Motives for and Evaluation Criteria of Mergers and Acquisitions

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Abstract
The turn of the century has experienced a major wave of mergers and acquisitions, despite the fact that few turn out to be profitable. On this account it is interesting to investigate what motives are given for merging. One reason might be that companies are tempted by the results of successful deals, wherefore it is also interesting to study what methods there are to assess the outcome of a merger or an acquisition. The overall purpose of this thesis is to investigate and compare the motives for and evaluation criteria of mergers and acquisitions, as given by theorists and media respectively. The results of the investigation show that all initial motives are not evaluated, particularly not implicit motives since these are difficult to measure. Only a few differences were noted among the motives and evaluation criteria in the theoretical and empirical findings. The most significant difference seems to be that media tend to focus on issues that are newsworthy.
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Nyckelord
Keyword
fusion, förvärv, motiv, utvärdering, Marie Tomicic
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1 Introduction

This initial chapter presents the general background to the writing of this thesis, leading up to a discussion of the motives and evaluation criteria of mergers and acquisitions. This is followed by a presentation of the purpose of the study, along with the questions that will be answered in order to fulfil the purpose.

1.1 Background

"Merge or die"

This rather remarkable phrase is the title of several articles (e.g. Evett, 1999; Goyenechea, 1999; Newman, 1992) written on the subject of mergers and acquisitions1 during the last few years. To some extent it mirrors the importance for today’s companies to retain or gain competitiveness through strategic moves such as mergers or acquisitions. According to, for example, Isacson (011206), the period around the turn of the century appears as the biggest wave of mergers and acquisitions in the entire economic history, and although the peak may have passed it is not yet over.

According to Weston & Weaver (2001), there are five major waves of mergers and acquisitions, the current one included. A pattern between these waves and times of recession and times of prosperity can be traced. The explanation for this is that the economy of the companies reflects these economic trends. Thus, in times of prosperity, when firms have excess capital to invest, the frequency of mergers is higher than in times of recession. The earliest merger and acquisition wave took place around the turn of the last century. The second wave started approximately in 1916, but ended abruptly with the arrival of the Great Depression in 1929. The

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1 Mergers and acquisitions are by definition not synonyms, but are generally used interchangeably. The expressions will to some extent be discussed in the theoretical material.
Introduction

conglomerate era, as the third wave is called, had its heyday during the last half of the 1960s and was characterised by risk spreading through diversification. During the 1980s, mainly due to a massive and quite lasting recovery in the economy, the fourth wave took place. As noted above, the world is currently in the middle of the fifth wave of mergers and acquisitions, which began around 1993. Gaughan (1991) argues that today’s merger and acquisition wave has its origin in the ongoing globalisation. Borders between markets have become more or less erased, with the European Union as the prime example. Development of technology offers tremendous possibilities for communication, which facilitates co-operation across national borders. A result of the diminishing of borders is that bigger markets breed a greater degree of competition. In order to remain competitive, many companies see co-operation with other firms as the only alternative.

According to Benson (DI, 011124), in spite of the trend of mergers and acquisitions researchers have shown that few turn out to be profitable. Findings show that the risk of failure is far greater than the chance of success. There are no research done that actually can prove that mergers help companies to be more efficient and stronger compared to their competitors. On the contrary, Alarik (1982) argues, most of the mergers and acquisitions are not as successful as believed when the agreement is signed. Studies show that merged firms are not more profitable than others and at times they even perform worse than their non-merged counterparts. J B (2000) reports that a recent study performed by KPMG uncovered that 82 % of the respondents believed that their deal had been successful. When investigating this in-depth it was revealed that 53 % of the deals had actually destroyed shareholder value, and a further 30 % had neither increased nor decreased their shareholder value. We believe that since the majority of theorists describe mergers and acquisitions as a very risky strategy it is quite a mystery that such strategic moves keep being conducted to such a large extent.

