at FIRM X. FIRM Y's strategy was found to be quite ambiguous. Because on the one hand FIRM Y requires that it is handled as a preferred and prioritized customer of FIRM X, while on the other hand the strategy expects FIRM X to be independent and realize own revenues. This fact makes it fairly difficult for FIRM X employees to retain focus. The identified management style at FIRM X fits perfectly with the part of the strategy where FIRM Y wants FIRM X to become a perfect supplier, but on the other hand it does not fit the part of the strategy where FIRM Y desires FIRM X to grow and become more independent. The differences in management styles between the acquirer and acquired are not resulting in conflicts, this is partly because FIRM Y did assign the current manager far after the acquisition, but this is also a result of the compatibility of underlying cultures. As a consequence of the socialist history Czech people are used to a directive leadership style and more focus on continuity than on growth. This entails that there is a lot of respect towards FIRM Y, that risk is avoided and that the externally focused quadrants of the competing values framework have a limited presence in FIRM X's leadership style. This is also due to the still relatively close control and scrutiny that FIRM X is subjected to (reporting, visits, priorities).

The external environment where FIRM X is operating in influences strategy. The finding by Smallbone and Welter (2001) that many enterprises in transition economies operate partly in shadow economies was not confirmed in the case study at FIRM Y. Another general problem in transition economies regarding the lack of a well-defined property rights-based legal framework that was identified by Peng and Heath (1996) was also not found in this case study. FIRM Y is not working with property-rights and the Czech Republic is actually scoring relatively high on the IPRI nowadays so this problem is not influencing this case. Market knowledge at FIRM X is concentrated in the head of the salesman; he is (together with the business unit manager) also responsible for the integration of FIRM X in the international network. Focus on technological innovation was found in this case study, but this purely relies on the connection with FIRM Y. At FIRM X there are not sufficient resources available to focus on innovation, the bottlenecks are mainly funding and time related. Another challenge regarding innovation is the fact that FIRM X expects initiative to come from FIRM Y. The question if initiative was coming from FIRM X that was asked to the Dutch management, was answered by one of the respondents with: *"No, not really. It's more that we say "find this out" than that they say themselves "lets find out"".* These factors make competing in the international environment more difficult according to Musteen and Datta (2010).

Post-acquisition performance after six years is slowly rising, sales are growing, FIRM X has made its first profit, the subsidiary's visibility in the corporate system is increasing, the manufacturing metrics (quality and speed) are similar to FIRM Y's jig department and management skills are transferred to FIRM X where that is feasible. However it is still impossible for FIRM X to survive without orders from FIRM Y, earnings are just too low. This also results in the fact that banks and suppliers demand guarantees from FIRM Y that they are dealing with a solvable organization.

5.3. Integration aspects

The gradualist integration approach was found in the FIRM Y case, incremental steps are taken in the development of FIRM X. But the motivation behind this approach is to enable the organization to learn from its acquirer, not the other way around. This limits the possibility to learn about the new business, markets, and cultures. Most steps were taken incrementally when implementing FIRM Y processes, but in the beginning of the post-acquisition period the subsidiary just had to learn from FIRM Y and no strategic capabilities where transferred to FIRM Y. There was not much interactivity between acquirer and acquired. In this process some knowledge might have been lost without even realizing it. The initial role for FIRM X was a subsidiary that could be utilized for extension of both engineering and assembly capacity. This role was quickly changed, because engineering capabilities where limited to digitalization of drawings and the deal with the previous owner regarding phased ownership change and sharing of capacity was not complied. The focus was shifted towards assembly while engineering capacity shrunk. This organizational role fits in the second perspective of Birkinshaw, Hood and Johnson (1998): "assigned by head office". FIRM Y wants FIRM X to be an autonomous supplier of assembled jigs and in the future of main-cabinets. The FIRM Y holding at the same time sees FIRM X in the role of an autonomous company in the holding that has to realize its own sales, to create revenues and profit independently of FIRM Y. The resources at FIRM X are not location bound, which implies that the subsidiary should be able to contribute to FIRM Y (Birkinshaw, Hood, & Johnsson, 1998). To really contribute resources also have to be specialized, the only specialized resources that were identified in this case study are the human resources that are available in the Czech Republic. At FIRM Y revenue is generated by selling hours to customers, this implies that human resources are of very high importance to the company. Since the "resource seeking" factor was the most influential in the motivational dimension of the reason for internationalization these resources are certainly recognized in this case. The fact that the acquired resources are humans indicated that transferability and leveragability are also ensured in the FIRM Y case. Since humans can at least on a temporary basis be exchanged between the companies and leverage is feasible by further developing these resources. The human resources at FIRM X are the only specialized resources that cannot easily be replaced. Subsidiary initiatives were not identified in this case study, there is room created for employees to enable them to show initiatives and be entrepreneurial, but it does not occur in practice. International responsibilities at FIRM X are expanded, but this extension is not initiated by the subsidiary itself and neither by its employees. Independently the subsidiary does not utilize its resources to increase visibility in the corporate system, employees fulfill their responsibilities as good as possible, but there is no extra effort or initiative shown. In the current state of FIRM X it is not probable that intrapreneurship will occur, because of the absence of an entrepreneurial culture. The relationship between high contributing subsidiaries and low local competition that was found by Birkinshaw et al. (1998) was confirmed in this case study. FIRM X deals with high local competition for their local projects and is a low contributing subsidiary to FIRM Y that is highly dependent of its owner. More initiative would improve the flow of information between FIRM Y and FIRM X and potentially the efficiency.

In the matrix that was developed by Haspeslagh and Jemison (1991) the acquisition of FIRM X falls in the quadrant where there is a high need for strategic interdependence and a low need for organizational autonomy, the integration approach that is suggested by the authors is labeled "absorption". This approach of fully merging the two organizations into the acquirer requires ensuring that the vision of the management is carried out and a full consolidation of the operations, organization, and culture of both organizations. The main integration objective should be dissolving boundaries between the two firms. In practice FIRM Y's approach towards FIRM X is more focused on giving the subsidiary a higher amount of autonomy to enable the subsidiary to develop itself further, despite the fact that the subsidiary has no direct need for autonomy. Over time the organization in the Czech Republic gained more autonomy and strategic interdependence stays high as well. When the need for both strategic interdependence and organizational autonomy is high a "symbiosis" approach is mentioned. This approach presents the most managerial challenges because preservation and blurring of boundaries needs to be ensured in a gradual process. In contrast to the findings of Haspeslagh and Jemison (1991) the size and quality of the acquired firm had a significant influence on the forming of the integration approach in the case of FIRM Y. The acquired company was small and there was no direct need to preserve the organizational culture in order to maintain strategic capabilities. Regarding the quality can be stated that this was also influencing the integration approach, because the initial quality of the acquired company was minimal and of less interest, due to the fact that FIRM Y just wanted to acquire an existing entity. The quality of the company is developed after FIRM Y acquired it.

5.3.1. Cultural differences between FIRM Y NL and FIRM X

The cultural differences on organizational level were identified to be of high importance. In this case study differences in culture were found by applying the VOKIPO (De Cock et al., 1986) questionnaire in both companies. In order to place the organizational cultures in perspective the thesis also elaborates on the country cultures of both the Netherlands and the Czech Republic based on Kolman et al.'s (2003) research and Hofstede's (1980) dimensions. Unsurprisingly the history of the Czech Republic still has great influence on the country's culture and is constraining entrepreneurship, risk-taking and learning. The socialist history is also influencing the power distance dimension on which the Czech Republic scores high. This power distance is influencing the cooperation between FIRM Y and FIRM X, power distance in the Netherlands generally is lower and people are more open to autonomy and pro-active. Czech people are expecting and accepting more inequality towards superiors, this negatively influences the amount of discussions and initiatives between FIRM Y and FIRM X. The Czech culture was identified as quite individualistic, a culture where everyone wanted to reach his own personal highs. Which is actually similar to the Dutch culture where individualism is also more recognized than collectivism. The Czech culture scores high on uncertainty avoidance in Hofstede's original research (1980), in Kolman et al.'s (2003) research and also in the case study at FIRM Y. Czech people in general are not arguing with superiors about what they should do, they do as they are told and don't like to take responsibility for something (e.g. a certain project). The Czech culture was also identified by Hofstede (1980) and Kolman et al. (2003) as a relatively masculine oriented culture where people do not have a high amount of trust in other people, preference to people in society that have achieved something, material rewards for success and a "power to the strongest" mentality. Conflicts are often not resolved by compromise and negotiation, but mostly by accepting what superiors desire. The position of the Czech Republic on the fifth dimension of Hofstede is also confirmed in the case study at FIRM Y, the culture is more short-term than long-term oriented. There is a lot of respect for traditions, fulfillment of social obligations and protection of your "face" is important. Czech people are afraid of losing status and prefer to choose the relatively safer short-term orientated road when making a decision. The finding of Chadabra (1994) regarding Czech managers' short-term vision was also identified in the case study, but at FIRM X the orientation is moving more and more towards the long-term oriented side of the dimension due to pressure and stimulation from FIRM Y. The VOKIPO questionnaire that has been filled in at both FIRM Y and FIRM X resulted in the relatively surprising fact that the organizational cultures are actually quite similar. All four cultural orientations that are tested in the VOKIPO research are actually scoring more than 70 percent of the scale in both FIRM Y's and FIRM X's organizational culture. The highest score for FIRM X's culture was found on the innovation dimension, which qualified FIRM X's culture as dynamic, flexible, organization oriented and creative. The score of FIRM Y's culture on innovation was approximately the same, which means that people at both organizations feel that they can be innovative. FIRM Y's culture scored the highest on the support dimension, which implies a people (individual) oriented culture. Both organizational cultures are comparable, a small difference is found on the scale individual versus organization oriented, where FIRM X is a little more organization oriented and FIRM Y a little more individual oriented, but these differences are minimal. In the end both cultures are very similar based on the VOKIPO questionnaire and cooperation is not counteracted by cultural differences.