A number of reasons to why mergers keep being undertaken can be found. According to e.g. the leader column in Dagens Industri (990325), one such reason is speculation on the stock market, meaning that the shareholder value increases through rumours of an imminent merger. Gaughan (1991) suggests that another reason may be the need to push down costs and to achieve synergies. A third reason to this phenomenon is given below:
“... it would seem that mergers are a risky form of investment. Thus, while most active acquirers do not obtain an attractive return, a few do. The relatively few successful acquirers obtain very large returns, and the prospect of these large returns tempts other firms to engage in merger activity...”

Hogarty in Alarik 1982, p 16

Another possible contributing factor that makes these prospects tempting is statements made by journalists and experts in different forms of media\(^2\). A merger or an acquisition that, e.g., analysts in an acknowledged financial paper judge as being successful, is likely to be glorified. No doubt, this seems appealing to many companies, who may see a similar action as a way to be equally successful. It is generally agreed that it is at this point that most firms fail. Eager to reap the same harvests as their fellow competitors, they hasten to look for possible partners with which to cooperate, make a quick deal and probably lose the presumptive synergy effects on the way...

We found it interesting to examine if this idea about the role of the media and their influence on companies are true. In this context a discussion of sensemaking is relevant. Sensemaking is, according to Weick (Tomicic, 1998), about creating order, clarity and structure among experiences. This is an ongoing, more or less conscious process. Individuals tend to interpret and adjust events in a convenient way, which facilitates the sensemaking. Lundh (Tomicic, 1998) argues that ascribing meaning to something is not the same as to pass judgement. The sensemaking \textit{per se} may be neutral, for example a mere statement. However, it might also entail a dimension of valuation. Even if something is apprehended and interpreted in a similar way by many different individuals, it is not necessarily the case that their valuation thereof is the same. According to Tomicic, (1998), sensemaking can be looked upon as a game where the actors are given different possibilities to affect the result. Smirchich & Morgan (Tomicic, 1998) describe sensemaking as a negotiation of the reality, created during an interactive and social process. But not everybody have the same prospect to affect this process. Many share the opinion that some individuals are given

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\(^2\) Media is defined as papers, television, radio and Internet, which serve as information channels directed towards the public.
a greater chance to create meaning. Giddens (Tomicic, 1998) states that some individuals are given more resources than others. These resources give them trustworthiness and the possibility to affect the structure and thereby, also the sensemaking and acting of others.

We believe media to be such an example. By focusing on a certain issue media can make individuals apprehend a specific aspect of life and at the same time offer an interpretation of the same. A journalist reporting on a merger or acquisition is likely to state the facts, but also, deliberate or not, to pass some judgement on the issue as well. Thereby an already created opinion is offered and the individual reading the article gets this opinion imposed him/herself. The reader can only interpret the information that already has been interpreted once by the journalist. We regard media as very influential sources of information for the public. Thereby they also have a large potential to affect the general opinion. Since we believe media to be important distributors of information we figure that the picture presented therein is important to companies. Therefore, we started our investigation by contacting some well-known companies, which all had experienced a merger or acquisition, and asked what influence media and journalists in general had on their strategic decisions. Almost all asserted that there were basically two sides to this coin. They admitted that it is naturally important that media uphold an appealing picture of the company, facilitating the struggle to keep and attract customers. But at the same time they tried not to pay too much attention to what journalists wrote about themselves or their competitors, as far as their strategic or financial decisions were concerned. The issue at hand is evident. Companies must act carefully not to create an erroneous picture of themselves in media and simultaneously try to run their own race, regardless of what journalists consider about it.

1.2 Defining the Problem

Considering the fact that many mergers and acquisitions apparently are carried out despite the great risk of failing, we wished to investigate the different motives given for these actions. Additionally, we found it interesting to study how people form opinions about whether a merger or acquisition turn out to be successful or not. If the quotation by Hogarty above is true, it becomes important to examine how to determine the outcome of a deal. How are mergers and acquisitions evaluated? What
motives do they focus on when evaluating the results? From where do they get their information and how do they handle it? When evaluating a particular merger after its implementation, do they go back and look upon all these specific motives again, or do they go about in another way?