5.4. International management aspects of post cross-border subsidiary strategy development

The dominant barrier that Villinger (1996) found in his study can be confirmed by the case study at FIRM Y, the language barrier is seriously preventing successful learning in this case. FIRM Y tries to work on this by offering English classes and making the assessments within these classes part of the bonus system. Unfortunately the English language level is still too low to enable clear communication between FIRM Y and FIRM X. The relatedness of the acquired company during the acquisition was relatively low, because at that time the company was merely an engineering office. In the post-acquisition phase more disciplines were added in order to increase the fit within FIRM Y's strategy. The use of capabilities is more effective than in the pre-acquisition Tegema period.

The leadership style at FIRM X was found to be emphasized on the control perspective and focused more on individuals than on the organization as a whole. The coordinator, monitor and director role are represented the most in FIRM X's leadership style, whilst the innovator, broker and producer role were not represented very strong. This implies focus on stability and continuity by the organization's management. This leadership style falls noticeably in another quadrant as the organizational culture at FIRM X, which is more located in the flexibility oriented quadrants of Quinn's (2003) competing values framework. This implies that FIRM X requires a leader that stimulates innovation by clearly defining and communicating a vision for the future that includes stimulation of creativity and risk-taking behavior in order to take advantage of the adhocracy oriented culture that employees claim to possess according to the results of the VOKIPO questionnaire. The global mindset that was proposed by Shimizu et al. (2004) was not found at FIRM Y's management. The value of the different cultures is not recognized, it's merely seen as something that has to be dealt with, there is no desire to combine the different cultures and get the best out of this combination.

The analysis of the used systems in the organization showed that there are still boundaries between FIRM Y and FIRM X. The subsidiary is not integrated in the PDM software of FIRM Y that could serve as a central knowledge repository for all users (including engineering, sales, procurement, project management and quality teams) regarding project and product history. This is complicating the collaboration between engineering departments, because e-mails are required when small modifications have been made to product designs. Someone at FIRM Y has to put information in the system manually. This process is sensitive for mistakes and can in some cases result in double work or assembly errors. The adopted control system from FIRM Y to FIRM X is situated within the ERP system, this includes financial information that the financial controller of FIRM Y can monitor. Furthermore FIRM X has to deliver reports on a regularly basis to different departments of FIRM Y. The business processes regarding the jig departments were found to be nearly identical, which also implies that human resources are exchangeable between the jig department of FIRM Y and FIRM X. In order to stimulate employees at FIRM X a bonus system has been set up, which is based on a twice a year evaluation by FIRM X's management and an English teacher. The bonus is related to a "best practice" employee who has a score of 100 percent. In the masculine culture of the Czech Republic this can have an undesired effect of too much competition amongst employees, but it does stimulate people to get the best out of themselves. With the used bonus system a lot of trust is laid in the hands of the local English teacher at FIRM X, this person is responsible for 40 percent of the bonuses that are paid. This system seems overly sensitive for corruption.

In order to create value in the post-acquisition process it is essential to transfer capabilities between the two companies. Sharing of resources is applied in the case of FIRM X, especially human resources, but also use of information systems and the (limited) sharing of financial resources. Functional skills are transferred by training Czech people at FIRM Y headquarters in the Netherlands and through the sharing of information, knowledge and know-how. It is also clear from the case study that FIRM Y tries to transfer general management capabilities by involving in management decisions, implementing information systems and budgets. In order to maximize synergy creation it is advised to recognize only one type of capability transfer as dominant source of value creation (Haspeslagh & Jemison, 1991), the dominant source in the case study is the transfer of functional skills from the acquirer to the acquired company. Combination benefits where limited to purchasing terms and an improved image for FIRM Y to customers, mainly because FIRM Y acquired a relatively small and underdeveloped organization in the Czech Republic. The formalization of strategic interdependence needs of the acquisition is not found in the case of FIRM X, which results in an unclear focus regarding organizational tasks that are essential to bring out expected benefits of the acquisition. A clear formalization of the strategic interdependence needs could help managers to develop a more unbiased, objective view of the strategic intent. Strategic capability transfer was regarded as the vital value creating point by Haspeslagh and Jemison (1991), but in the case of FIRM Y strategic capabilities are transferred only from the acquirer to the acquired company. Capabilities that were available at FIRM X before and during the acquisition did not require preservation, because they did not serve the strategic intent of the acquisition. This entails that boundaries between the companies don't need to be preserved and the acquired company does not need autonomy in order to preserve capabilities and/or organizational culture. FIRM Y concluded that preservation of the Tegema CZ company culture was not useful on the long term and radically changed the strategic intent from engineering towards assembling and later to assembling in combination with selling own projects.

Although FIRM Y acquired an engineering company in the Czech Republic, the innovativeness of the acquiring firm is not increased afterwards. This is partly because the subsidiary was quickly transformed into an assembly-oriented firm, due to limited engineering capabilities. The possible decrease in innovativeness that Cloodt et al. (2006) found was not found in the case study at FIRM Y, the acquiring company stayed on the same level of innovation after the acquisition.

6. Managerial Implications

6.1. SWOT analysis

Following from the case study the strengths and weaknesses of the cross-border subsidiary and the acquiring organization can be identified. This also counts for the opportunities and threats that the organization faces in its development. Based on this information a SWOT analysis is provided in this chapter in order to identify strategic implications and provide possibilities that enable FIRM Y to develop and integrate the cross-border subsidiary. An overview of the relevant identified Strengths, Weaknesses, Opportunities and Threats is presented in appendix 8.

This is a relatively long list of points, in order to maintain overview and to be able to make a confrontation matrix the number of points is reduced by filtering only internal aspects out of the strengths and weaknesses and only external aspects out of the opportunities and threats. Afterwards the four most important points out of each list are selected for the confrontation matrix.

Strengths	Weaknesses	Opportunities	Threats
Excellent quality of welding jigs	Market knowledge concentrated in one salesman	Provide local service (machine maintenance/modifications) to FIRM Y customers in CEE	Hard/closed branch, mistakes are not accepted
Low labor costs compared to FIRM Y	Lack of subsidiary initiative and technical innovation	Networking	Risk of knowledge dispossession
Resources are transferable and leverageable	Language barrier	Relatively high education level in CZ	Responsibility avoidance and high power distance in Czech culture
Culture open for innovation	Double roles (own sales/great supplier), ambiguous strategy	Strong presence of automotive companies in CEE region	Local competition in low and high segments is too strong to compete with

TABLE 3: SELECTION OF 16 MOST IMPORTANT POINTS

These 16 points are regarded as the most important in this case and will be used to fill in the confrontation matrix in figure 12. The selection of the most important points does not imply that the other identified points can be forgotten in the subsidiary development and integration process at FIRM Y, it is merely a way of focusing on the crucial areas.

	Confrontation Matrix	Opportunities: Provide local service (machine maintenance/modifications) to FIRM Y customers in CEE	Opportunities: Networking	Opportunities: Relatively high education level in CZ	Opportunities: Strong presence of automotive companies in CEE region	Threats: Hard/closed branch, mistakes are not accepted	Threats: Risk of knowledge dispossession	Threats: Responsibility avoidance and high power distance in Czech culture	Threats: Local competition in low and high segments is too strong to compete with
Strengths	Excellent quality of welding jigs	-	+	-	++	++	+	--	++
Strengths	Low labor costs compared to FIRM Y	++	+	+	+	--	+	-	-
Strengths	Resources are transferable and leverageable	+	+	++	+	+	+	+	+
Strengths	Culture open for innovation	--	+	+	-	-	+	++	+
Weaknesses	Market knowledge concentrated in one salesman	--	++	+	+	+	+	-	+
Weaknesses	Lack of subsidiary initiative and technical innovation	--	+	+	--	+	+	+	+
Weaknesses	Language barrier	-	-	+	-	+	--	--	--
Weaknesses	Double roles (own sales/great supplier), ambiguous strategy	+	--	--	+	--	++	+	+

FIGURE 11: CONFRONTATION MATRIX BASED ON SWOT ANALYSIS

In the confrontation matrix the combinations of internal and external factors are rated according to their relevance. The cells in the table contain signs that indicate the relevance of the combination at hand. A double plus implies the most relevant combination of the column, a plus indicates a relevant issue, a minus stands for an issue of limited relevance and a double minus means that the combination is irrelevant or infeasible. The most relevant combinations are selected based on the observations and interviews in the organization; these will be further elaborated on.