Furthermore, having found out that the picture of the company presented in media is in fact important, and that media thereby play a significant role in forming opinions, we decided to juxtapose media’s way of presenting these issues with that of the researchers. Do they give the same motives and evaluation criteria, or are there any differences? Do the outcome of a merger depend on what motives were initially given, or are there any standard measures with which to assess the results of mergers? These are all interesting questions, still searching for their answers. And this takes us to the purpose of this thesis.

1.3 Purpose

The overall purpose of this thesis is to investigate and compare the motives for and evaluation criteria of mergers and acquisitions, as given by theorists and media respectively.

In order to fulfill the purpose of this thesis, the following questions will be answered:

1. What are the motives given and the evaluation criteria used in a merger or an acquisition according to theorists?
2. What are the motives given and the evaluation criteria used in a merger or an acquisition according to media?
3. Are there any differences in merger and acquisition motives given by theorists and media, and if so, why?
4. Are there any differences in evaluation criteria for mergers and acquisitions given by theorists and media, and if so, why?

1.4 Delimitations

We have chosen to only study Swedish papers and newspaper, since the investigation otherwise would have become far too extensive. A
delimitation of time has been made for the empirical investigation, where we have chosen to study articles mainly focusing on the current merger wave. The motivation is that we wished that the articles would cover the same subjects as the respondents supposedly would discuss.

1.5 Disposition

Chapter 1 serves as an introduction to the thesis, including background, definition of purpose and a presentation of the questions we intend to answer in order to fulfil that purpose. In Chapter 2, our scientific viewpoints, approaches and methodology is presented. The section also entails details of the way in which this study has been carried through and how we have treated the collected material. Chapter 3 includes our theoretical material, in which merger and acquisition motives as well as evaluation criteria as given by theorists are presented. The section is concluded with a summary of our findings. In Chapter 4 we present our empirical investigation. Thus, this section entails merger and acquisition motives and evaluation criteria found in media. The empirical part is summed up at the end of the chapter. The analysis of our findings is presented in Chapter 5, in which theoretical and empirical material are juxtaposed and compared. The reader will also find our comments and viewpoints in this part of the thesis. Chapter 6 is made up of the conclusions that can be drawn on the basis of our material. In this section, we also give answers to the questions that were posed in the first chapter, and which serve to fulfil the purpose of this thesis. The chapter also includes general comments along with recommendations/suggestions on future areas of research. Finally, in Chapter 7, we list the references used in this study.
2 Scientific Approach & Methodology

In this section we discuss the theory of science along with its different perspectives and approaches used while conducting studies. The aim is to clarify our own standpoints and thereby also our roles as researchers. The part about scientific approach is used as a basis for our methodology, which is the section where the reader is given a deeper understanding of the practical design of the study. The chapter is concluded with criticism of the methodology and used sources.

2.1 Theory of Science

The way towards knowledge is at times like a straight highway that you can ride at high speed, with the wind blowing through your hair and without having to stop for a breather. On this freeway, crossroads will eventually start to appear and then it is up to you to choose in what direction to go next. If you choose the wrong way, the fast and easily driven highway will change and start to feel more like a long and winding road. It is at this point, when you realise that you might be lost, that you will need a map in order to find your way back to the highway. The theory of knowledge and its different standpoints then become your helpful guide. Sometimes it is also necessary to stop and ask for the appropriate direction and this is when a piece of advice from your supervisor is invaluable.

We will now guide you through our journey. It started with a full petrol tank, filled with our previous knowledge about mergers and acquisitions. As we took off, we rather soon realised that we needed to stop for more fuel. Our petrol station was the library and the university databases, where we could find further details about mergers and acquisitions. After a refill, we were ready to continue our trip, but realised that we needed a map that could guide us through the rest of this journey. Studies of and increased knowledge about the theory of science created this map. Now, all we had to do before setting out again was to figure out our own viewpoints and thereby deciding on what route to take.
2.2 Rationalism and Empiricism