The following challenges are subtracted from the SWOT analysis:

– *How can the relatively low labor costs be used to provide local services to FIRM Y's customers in CEE?*

- *How can the market knowledge be diffused in order to extend networking possibilities?*
- *How can transferability and leveragability of resources help in benefiting from the relatively high education level in CZ?*
- *How can the excellent quality of welding jigs be used to profit from strong presence of automotive companies in CZ?*
- *How can the excellent quality of welding jigs improve the position in the branch where mistakes are not accepted?*
- *How can an improvement of the corporate strategy decrease the risk of knowledge dispossession?*
- *How can the responsibility avoidance and high power distance be overcome with an organizational culture that is open for innovation?*
- *How can the excellent quality of the welding jigs be used to challenge local competition?*

The first challenge concerns the opportunity to provide services regarding machine modifications or maintenance to customers of FIRM Y. The knowledge that FIRM X has regarding jig building can increase the service level of FIRM Y as a whole, because customers in the CEE region can have a local service engineer assist them with problems. With an extension of this knowledge to other parts of the total welding solution that FIRM Y offers the service possibilities will only get bigger. For FIRM X this is a possibility to gain knowledge, extend possibilities and employ a higher number of employees. For FIRM Y the advantage is that someone can reach a customer for service in a relatively short time and at relatively low labor costs. The customers receive their service from a local person originating in a similar culture as their own, who has the possibility to be quickly on location. This increases FIRM Y's competitiveness and customer valuation in the CEE region.

Networking was identified as very important in the literature for the CEE region, it is advised to build a network in order to avoid influence of external factors in the sometimes-unstable Czech environment. Only one person, being the local salesman of FIRM X, currently possesses the majority of the market knowledge. He has the best capabilities to extend FIRM X's network, but other commercial employees should be hired to diffuse the market knowledge over more people. This enables FIRM X to speed up the network building process. It is also important to form long-time relationships with suppliers, relevant (government) agencies, banks, schools, intermediaries and local customers in order to stabilize the environment and ensure a strong position in the market. A strong position in the network can also enable FIRM X to focus on core competences in the future by outsourcing certain tasks that can be done by external partners. Additionally a strong network can increase flexibility regarding capacity, which enables FIRM X to handle differences in demand. A good partner in the network can on the longer term potentially be a partner for a future M&A to internalize a part of the value chain. The local network can also offer a potential increase in the quality and quantity of technological innovations originating from the subsidiary, which in turn may lead to an increase of subsidiary initiative.

The transferability and leveragability of resources was identified as a strength in the case of FIRM X. This strength offers the possibility to benefit from the relatively high education level in CZ. In the Czech Republic are relatively more high-educated technical people available compared to the current labor market in the Netherlands. It was also found in this case study that the younger generation of Czech people is more inclined to take initiative and risk. The most valuable resources at FIRM X were found to be the human resources; these are transferable to FIRM Y in order to gather knowledge regarding projects for FIRM Y customers. This knowledge gathering makes the resources also leverageable to a higher level. The more knowledge that is transferred to FIRM X the more value this company gathers for FIRM Y's customers. Since the human resources where identified as being the most important for FIRM Y, the hiring of new high-educated technical people in the Czech Republic offers possibilities to extend the capabilities of the Czech subsidiary. Newly acquired human resources can easily be transferred and leveraged to enable this capability extension. Additionally the hiring of skilled human resources in CZ will improve the flow of information and can provide possible efficiency improvements. This initiative then leads to an increase in visibility of FIRM X in the corporate system, which in turn can lead to more responsibilities followed by an increase in self-esteem. This increased self-confidence can bring the subsidiary to a higher level of initiative. At the same time the quantity and quality of technological innovations originating from FIRM X will likely increase due to inflow of new and more recent knowledge.

An important opportunity in the environment where FIRM X is located is the strong presence of automotive companies. In the confrontation matrix the strength regarding the excellent quality of the produced welding jigs was identified as being the most relevant. There are possibilities to increase FIRM X's knowledge base in order to let the subsidiary be able to serve the local automotive market independently of FIRM Y, but since this would transfer FIRM X to a worthy competitor of the acquirer on the long-term it will not be feasible. The location of FIRM X should be exploited by integrating FIRM X in the FIRM Y Corporation without independent sales. With FIRM X and FIRM Y being one company customers in the automotive market could fully profit from knowledge of FIRM Y (in the beginning only knowledge regarding jigs) in combination with the opportunity to work with local people. With leveraged resources FIRM X can grow towards a more comprehensive organization that can offer complete solutions for FIRM Y customers instead of merely the welding jigs. This increases the international image of FIRM Y as a whole and offers the opportunity to attract more customers from the CEE region.

A threat for both FIRM Y and FIRM X is the hard and closed branch where they are acting in, in this branch mistakes are not accepted and customers have a relatively low loyalty towards their suppliers. The excellent building quality of the jigs is a strength for FIRM X with which they can be a worthy competitor in this branch. Unfortunately FIRM X can't supply the jigs with FIRM Y quality standards to FIRM Y's competitors in the field, because this would imply providing them with possible innovations that belong to FIRM Y. This means that FIRM X could sell jigs only to the low segment where FIRM Y is not active in. Since the costs of an FIRM X jig are relatively high it is difficult to compete in this segment with other eastern European suppliers of jigs. It is expected that this is due to the relatively high salaries that are paid at FIRM X compared to local companies in the Czech Republic, but this requires an extended market research in the lower-end segment. Summarized this means that the excellent quality of the jigs cannot be considered as a strength regarding the market where FIRM X is operating in, preferably FIRM X should be a part of FIRM Y and have FIRM Y as its only customer.

Another threat is the identified risk of knowledge dispossession in the market where FIRM Y is operating in. The most relevant is a change of FIRM X's strategy that eliminates the ambiguous roles of the subsidiary. It is clear from the case study that the ambiguousness of the strategy is a limitation; this was identified as a weakness in the SWOT analysis. When FIRM X is working with local customers there is a risk identified that when an application is submitted, possible solutions are worked out and calculations are made, the customer cancels the order. This way a lot of time is consumed by the application, knowledge is shared and no money has been earned. This way the "customer" receives knowledge for free, which is actually knowledge dispossession. By eliminating the weakness of an ambiguous strategy, FIRM Y can choose to focus on integration of FIRM X into the FIRM Y Corporation as an excellent supplier without independent sales. This way the risk of knowledge dispossession is still present for FIRM Y's sales department, but the risk is reduced, because FIRM Y has bigger customers where this risk is generally lower. The risk of FIRM Y knowledge flowing out of the company via FIRM X is eliminated by integrating the subsidiary and let it focus on one role (excellent supplier).

In the Czech culture a high responsibility avoidance was identified in combination with a high position on Hofstede's (1980) power distance index. This threat is limited with the strength that the culture is open for innovation at FIRM X. The fact that within the Czech culture in general people do not like to carry responsibility is complicating the improvement of the independency of FIRM X. It was also clear from the analysis of the national culture that in general the Czech culture is located high on the power distance index, which means that employees in the Czech subsidiary are likely to efface themselves related to their Dutch superiors and preferably relocate problems to those superiors to avoid responsibility. It is also found in the case study that Czech employees tend to say "yes" to what a Dutch employee asks, this means that there won't emerge any discussion that can provide potentially good ideas that might come from Czech employees. According to the VOKIPO questionnaire that was filled in by Czech employees FIRM X's organizational culture can be identified as quite innovative. This is a strength were FIRM Y can profit from, Czech employees see themselves as innovative, but they don't want to be responsible for their ideas. When some budget and time is cleared to give FIRM X employees a possibility to be innovative this may well result in improvements in products or business processes, especially when more new generation employees are hired in the future.

The last threat that was included in the confrontation matrix is concerning the low competitiveness of FIRM X in its market. In the high segment FIRM X has too much competition from much bigger and more advanced companies, while in the low segment FIRM X has too much competition from companies that are much smaller and cheaper. The excellent quality of welding jigs can be used to reduce the influence of this threat. The only customer for jigs should be FIRM Y who can handle competition with the big advanced local competitors. With the total integration of FIRM X into FIRM Y's supply chain and with it more knowledge transfer towards FIRM X the jig department should be totally transferred to the Czech subsidiary in order to lower costs. Other assembly parts could also be transferred to the Czech subsidiary in the future in order to make this organization more comprehensive and let it evolve more towards a second location of FIRM Y.