According to Mårtensson & Nilstun (1988), there are two different scientific approaches that strive to systemise the process of searching and analysis, namely rationalism and empiricism. Rationalism views the logical thinking as the most important source of knowledge. The theoretical analysis is superior to everything else. Empiricism claims that knowledge is solely built upon experience. Our knowledge is a direct reflection of our observations. We argue that the latter best describes the approach taken on for the purpose of this study, due to the fact that we gain knowledge from observations of both theoretical and empirical material. However, as Mårtensson & Nilstun (1998) notice, the limitation of the rational thinking is the disregard of experience, whereas the problem with empiricism is instead the lack of theoretical analysis and speculation. This shows the complicated, but needed, co-operation between theoretical and empirical material, i.e., logical thinking, fantasy and observed data. Features of such interplay are present in this study, in the sense that logical thinking and theoretical analyses have been employed when doing the analysis of our observations. Having noted this, it would naturally be pleasant to be able to say that such co-operation actually does take place, but the fact is that researchers often adopt one of two main disciplines, positivism or hermeneutics.

2.3 Positivism and Hermeneutics

According to Carlsson (1991), the term positivism was launched in 1844 by the sociologist Comte. The word itself, in a literal sense, has its origin in the Latin *positum*, implying a form of put, place or lay. According to Alvesson & Sköldberg (1998), this refers to the researcher’s task to collect and organise data. Characteristic of the positivistic research method is that the researcher proceeds from a basic idea, which s/he might have got through own experiences or from other researchers, whereafter s/he poses one or several hypotheses, which are then empirically tested. If the hypotheses are successful, a theory might be built upon them. Eventually, if the theory is repeatedly proven to be successful, it may be accepted as a general law.

One main feature of positivism, Wallén (1993) says, is the demand for objectivity. Values or ideas that are not scientifically proved or relevant
should not influence the researcher. Furthermore, knowledge must be testable, which involves the demand for estimations and judgements to be replaced by measurements. The explanations given by the researcher should preferably be presented in terms of cause and effect, and there should also be a strive for expressing knowledge as general or universal, presented in conformity of law. According to Carlsson (1991), researchers with a positivistic orientation most frequently make use of quantitative methods, which make it possible to perform statistical and mathematical analyses to support the results of the study. Bell (1995) explains that researchers using quantitative methods gather and study relations between different sets of facts. They measure and use scientific techniques, which allow them to quantify and even generalise their findings.

Although we agree on the need to aim at objectivity and although we fully understand the advantages in drawing conclusions on the basis of large amounts of data, we believe that this perspective has its flaws. Wallen (1993), for instance, are one of the critics of positivism, arguing that human beings are reduced to objects or things rather than living and feeling individuals. We argue that the implication of this is that by excluding non-measurable phenomena, such as emotions or values, the results might be distorted and relevant information may be lost. We believe that being strictly objective in all situations is impossible, and at times also undesirable. In given situations, the researcher’s material has to be interpreted in some way or other, in order to be useful, understandable or comparable to certain factors. Having taking this into consideration we realised that this was not a suitable viewpoint for the writing of our thesis, since many of the motives for mergers and acquisitions are implicit and also immeasurable.

As a result, this study is more closely related to the second of the two perspectives, hermeneutics. Patel & Tebelius (1987) states that the term “hermeneutics” derives from Hermes, messenger of the Greek gods, who interpreted the messages from the gods for the people. Hermeneutics means “science of interpretation”, says Hartman (1998), and its spokesmen argue that everything has to be taken into consideration by the researcher, everything must be interpreted. It strives for an understanding of people and the world they live in. As opposed to the positivistic perspective, this implies that objectivity is impossible and undesirable. The basic idea is that each individual perceives each situation in a certain way, by giving a certain meaning to the phenomena by which s/he is surrounded. Gaining
knowledge about these meanings is not in any way measurable, wherefore it has to be interpreted. Thus, the central issue for hermeneutics is not the way the world is, but the way it is interpreted by people within it. Wallén (1993) adds that the researcher also is supposed to have some pre-understanding of linguistic and cultural solidarity when doing these interpretations.