7. **Conclusion/Discussion**

In this thesis literature regarding post cross-border acquisition integration and development is discussed, a theoretical framework is developed in order to expose dimensions that need to be elaborated on. The theoretical framework has academic relevance, because it adds to existing literature a model with different dimensions that an SME needs to take into account when internationalizing towards CEE. Applying the framework on the case study results in an analysis of the cross-border acquisition process of a Dutch SME that acquired a small company in the Czech Republic. Experiences of this organization are elaborated on and gaps between the literature and the case could be found. Subsequently the reason, the strategy, the structure, the systems, the skills, the staff, the style and the shared values have been elaborated on in this analysis in order to find relevant internal and external factors that influence the integration and development of SME's subsidiaries in the Czech business to business market in high-tech welding solutions. Managerial implications for the post-acquisition period are identified, resulting in a SWOT analysis and an overview of recommendations regarding the development of a strategy of expanding and staying viable in the Czech Republic.

This process helped in answering the research question: *"Which integration aspects and strategic factors influence development strategies of SME's and their cross-border subsidiaries in the field of high-tech welding solutions in CEE in the post-acquisition phase?"*

The development strategy of a cross-border subsidiary is influenced by several strategic factors according to this research. At first it is very important to have clear what the initial reasons for the internationalization have been, before making a development strategy. From these initial reasons a subsidiary role emerges. The subsidiary role can change in the post-acquisition phase due to a change in desired growth strategy. From the case study in this thesis it is clear that the growth strategy for a cross-border subsidiary in CEE is totally determined by the acquiring organization (head office) and that generic expansion is the desired growth path. Peng and Heath (1996) and Meyer and Peng (2005) advocate a more intense use of inter-organizational relationships in a networking growth strategy when operating in CEE, this strategic path was not found and preferred in the conducted case study. According to Haspeslagh and Jemison (1991) a subsidiary that has a low need for organizational autonomy and a high need for strategic interdependency should be absorbed by the acquiring company in order to blur boundaries between the firms. In the conducted case study this approach was not identified, the Dutch SME maintains the status of the subsidiary as an external establishment of the firm that is mainly seen as a supplier and a profit center. The needs for strategic interdependence that the acquirer expects should be formalized to retain focus and bring out expected benefits of the M&A, in this case study such a formalization of strategic interdependency needs was not found. In practice the formalization of strategic interdependency needs was absent, the acquiring firm demands both to be handled as a preferred customer while on the other hand the acquirers demand the subsidiary to be independent and act as a profit generating daughter company.

The cultural differences between the two firms where found to be of significant influence in this case study. This makes the culture the most influential integration aspect when operating in collaboration with a cross-border subsidiary. It is clear from the study that the Czech culture is still strongly affected by the Czech Republic's Communist history. The Czech culture was found to be highly positioned on both the power distance index and the uncertainty avoidance index of Hofstede (1980). In this culture it is not likely that intrapreneurship will occur, because employees seek the safe path and do not act on opportunities they see. The leadership in the case was found to be strong on the monitoring, coordinating and director role that perfectly fits within the Czech culture but does not stimulate subsidiary initiative. Subsidiary initiative does emerge sooner when the subsidiary possesses specialized resources. In this case study this could not be found, because the only resources in this case are human resources. The human resources are the resources that should initiate subsidiary initiative in this case; the Czech culture does prevent this due to the high uncertainty avoidance and power distance index. From this it can be concluded that the possession of specialized human resources doesn't imply subsidiary initiative and increased visibility in the corporate system in the case of a Czech subsidiary. It was also found in this study that Dutch SME managers do not demand entrepreneurship and innovation from their subsidiaries in CEE, funding and time are not provided. Acquisition mainly takes place for access to less expensive (knowledgeable) human resources. Employees in both the Netherlands and the Czech Republic consider their organizational culture as flexibility oriented, where the Dutch consider themselves more supportive in nature, while the Czechs see themselves as innovation orientated. The results of the VOKIPO questionnaire show more similarity in cultures than respondents in interviews mentioned. The global mindset for management that was advocated by Shimizu et al. (2004) is not found in the case study, the acquirer considers the Dutch culture as superior to the Czech culture and imposes much scrutiny and control. From the case study it is clear that Czech people favor this approach to gain certainty and avoid responsibility and decision-making, while Dutch people prefer a more distant approach where the subsidiary takes initiative and gains autonomy. Substantial problems with the institutional framework were not encountered in the case study. The problems on this area are smaller due to the EU membership of the Czech Republic and the company in this case avoided problems by hiring a knowledgeable local manager for the subsidiary, which was also advocated by Peng and Heath (1996). In the period that the acquisition had just taken place the acquirer imposed great changes at once, because this was necessary to make the subsidiary useful. This implementation made people leave the company in the startup phase and with this knowledge might have been lost. In the post-acquisition phase the acquirer did implement changes incrementally using a gradual approach in order to let employees adapt to the new situation, all respondents experienced this as very positive. This implies that the gradualist approach that Peng and Heath (1996) promoted is confirmed to be suitable for integration of a cross-border subsidiary in CEE. The most important integration aspect that came up in this study is the importance of overcoming the language barrier. The acquiring company in this case is putting a lot of effort in overcoming this problem but has difficulties in being successful. This process is made more complicated due to the fact that Dutch is a Western language while Czech is a Non-Western (Russian) language.

7.1. Research limitations

This research tried to uncover strategic factors and integration aspects that influence the process of cross-border acquisition development. The developed model is, relative to the research sample, a credible reflection of the development process of a cross-border acquisition. While the identified strategic factors and integration aspects found in this study hold in practice, those are not exclusively influencing the development process. The study focused exclusively on M&A's in CEE, which limits generalizability towards other geographical areas. Furthermore the findings in this research may be applicable in the field of (industrial) welding solutions that is involved in this study, external validity to other industries can be low, which means that results may not be generalizable to all SME's who (plan to) acquire a subsidiary in CEE. Because varying industries may well incorporate different practices; an example is the identified strength "excellent quality of welding jigs", this strength is very case related. Another limitation is the focus on the Czech Republic exclusively; other countries in CEE have not been analyzed in this study, which may reduce generalizability towards the entire CEE area. However the results of this study are of significant influence for involved participants in the case study. The identification of the leadership roles in the conducted case study does also have its limitations; these leadership roles are measured by observing managers at the firm as objective as possible. But the scores on the dimensions are related to each other and a limitation can be found in the personal bias of the author. This research is mainly limited by timing constraints, because the research has been conducted as a final project to receive the degree of Master Business Administration. In an education related research time is limited, this made it impossible to conduct a multiple case study, which would have increased external validity. Regardless of the time constraints, there is also a limitation in funding and access to data. Funding was provided by the unit of analysis, because of special interests in the results for this particular case. This was also the reason why there was access to detailed qualitative data in this case. The challenge in this research was to develop a theoretical framework that could be tested in a real world case. There is a vast amount of literature on M&A's and internationalization available, but not specifically on the post-cross border acquisition integration and development process of a Dutch SME in the Czech Republic. This case offered a good opportunity to gather in depth data about experiences of a Western company that is internationalizing towards CEE.

7.2. Recommendations for further research

This study finds relevant integration aspects and strategic factors that influence the development of a cross-border subsidiary in CEE. Though the findings of this study are limited to a cross-border subsidiary in the Czech Republic, further research should also focus on other CEE countries. Another limitation is the exclusive focus on a company in high tech industrial welding solutions. Future research should include other industries and different kinds of companies in a multiple-case study in order to improve generalizability and reconfirm the findings in this research. With the availability of more time more literature on the subject should be analyzed in order to extend the model to include more aspects. Furthermore it is recommended to include more respondents in future research in order to further reduce bias, especially inclusion of local customers and suppliers of the cross-border subsidiary could increase validity of the results.

8. Practical recommendations resulting from 7S model

Strategy

- Choose a clear (direction in) strategy that is carried out by the entire management
- Leverage human resources through knowledge transfer
- Make time and resources available to stimulate subsidiary initiative and ensure that there is support and stimulus from management to innovate
- Make FIRM X a cost-center of FIRM Y instead of a profit-center within the FIRM Y holding
- In FIRM Y's business model (based on hours) it is advised to stimulate growth where hours are cheap (low labor cost countries)
- A growth strategy in CEE countries should (at least partly) be based on networking to become flexible and stabilize the environment of a transition economy (long-term contracts)
- Networking helps to focus on core competences through outsourcing of non-core activities
- Availability of high educated technical people in the Zlín region enables relatively quick growth in the number of employees at FIRM X and support the desired focus on innovation
- Market knowledge should be diffused, ensure that the sales department is extended in the current strategy that demands independency of FIRM X
- More initiative for strategic change should come from FIRM X in the current strategy, this requires autonomy and an extension of subsidiary leadership with a leader that is focused on change and innovation

Structure

- The hierarchical structure at FIRM X is perfectly fitting with the Czech culture; people want to receive clear directions and a clear separation of responsibilities.
- With the growth of the company in number of employees more tasks and responsibilities can be split over different functions
- Sales department should be integrated with the Dutch sales department in order to train the salesman to handle bigger projects, additionally more local employees could be hired to increase sales in the CEE region
- Direct involvement of operations chief to stimulate innovation and growth by communicating clear FIRM Y vision
- Assembly department should be part of the Dutch assembly department to transfer knowledge and share responsibility
- Hire new technical employees in CZ in case of capacity limitations
- Transfer project management structure to FIRM X when the number of activities, employees and projects allows this. When focus remains on assembly work FIRM X can stay under Dutch project management

Systems

- Integrate the two companies by absorbing FIRM X with further standardization and formalization of procedures
- A full integration within the FIRM Y ERP system will decrease the amount of e-mail contact and save time
- Integration will eliminate negotiation processes between the companies, the jig assembly department is just part of FIRM Y and has to work as cost-efficient as possible
- Calculate costs-savings that an integration within SmarTeam could entail
- Since the jig departments are delivering comparable quality an absorption of the Czech department into FIRM Y is permissible
- Integration of the two companies allows a decrease of scrutiny and control
- Performance pay system should be better measurable and less influenced by personal bias
- Reduce influence of English language skills in the bonus system or let English language skills be assessed by a Dutch FIRM Y employee, for the reason that the current system is sensitive for corruption and places a lot of emphasis on a local English teacher
- The current bonus system where performance is related to a "best" employee can result in too much competition on the work floor where individual performance is prioritized over company performance, this effect should be avoided by putting clear measurable targets in the bonus system

Skills

- Core competence is jig assembly, focus on this
- Transfer more skills where possible (e.g. electro cabinets, knowledge of the welding process, sales of big complicated projects, project management, etc.)
- Increasing independency by focusing on smaller/simpler projects is increasing threat for substitution
- Consider purchase of measuring arm for further jig completion
- FIRM X engineering department is capable to engineer innovative solutions for customers, additional training on FIRM Y projects can enable them to be of more use for the corporation
- Cross-border management skills are important, learn each other's language and accept/understand each other's culture
- Try to find a re-patriate to assist FIRM X's management. Such a person can improve social integration and increase the amount of coaching

Staff

- Extension of staff is inevitable to grow and split up functions
- Hire and train more salesmen to increase local sales, regardless of which strategy is chosen (in case of a cost center the sales department supports the Dutch sales department, while in case of a profit center the extension of the sales department at FIRM X is meant to increase lower segment local sales)
- Look for the opportunity to hire the current salesman as technical manager next to the business unit manager, instead of looking for an external fill in of this function

- Ensure staff has same vision regarding growth expectations as management to support development
- Train engineers in order to make this department useful for FIRM Y, eventually hire more local engineers
- When capacity is full in assembly, increase number of local production employees

Style

- Extend management team in CZ with a manager that is strong on the innovator, broker and producer roles in his leadership style
- Look into the possibilities of the current salesman as technical manager and his capabilities as innovator and broker
- Czech employees prefer a directive and clear leadership style from their superiors. Frequent (monthly) management contact with the Dutch chief operations to give direction is expected to be appreciated
- Responsibility is not appreciated in the Czech culture in general, this opts for a directive leadership style that does not decentralize responsibility
- When implementing changes use incremental steps and recognize the value of differences in cultures to get the best out of the combination

Shared Values

- Appreciate individual achievements
- Power distance is accepted, if needed obligate certain actions
- People appreciate rules, clearness and job security
- Stimulate discussions, the Czech culture tries to avoid discussion, but this can limit innovation
- Integration in FIRM Y corporation with a clear long-term vision will make the development process easier, because the Czech culture in general is more short-term oriented
- Czech employees state that their culture is quite innovation oriented, competition with other Czech companies on innovativeness should be feasible. This enables both the independency/profit-center strategy and the integration/cost-center strategy.
- FIRM Y's support oriented culture enables integration of the Czech employees in the company. This culture implies openness for helping the subsidiary in personal development of its employees in combination with knowledge transfer
- Absorption of FIRM X into FIRM Y and taking back responsibility to the acquirer will increase openness
- Alternatively openness can be obligated in combination with negative feedback when information is withheld
- Language is the most important identified barrier; in selection of new employees English knowledge should be an important skill. With the employment of new high educated employees the English skills in general will be better, because the language at universities has changed from Russian towards English

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Appendix 1: Opportunities and threats derived from literature review

Opportunities	Threats
Broaden international customer base	Differences in external environment
Leveraging resources and capitalize market imperfections	Location bound resources offer limited possibilities to contribute to the MNC
Transfer Strategic capabilities	Subsidiary resources are not superior to the resources of the MNC
Integrate using a gradual and interactive process	Subsidiary resources are not recognized by corporate management
Subsidiary initiative and stimulation of intrapreneurship	Subsidiary resources are not transferable and leverageable
Use networking to gain access to external resources	High local competition limits the level of contribution of the subsidiary to the MNC

TABLE 4: OPPORTUNITIES AND THREATS: INTERNATIONALIZATION AND M&A

Opportunities	Threats
Use a network-based growth strategy	Institutional conditions that complicate business
Internalization of transactions	Western growth strategies cannot be applied
Pool and coordinate resources	Strong presence of informal constraints in CEE
Diffuse knowledge within network	Lack of capable managers in CEE
Identify relevant networks, their members and their blurring boundaries	Lack of strategic factor markets in CEE
Identify and select knowledgeable local managers	High transactions costs in CEE

TABLE 5: OPPORTUNITIES AND THREATS: STRATEGIC FACTORS

Opportunities	Threats
Closer coordination and control in case of cultural distance	Underestimation of cross-border management skills opposed to general management skills
Development of Global Mindset	Corporate cultural distance between the firms
Strategic differences can facilitate synergy creation	Institutional and cultural distances between the home and the host country
Cross-border M&As with greater cultural and institutional differences provide enhanced opportunities	Cross-border M&As with greater cultural and institutional differences provide larger challenges in realizing opportunities
Knowledge of the partner’s language and cultural aspects are crucial for managerial learning	The pursuit of capability transfer itself may lead to destruction of the capability that is being transferred
Capabilities need to be transferred to the subsidiary	Management resistance and employee resistance
Sharing of information, knowledge, and know-how	Incompatibilities in organizational areas may reduce synergy effects of the integration
Recognize one primary type of capability transfer as dominant source of initial value creation	Loss of the acquired firm’s identity can result in poor post-acquisition performance
Formally assess the strategic interdependence	Language problems

needs	
Consider the need for organizational autonomy	Problems due to pronounced differences in cultures, systems, mentalities and ways of thinking.
Replacing senior executives should be locals	Lack of openness and defensiveness
Plan integration strategies, at least in outline terms	
Different management styles can effectively work together if the interaction between acquiring and acquirer firms is limited	
Realize that systems in an acquired company can serve better in the cross-border situation than the systems of the acquiring firm (which may seem superior).	
Post-acquisition managerial learning	
Put more emphasis on language and cultural skills in selecting and training employees who are expected to get involved in post-acquisition management	
Hire a re-patriate	

TABLE 6: OPPORTUNITIES AND THREATS: INTEGRATION ASPECTS

Appendix 2: Literature Review table

Author	Year	Title	Theme	Findings and Relevance
Musteen & Datta	2010	Learning about foreign markets: A study of Czech SMEs	Internal environment	Importance of knowledge and technological innovation in the Czech Republic
Witt	1998	Strategies of technical innovation in Eastern European firms	Internal environment	Build up market knowledge by creation of networks
Musteen, Francis & Datta	2010	The influence of international networks on internationalization speed and performance: A study of Czech SMS's	Internal environment	Importance of networks (formal and informal) on the success of SME survival in CEE
Senik, Isa,Scott-Ladd & Entrekin	2010	Influential factors for SME internationalization: Evidence from Malaysia	Internal environment	5 Reasons(dimensions) to internationalize: motivational, firm characteristics, industrial, external and networking. Networking most important
Birkinshaw, Hood & Johnsson	1998	Building firm-specific advantages in multinational corporations: the role of subsidiary initiative	Internal environment	3 Perspectives regarding the contributory roles of subsidiaries: environmental determinism, head office assignment and subsidiary choice Process model of the subsidiary's actions/initiatives to develop international value-added scope Resources must be specialized, recognized and transferable and leverageable Contribution of a subsidiary is high when there is an entrepreneurial culture, a high amount of initiative and few local competition
Peng & Heath	1996	The Growth of the Firm in Planned Economies in Transition: Institutions, Organizations, and Strategic Choice	External environment Czech Republic; Organizational Development	Communist system→market-oriented democracy, general information. Most viable growth strategy in CEE is network-based growth strategy. Base growth strategy selection on SWOT Firm growth definition is multidimensional Networking definition Network strategy represents a firms' effort to reduce environmental uncertainties through development of inter-organizational relationships High transaction costs in CEE, because of informal institutions, lack of capable managers and lack of strategic factor markets