Bell (1995) asserts that researchers adopting a hermeneutic perspective often use qualitative methods since such are more useful when investigating how people apprehend the world around them. Their aim is to understand rather than perform statistical analyses. Classifying the method of a study as either quantitative or qualitative does not prohibit the researcher to depart from the procedures that are usually associated with the method. The aim of our thesis is to investigate the motives and evaluation criteria associated with mergers and acquisitions. Since we strive to understand the motives and the evaluation criteria, we have sought them both theoretically and empirically. Our sources have mainly been secondary, implying that the material has been interpreted by someone else before us, and is thereby not objective and data-based, but subjective and presented by people with some knowledge of the context. On account of this, it is fair to say that we have largely taken on a hermeneutic perspective. Having figured this out, we were ready to find our way through the deductivism and the inductivism in order to determine what approach to adopt.

2.4 Deductive and Inductive Approach

Hartman (1998) argues that two different approaches can be used while conducting studies, the deductive and the inductive. The deductive approach is based on the idea that observations cannot be made with neutrality of theories, i.e. without presuppositions. The central issue is instead to pose an initial hypothesis and allow this to steer the observations in suitable directions. Thus, what is looked for in the study has been decided beforehand. As opposed to the inductive approach, Wallén (1993) says, the theoretical material has great importance and the hypothesis is formed on the basis of existing theories. Researchers using a hermeneutic perspective normally use this approach.
When using an inductive approach, according to Hartman (1998), the scientific search for general theories starts with observations, without having any theory or presupposition to be tested or developed. The observations that are made are simply noted, whereafter the data is analysed and categorised. Eventually, a hypothesis might be found on the basis of the results. Wallén (1993) holds that the approach has been criticised due to the presumptive impossibility for the researcher to be completely free from presuppositions.

The adapted illustration below summarises these two approaches in a comprehensive model, simplifying the concepts further:

![Diagram of inductive and deductive approach]

*Figure 1: Inductive and Deductive Approach.*
*Source: Wiedersheim-Paul & Eriksson (1987), p 128*

A researcher with a deductive approach starts with a general theory, out of which a hypothesis is created. An explanation is then found through observations of the real world. An inductive approach starts in reality, by repeatedly studying individual phenomena, the results of which lead to the development of general theories.

The approach chosen is determined by the way in which the researcher plans to carry out the study. Regarding this thesis, we have adopted the deductive approach, since presuppositions exist and the issues that are searched for in our empirical examination are determined beforehand. The intention of this study is to explore the motives for mergers and acquisitions, along with the criteria used when evaluating these. The details on how this has been undertaken are presented below under the headings
2.7–2.9, but for now we contain ourselves with noticing that we have started with theoretical material, moved on to observations and eventually reached a more complete picture. This is the reason why the approach of this study is clearly of a deductive nature. Nevertheless, it deviates from the path described above in one important sense: the hypothesis formulation, which serves as a link between theory and observations in the model, has been left out of our mode of procedure. Although a hypothesis could very well have been posed, using the theoretical material as a starting-point, we have chosen not to attach great importance to such testing. Our intent is merely to investigate possible similarities and differences of merger motives and merger evaluations, as well as to analyse the collected material. We have not come across any existing theories juxtaposing merger motives and evaluations, thus no hypothesis has been made in line with the deductive model as outlined above.

2.5 Validity and Reliability

When doing an investigation it is important to consider the validity and reliability of the results. Validity is concerned with measuring what is supposed to be measured (Wallén, 1993). To meet this requirement, relevant theories have carefully been chosen for the theoretical material, and the respondents of the interviews have been intentionally selected with consideration taken to the answers given by the companies questioned initially. Reliability involves the trustworthiness associated with the instrument with which measures are taken. The instrument is supposed to exhibit the same results if the examination were to be repeated. (Wallén, 1993) In the case of this study, this implies that if this same study would be undertaken in two years or in five years, the same result would be achieved. One fact that speaks against this presumption is the probability that trends come and go – the way things are done today might be performed differently tomorrow. However, this does not imply that the instrument chosen is unreliable, but rather that some instability of the object to be measured may be identified.

2.6 Summary

The concepts discussed above may seem quite abstract and are sometimes rather confusing. To straighten things out, we have created a model, which
aims to simplify the terminology further. The illustration also serves as the basis for explaining the standpoints and methodology applied for this thesis.

<table>
<thead>
<tr>
<th>Theory of Science</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rationalism</strong>: logical reasoning</td>
</tr>
<tr>
<td><strong>Positivism</strong>: measure and analyse data objectively</td>
</tr>
<tr>
<td><strong>Inductivism</strong>: observe and categorise data without presuppositions</td>
</tr>
<tr>
<td><strong>Quantitative method</strong>: collect data and draw conclusions from the material</td>
</tr>
<tr>
<td><strong>Empiricism</strong>: knowledge through experience</td>
</tr>
<tr>
<td><strong>Hermeneutics</strong>: interpret the environment</td>
</tr>
<tr>
<td><strong>Deductivism</strong>: an idea is posed as a hypothesis and then tested</td>
</tr>
<tr>
<td><strong>Qualitative method</strong>: describe and understand</td>
</tr>
</tbody>
</table>

*Figure II: Theory of Science*

The basic idea with this picture is to show how these concepts could be clustered. The left column describes the analytical field of research – the researcher has a positivistic perspective due to the preference of logical thinking, takes on an inductive approach, and is thereby likely to make use of a quantitative method. The right column describes the opposite situation: the researcher has a hermeneutic standpoint stemming from the idea of gaining knowledge through experience, and will probably apply a deductive approach and seek to interpret and describe a situation by using a qualitative method.

The route picked out for this thesis is largely summarised in the right column. Since we do not believe it is possible to approach a study without presuppositions and to be neutral in all situations, we join the hermeneutic school of thinking. The approach will primarily be deductive, in the sense that we search for answers to a problem decided on beforehand. A qualitative study has been applied, since the theoretical material and the empirical material are interpreted in order to describe and understand the issue. Theories with a broad spectrum might usually have a limited value for a specific situation, but are useful as sources of understanding. We stress that the results of this study are not any general facts, but could nevertheless be used to understand similar situations. So, now we have our map and a route to follow. Let us continue the journey in search for
motives for mergers and acquisitions, and the criteria used when evaluating these.

2.7 Theoretical Procedure

The theoretical material serves as a tool for analysing the empirical material. Initially, we studied literature on mergers and acquisitions in general, in order to gain a broad basis of knowledge. After having collected this information, we opted to select material that could function as tools when investigating our particular problem and thus the focus moved towards theories of motives for and evaluations of mergers and acquisitions. Since we wished to make sure that the chosen material was as reliable as possible, we have strived to use material primarily written by authors who appear to have great influence upon and knowledge within this certain area. We have therefore sought to secure this by merely using sources that have frequently been used as references by other researchers. The motives and evaluation criteria found have all been noted and used in this thesis. Therefore, we have not only focused on elements that have appeared as the most frequent or the most important ones. Our presentation of motives and evaluation criteria is thereby rather like a compilation than a selection. The same procedure has been applied in the empirical investigation. So far, the ride was going well and we were still on the straight highway. Now the crossroads started to appear frequently and our map came in handy as we started our empirical research.

2.8 Empirical Procedure

Initially, we contacted five Swedish companies that had experience of being one part of a merger or an acquisition. We asked them if media and journalists had any impact on the strategic decision making of the firm. They admitted that the picture of the company or of its competitors as created by media is an important part in the competition for customers. Companies do not want to be dependent on media, but at the same time it is extremely important for them not to get an incorrect picture presented. Taking this into consideration, we started to search for articles about motives for and evaluation of mergers and acquisitions in Swedish newspapers and business papers. We decided to look for articles in Dagens Industri (DI), Dagens Nyheter (DN), Svenska Dagbladet (SvD) and
Veckans Affärer (VA) between 1993–2001. These were chosen on the basis of being important and well-known business papers (DI; VA), or being among the largest newspapers in Sweden, and thereby among the most influential papers, enabling them to affect the public opinion (DN; SvD).

The timespan was selected due to three factors. First, a large amount of articles were written on the subject during this period because of the present wave of mergers and acquisitions. Second, most databases on the Internet were created in the mid 1990s, thus earlier material has been difficult to get access to. Third, since we opted to interview respondents with experience and knowledge of the current wave of mergers and acquisitions, it appeared more relevant to focus on the last few years. When searching for articles in the aforementioned papers, we were not able to find any merger-related articles using the search engines of SvD and DN. Articles published in these papers could instead be found in other databases. These also contained articles from other papers, in which we found some material that we have made use of as well, for example Göteborgs-Posten (GP).