				Identify relevant networks (including members and boundaries), knowledgeable local managers, and work incrementally to develop a successful strategy Firm growth is constrained by capability of managers and ability to overcome transaction costs
Villinger	1996	Post Acquisition Managerial Learning in Central East Europe	External environment Czech Republic; Post-acquisition integration	Shift from controlled ideology, central planning, hierarchical structures →pluralism, decentralization, individuality. Cross-border management skills are important Knowledge of acquisition partner's language and cultural aspects are crucial for managerial learning processes Four major types of managerial learning in cross-border acquisitions Barriers to successful learning process
World Economic Forum	2011	The Global Competitiveness Report	External environment Czech Republic	General information about the Czech environment
Smallbone & Welter	2001	The Distinctiveness of Entrepreneurship in Transition Economies	External environment Czech Republic	Informal networks are key when mobilizing resources. Heritage from former socialist period is limited entrepreneurship. Shadow economy
Americans for Tax Reform Foundation/Property Rights Alliance	2011	International Property Rights Index: 2011 report	External environment Czech Republic	Property rights based legal framework is in place. Czech Republic still has great influence of informal institutions and constraints. Planning regime is weakened and formal constraints for market economy is lacking.
Meyer & Peng	2005	Probing Theoretically into Central and Eastern Europe: Transactions, Resources, and Institutions	Organizational development	Firm growth strategies Network based growth strategy emphasizes on intangible assets embodied in managers' micro interpersonal ties and the firms' macro inter-organizational relationships
North	1990	Institutions, institutional change and economic performance	External environment	Institutional framework definition and distinction formal and informal constraints
Kolman, Noorderhaven, Hofstede & Dienes	2003	Cross-cultural differences in Central Europe	Cultural aspects Czech Republic	Cultural differences CEE and the Netherlands Corrected scores for the 5 Hofstede culture dimensions Literature review for characteristics of the Czech culture
Hofstede	1980	Culture's Consequences: International	Cultural aspects	Analytical tool for cultures with five dimensions: PDI, IDV, UAI, MAS, LTO

		Differences in Work-related Values		
Shimizu, Hitt, Vaidyanath, & Pisano	2004	Theoretical foundations of cross-border mergers and acquisitions: A review of current research and recommendations for the future	Organizational development; Post-acquisition integration	Cultural and institutional context influence strategic development Cross-border acquisition definition Cultural differences in acquisition create challenges for integration Acquisition success depends on integration process and control systems Acquirer's nationality determines integration processes and control systems Successful cross-border acquisitions require a global mindset that helps recognizing the value of different cultural perspectives Strategic differences can facilitate synergy Cross-border acquisitions with greater cultural and institutional differences provide enhanced opportunities, but also larger challenges in realizing these opportunities
Datta	1991	Organizational fit and acquisition performance: effects of post-acquisition integration	Post-acquisition integration	Acquisitions in general have high failure rates Related acquisitions exhibit superior performance and synergy effects Acquisitions that permit access to new, but related markets create most value Incompatibilities between firms (management styles, reward and evaluation systems, organizational structures, or organizational cultures) in an acquisition reduce synergy Acquired firm is often subjected to close control and scrutiny Post-acquisition success criteria
Morosini, Shane, & Singh	1998	National cultural distance and cross-border acquisition performance	Organizational development; Post-acquisition integration	Cultural distance is positively related to post-acquisition performance
Cloodt, Hagedoorn and Van Kranenburg	2006	Mergers and acquisitions: Their effect on the innovative performance of companies in high-tech industries	Organizational development; Post-acquisition integration	Non-technological acquisition often does not contribute to innovativeness Absolute size of acquired knowledge base only influences post-acquisition performance positively for the first two years In order to gain innovativeness after an acquisition, the acquiring company should search for acquisition opportunities that do have a technological background with a modest knowledge base that is moderately related to the acquiring company. A bigger acquired company, with a different knowledge base and a different culture has better chances in enhancing post-acquisition innovative performance.

Haspeslagh and Jemison	1991	Managing acquisitions: creating value through corporate renewal	Post-acquisition integration	Four integration approaches based on strategic interdependence and organizational autonomy. Absorption, preservation, symbiosis and holding.
Quah & Young	2005	Post-acquisition Management: A Phases Approach for Cross-border M&As	Organizational development; Post-acquisition integration	Five influencing factors on post-acquisition management process Senior management first retained, later replaced New management quickens integration and change implementation Gradualist approach for change, step by step Management- and employee resistance Clear communication process about short-term goals results in positive employee behavior Components of pre-acquisition process Components of post-acquisition process Post-acquisition performance measures

Appendix 3: Interview (Dutch)

Strategie

Wat was de motivatie om uit te breiden naar Tsjechië en niet een ander land in Centraal Europa? Economisch, politiek, technologisch, sociaal voordelen?

Wat was de reden om Tegema CZ over te nemen, in plaats van een eventueel ander bedrijf aldaar of het zelf opzetten van een onderneming?

Is FIRM Y tijdens de overname tegengewerkt door Tsjechische regels, wetten of contracten? Zijn er nu instituties aan te wijzen die de ontwikkeling van CZ bemoeilijken?
Overheidsinstanties, (belasting)wetgeving, etc.

Zijn er bepaalde Tsjechische gebruiken, normen of cultuureigenschappen die de overname bemoeilijkten? Hoe beïnvloed dit het huidige zakendoen met CZ?

In hoeverre is er sprake van onderlinge afhankelijkheid met CZ?

Hoe is CZ afhankelijk van NL?

Hoe is NL afhankelijk van CZ?

Vereist de vestiging in CZ autonomie? En in hoeverre kan men autonoom handelen?

Is het belangrijk om FIRM X in de toekomst als aparte entiteit te laten bestaan om bepaalde competenties te behouden?
Zijn competenties in organisatiecultuur verweven? Autonomie=vrijheid zelf te handelen.

Hoe ziet u de rol van FIRM X, wat dragen zij momenteel bij aan het bedrijf?

Hoe is FIRM X in deze rol terecht gekomen als u moest kwalificeren op:

a) Door de omgeving van FIRM X bepaald (concurrenten aldaar, toeleveranciers, klanten, industrie)
b) Door ons (FIRM Y NL) bepaald (corporate strategy)
c) Management in CZ begrijpt de markt en mogelijkheden in CZ beter en is daarom in de betreffende rol terecht gekomen

Hoe ziet u de rol van FIRM X in de toekomst?

Welke internationale verantwoordelijkheden heeft FIRM X?

Wordt er initiatief getoond vanuit CZ, zo ja, waaruit blijkt dit en is dit in lijn met de kerncompetenties van FIRM Y?

Zijn er resources waarvoor FIRM Y afhankelijk is van oost europa/Tsjechië?
Vb. reputatie van de onderneming, patenten, productontwikkelingscapaciteit, flexibiliteit van de productieafdeling, (aantrekkingskracht op) personeel, locaties van vestigingen

Zijn resources (eenvoudig) uit te wisselen tussen beide bedrijven, welke wel/niet?

Is er veel lokale concurrentie in CZ en hoe ziet deze concurrentie eruit?

Hoe ziet u de toekomstige groei strategie van CZ als u deze moest kwalificeren als:

a. Generieke expansie, vanuit eigen kracht
b. Middels overnames en fusies
c. Via het gebruik van het lokale netwerk

En hoe staat dit in verhouding tot FIRM Y NL?

Zijn de kosten van het zakendoen in CZ hoger dan in NL en merkt FIRM Y hier iets van?
(Transactiekosten: inefficiënties die optreden wanneer een transactie wordt afgesloten. Voorbeelden zijn onderhandelingskosten, informatiekosten en het vinden van een onderhandelingspartner)

Welke (vaste) partners heeft FIRM X in haar lokale markt welke helpen onzekerheid weg te nemen (lange termijn contracten)?

Kunt u een voorbeeld geven van een strategische verandering die bij FIRM X is doorgevoerd en hoe deze is doorgevoerd, hoe de aansturing vanuit NL was?

Heeft FIRM Y voordeel gehad dat vanzelf ontstond doordat FIRM Y groter werd na de overname?
Meer marktaandeel gekregen/ grotere onderhandelingspositie bij leveranciers

Is er een eenduidige strategie voor FIRM X geformuleerd? Is voor FIRM X duidelijk wat zij voor FIRM Y NL betekenen?

Heeft de overname toegang gegeven tot nieuwe klanten? Is de marktpositie van FIRM Y als geheel verbeterd?

Is door de overname de service aan bestaande klanten verbeterd?

Is FIRM X de laatste jaren belangrijker geworden binnen FIRM Y?

Beschouwt u de acquisitie als succesvol?

Zijn er synergie-effecten op getreden door de acquisitie?
Door delen van resources en uitwisseling van skills

Structuur

Hoe past FIRM X binnen de structuur van FIRM Y of hoe zijn de beide bedrijven aan elkaar gekoppeld? Of moet je FIRM X zien als een divisie binnen een divisionele structuur?

Hoe ziet u de structuur van FIRM X in de toekomst?

Hoe ziet u de koppeling van FIRM Y NL en CZ in de toekomst?

Systemen

Verschilt het beloningssysteem voor medewerkers tussen FIRM X en NL? En het evaluatiesysteem?

Is er veel interactie met het management in CZ?

Moet er veel gerapporteerd worden door CZ? In welke vorm?

In hoeverre zijn voortbrengingsprocessen gelijk of synchroon aan elkaar?
Input→output

Skills

Heeft FIRM X in de loop der jaren meer activiteiten of producten in haar portfolio opgenomen en wat verwacht u op dit vlak in de toekomst?