We wished to do interviews with journalists employed by the aforementioned papers, and who were well informed on the subject of mergers and acquisitions. Regarding DI, we had noticed that Isacson had written several articles related to this, and therefore he appeared as an interesting respondent. As for SvD, we contacted the editorial office of the business department, and were advised to contact Ollevik, the most qualified man for the task. At DN, we contacted the business editor, Larsson, in order to find out who was best suited for an interview. We were recommended to talk to one of the journalists. However, since he was unavailable at the moment, Larsson found himself experienced enough to volunteer as respondent. We also wished to do an interview with someone from VA, but unfortunately there was no one available. Furthermore, we wished to do an interview with a journalist at the state-owned Swedish television, since television is the most widespread medium. Here, we were advised to contact Lagerström, who is one of the hosts of A-Ekonomi, and has much knowledge on the subject. Since all but one of the above agreed to partake in an interview, we considered that we had access to reliable and enough material to complement our empirical investigation. The respondents, their positions and their employers are listed below.
Before doing the interviews, main and follow-up questions were carefully prepared. At this point, we had done some research both theoretically and empirically, thus we used the knowledge gained so far as a starting point. We also strived to keep the focus on our purpose and the questions related to the same when constructing the questions. Thereby we asked questions whose answers would help us fulfilling the purpose of this thesis. The respondents were all offered anonymity, but turned it down.

We chose to divide the questions according to the disposition of the empirical part of the thesis. Therefore, the first group of questions were related to mergers in general, followed by questions about motives. The interview guide was concluded with questions about evaluation of mergers. The questions were sent to the respondents some days beforehand, in order to make it possible for them to prepare for the interview, thus hopefully give more detailed and well-reasoned answers. The intention was to let the respondents talk relatively freely around the questions, while we used the interview guide to keep track of the answers as well as to steer the interview in a suitable direction. According to Lundahl & Skärvad (1999), the interviews can therefore be said to have been semi-structured rather than fully structured. An advantage with interviews that are rather free is that the answers might be more nuanced and exhaustive, but that also implies a reduced possibility to perform quantitative analyses. However, since this thesis does not contain any quantitative elements, this was not perceived as an obstacle. The interviews took place at each respondent’s working place and the sessions lasted for approximately one hour.

According to Patel in Patel & Tebelius (1987), the combination of a free or semi-structured interview and a comfortable respondent enhances the conditions to improve the quality of the interview. Considering the practical mode of procedure, the interviews were undertaken at the respondents’ workplaces. This choice was made consciously in order to secure that the respondent felt at ease and relaxed. Furthermore, during the interview sessions the information was registered on tape, assuring that

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3 The interview guide can be found in Appendix I.
nothing that had been discussed was lost. In addition, we also took notes to further secure that all information was collected. During the interviews the importance of being two of us became apparent. While one of us asked a question, the other one was able to take notes and prepare follow-up questions. Since each individual creates his/her own meaning or interpretation of registered information thus facilitating the sensemaking, Weick (Tomicic, 1989) says, we had to discuss the given answers afterwards. This forced us to reconsider the answers and our interpretations, in order to create a meaning that made sense to both of us. We argue that this thereby increases the trustworthiness of our material. Afterwards, the interviews were written down word for word, thus facilitating our work with the empirical material. We have not used all material achieved through the interviews, but have chosen certain parts that explain and illuminate the subject of this thesis.