Zijn er westerse managementvaardigheden overgebracht naar CZ?
(strategisch inzicht, coördinatie, beheersing)

Heeft FIRM X duidelijke prestaties geleverd na de overname? Kunt u een voorbeeld noemen van een significante verbetering na de overname?

Is de productiekwaliteit meer richting het niveau van FIRM Y NL gekomen door de jaren heen? (en snelheid en kosten van produceren?)

Is FIRM Y innovatiever geworden na de overname? Is CZ innovatiever geworden? Is FIRM X zelf überhaupt innovatief en zo ja op welk vlak?

Is de prestatie van FIRM Y NL significant verbeterd na de overname?

Welke unieke resources had Tegema CZ ten tijde van de overname?

Worden de mogelijkheden van FIRM X nu beter gebruikt/benut dan voordat het bedrijf werd overgenomen?

Zijn er zaken geleerd van FIRM X? Heeft FIRM Y NL zaken overgenomen van CZ?
(Op het gebied van management? Technologisch? Cultureel? Taal?verbetering van processen. Kennisdeling, vaardigheden)

Was er kennis bij Tegema CZ aanwezig die nu nog ingezet wordt? Was er overlap met de kennis bij FIRM Y NL?

Staff

Is met de overname het management van Tegema CZ gebleven of is dit vervangen?

Was er een relevant netwerk in de tijd van overname?
Zakelijke relaties, kennissen in persoonlijke sfeer, instituties

Is dit netwerk in stand gehouden na vervanging van het personeel?

Bestond het management van FIRM X altijd uit Tsjechische mensen?

Is medewerkers duidelijk gemaakt dat ze konden blijven na de overname? Indien deze mogelijkheid er was.

Wie zijn er verantwoordelijk voor de ontwikkeling van FIRM X?
Team kan best bestaan uit personeel van beide bedrijven

Hoe is de ontwikkeling van het aantal medewerkers van FIRM X en wat verwacht u op dit vlak voor de toekomst?

Stijl

Welke cultuurverschillen vallen u op tijdens het zaken doen met Tsjechen?

Is er in Tsjechië volgens u sprake van een meer individualistische cultuur of meer een groepsgerichte cultuur?

Is de Tsjechische cultuur meer toekomstgericht of denkt men meer op de korte termijn?

Kunt u een voorbeeld geven van hoe u rekening houdt met de Tsjechische cultuur bij de ontwikkeling en integratie van FIRM X?

Heeft FIRM Y na de acquisitie gelijk alle nodige veranderingen doorgevoerd of is dit stapje voor stapje gegaan?

Was vooraf de Tsjechische cultuur in kaart gebracht?

Vinden er veel bezoeken plaats aan FIRM X door NL management team?

Wordt van het FIRM X management team gevraagd om prioriteiten te verleggen?

Ziet u verschillen tussen de managementstijl in CZ en in NL bij FIRM Y? Zo ja welke?

Shared Values

Zijn er nog duidelijke grenzen aan te geven tussen firm Y nl en cz? In hoeverre zijn het nog twee aparte bedrijven?

Is er weerstand merkbaar bij het doorvoeren van veranderingen? Is er meer weerstand vanuit het management of vanuit overig personeel te onderscheiden?

Welke knelpunten komt u tegen tijdens de integratie en ontwikkeling van FIRM X?

Heerst er een ondernemende bedrijfscultuur in CZ?

Wordt er open/volledig gecommuniceerd vanuit CZ?

Appendix 4: 7S model

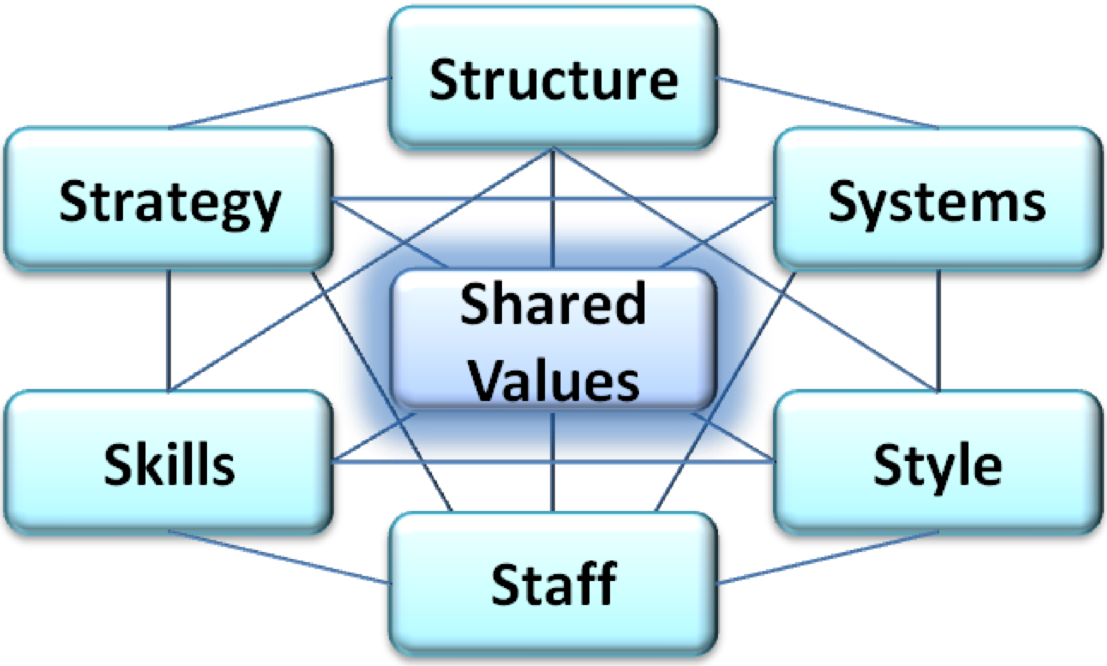
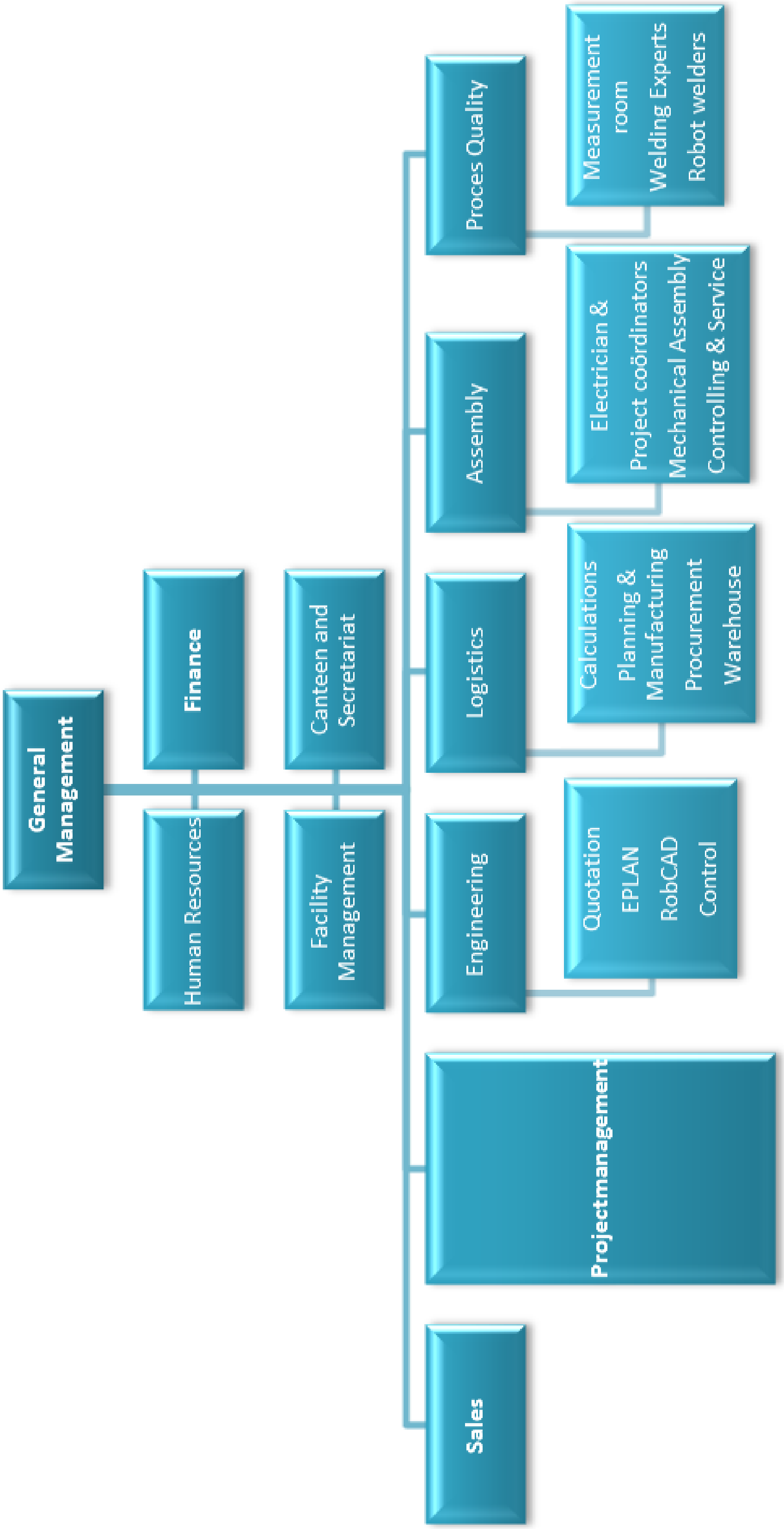


FIGURE 4: 7S MODEL, MCKINSEY (WATERMAN, PETERS, & PHILIPS, 1980)

Appendix 5: Organogram FIRM Y



Appendix 6: Organogram FIRM X

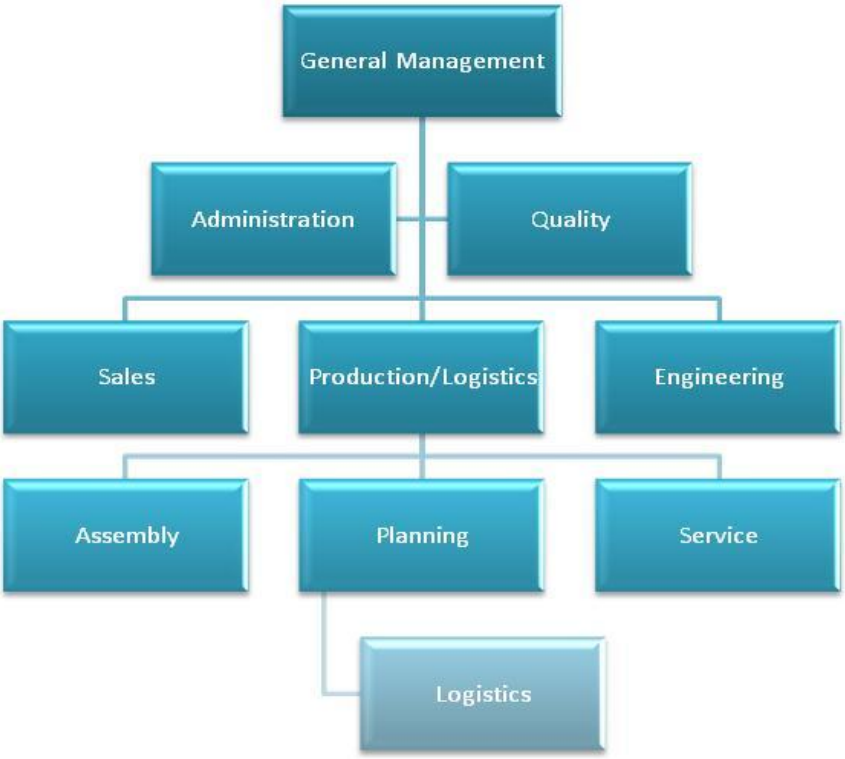


FIGURE 5: ORGANIZATIONAL CHART FIRM Y CZ (2011)

Appendix 7: VOKIPO Questionnaire

Shortened Organization Climate Index for Profit Organizations

1	Thanks to the collaboration, employees get ... opportunities to specialize.
2	Discussion to us is ... dominated by rational planning of activities.
3	Generally at FIRM X we attach ... importance to strict adherence to procedures.
4	Most employees feel ... at home.
5	There is ... clarity within the company who is responsible.
6	Within the company are problems associated with job appointments ... the issue of conflict.
7	The positive assessment of activities that we undertake depends ... on the extent to which they serve the practical goal of FIRM Y
8	In order to improve our performance we try ... to change existing routines
9	We work together at FIRM X in order to ... reach a higher professional quality and add value
10	Employees at FIRM X have ... the same style of working
11	FIRM X is ... focused on discovering and fulfilling new needs in society.
12	Within the company is ... the idea of a clear separation of private and work
13	The structure in which we work together, offers the employees ... (a) safe working environment.
14	The FIRM X policy and vision is generally ... a central topic in the meetings at our company
15	The company is ... characterized by a clear vision and objectives
16	All employees experience ... clarity about their role for FIRM X
17	Openness to criticism is ... a characteristic of my colleagues at FIRM X
18	The different personalities of the staff do ... fit together.
19	... there is.. monitoring of the quality and quantity of each other's work.
20	Within FIRM X the development of human relationships between colleagues is of ... importance.
21	Within the organization there is ... importance given to leisure and time for family
22	Creative ideas regarding the way of working together, ... get our attention
23	Within the company we ... use the same software.
24	Education contributes ... to the development of new domains for our company.
25	Our collaboration within FIRM X offers ... space for democratic consideration.
26	Within FIRM X there is ... mutual respect and trust.
27	Introduction of new methods at FIRM X is... well accepted
28	Targeted planning is ... the subject of our consultation meetings.
29	In our company there is ... place for sharing emotions.
30	In our company we are ... focused on the future.
31	Working together with my colleagues requires ... that I work in a structured way.
32	Colleagues help each other ... through mutual support and scrutiny.
33	Between the colleagues there is ... loyalty.
34	Internal rules create for us ... clarity on aspects regarding how to work together.
35	Through the collaboration with my colleagues I can ... develop my own interests.
36	Employees find motivation for their profession…in pursuit of personal recognition

Appendix 8: SWOT

Strengths	Weaknesses
✓ Excellent quality of welding jigs ✓ Relatively low labor costs compared to FIRM Y ✓ Centrally situated in CEE region, close to suppliers/customers of FIRM Y ✓ Transferable and leverageable (human) resources available ✓ Local manager ✓ International image of FIRM Y to partners ✓ EU membership of Czech Republic ✓ Knowledge of local market ✓ FIRM Y presence in CEE region is appreciated by customers ✓ FIRM Y customers assume that price is lower ✓ Control oriented leadership fits with “great supplier” part of the strategy ✓ Directive leadership suits CZ national culture ✓ Similar business cultures ✓ Culture at FIRM X is open for innovation ✓ Subsidiary of an innovative organization ✓ Training and support available from FIRM Y ✓ Procurement advantages due to connection to FIRM Y ✓ Shared ERP system ✓ English class	✓ Small space for assembly ✓ General management was not retained after acquisition ✓ M&A did not result in economies of scale ✓ Knowledge of local market concentrated in one salesman ✓ Limited financial possibilities without support of FIRM Y ✓ Revenues depend for 80% on FIRM Y ✓ Local projects are not prioritized over FIRM Y orders ✓ Double roles (own sales/great supplier), ambiguous strategies ✓ No intrapreneurship ✓ Lack of subsidiary initiative and technical innovation ✓ Language barrier ✓ Limited capacity ✓ Innovation orientation of organizational culture not reflected in subsidiary leadership ✓ Regular reporting is time-consuming ✓ No SmarTeam integration ✓ Bonus system based on interpretation by English teacher (40%)

Opportunities	Threats
✓ Strong presence of automotive companies in CEE region ✓ Provide local service (machine maintenance/modifications) to FIRM Y customers in CEE ✓ Technical workforce available in CZ that is eager to learn (including capable engineers) ✓ Relatively high education level in CZ ✓ Networking possibilities in CEE (identify networks, their members and blurring boundaries) ✓ Network growth strategy ✓ Absorption approach ✓ Good IP protection in CZ ✓ No new entrants in the branch ✓ Research how and try to develop a global mindset and combine cultures ✓ Formalize strategic interdependence needs ✓ Increasing sales in mid segment of local market ✓ Hiring a re-patriate (Czech born immigrant) ✓ Stimulate intrapreneurship	✓ Political instability and corruption ✓ Bureaucracy ✓ Prices kept high for Foreign Investors ✓ Labor costs rise more quickly than in NL ✓ Local competition in low segment is much cheaper ✓ Local competition in high segment is more advanced and bigger ✓ Prices in CZ are not significantly lower ✓ Czech business culture is used to soft budget constraints that undermine incentives for learning and improvement ✓ Power distance negatively influences the amount of discussions and avoidance of responsibility ✓ Short-term oriented way of thinking ✓ LCC concept can be imitated ✓ “Winning” customers is very time consuming ✓ Hard/closed branch, mistakes are not accepted ✓ Risk of knowledge dispossession

TABLE 9: SWOT ANALYSIS FIRM Y CZ

Appendix 8: Activities

Activity	October					November				December					January					February			
Week number:	40	41	42	43	44	45	46	47	48	49	50	51	52	1	2	3	4	5	6	7	8	9
Orientation Interview CEO																						
Literature review																						
Theoretical framework																						
Secondary data collection																						
Interview development																						
Interview CEO																						
Interview sales manager																						
Interview COO																						
Interview CFO																						
Interview logistics manager																						
Interview jig production																						
Interview employees CZ																						
Observation organization CZ																						
SWOT analysis																						

TABLE 10: GANTT CHART OF PLANNED ACTIVITIES