Finding the right way and choosing between all crossroads demanded one driver but also someone who could read the map, making sure that the determined route was being followed. Of course it was not quite that easy. A few mistakes were made and we left the main road for some detours. Some of these were interesting but others turned out to be dead ends and we had to turn back again. Finally, we were slowly starting to reach the end of this journey. Now, all we had left to do was to analyse our findings and as a final point be able to draw our conclusions.
2.9 Analytical Procedure

The findings from the theoretical material and the empirical investigation will be analysed both horizontally and vertically according to the following figure:

![Analytical Procedure Diagram](attachment:image.png)

Figure III: Analytical Procedure

In Chapter 5 we will start with the vertical analysis by doing a comparison between our findings in the theoretical material about merger and acquisition motives and the criteria used for evaluation as given by theorists (arrow 1). We will then continue by doing the same analysis with our findings in the empirical investigation (arrow 2). In our horizontal analysis we will compare the motives found in the theoretical material with the findings of motives in the empirical part (arrow 3). The results of evaluation criteria in the corresponding parts will then be juxtaposed in the same way (arrow 4).

2.10 Criticising Methodology

The obvious risk when performing qualitative studies is that of objectivity. The authors are aware of the fact that we cannot be perfectly neutral either in the way the literature has been interpreted or in the way the interviews have been undertaken and interpreted. Moreover, the information used in this thesis is written in both Swedish and English. Swedish is our mother tongue and some material, both in the theoretical material and in the empirical part, has been translated into English. It is possible that this has
affected our way of interpreting and understanding but also our way of transmitting the results to the reader. The fact that we are interpreting the information in a subjective way will give the reader our view of the theoretical framework and empirical material. Besides, the researchers that have been used as references have in turn interpreted their material. Thereby we have made interpretations of other people's interpretations. Furthermore, we have made the selection of theories and articles used in this thesis. If someone else would have done this selection s/he might not have chosen to use the exact same material.

Articles and interviews serve as our empirical information. However, interviews are a somewhat blunt instrument for receiving information. Weidersheim-Paul & Eriksson (1987) explain that the so-called “interviewer effect” can affect the interviews in an undesirable way. We are aware of the fact that we probably affect the interviewees by our way of behaving and asking questions. Because of this, we have tried to treat the information achieved from the interviews very carefully, in the sense that the information are not considered as general facts, but it rather reflects the individual’s opinion. Nonetheless, since the respondents have great knowledge on the subject, we argue that their answers are relatively reliable. Moreover, if the point of time had been another, our respondents might not have been available, thus someone else might have been selected. We are aware that if this had been the case, the answers to our questions may have been different, thus the result possibly could have been altered.

2.11 Criticising Sources

The books on mergers and acquisitions that have been used throughout the thesis have all been rather general in approach. Therefore, they have primarily been used as backbone material. The few books that have been found and which deal with this specific issue have mainly been of American origin. Although we have been looking for Scandinavian and European authors, the result has been rather poor. We are aware that the U.S. and Sweden have quite different cultures and business climate, and that a research performed in the U.S. might have got different results if undertaken in Sweden. We have taken this into consideration when doing the analysis. Since few books actually deal with the specific issue of this study, the sources were complemented with several articles and papers. These latter could not be selected on the basis of being written by well-known authors. Instead, we used articles that had been published in
renowned economic journals, thus knowing that they had been scrutinized beforehand.

Articles from several Swedish newspapers and business papers have also been used in the empirical study. We chose to focus on Swedish newspapers and business papers. A limit for how many different papers and from what period of time has also been made in order to keep this investigation within its time frame. We are aware that it is possible that the result might have been different if the selection of articles studied had been taken from newspapers and business papers from another country or from several countries, or from a longer or different period of time.

It should be noticed that the status of the theoretical and the empirical sources have been treated somewhat differently. We argue that researchers writing books or articles generally have done an extensive research during a long time before having their study published. The material has also been scrutinized by editors beforehand. As opposed to this, journalists have a limited timespan and cannot do the same amount of research before publishing their articles. On account of this, we hold that theorists to some extent should possess more reliability than journalists.

The information that was used to find our way might not be the same information that someone else would have chosen. Therefore, it is not certain that they would follow the same road. Surely there is also a straighter and shorter way to reach this terminal, but what is the point of taking a journey if you are not allowed to take a few detours and at some points just stop and watch the scenery. It is at these detours that you sometimes find yourself totally lost and have to stop and ask for directions. At other times, you discover yourself at a straighter and easier driven road than the one you just left. The main thing is to keep the timeline of the journey. Therefore, you cannot try every turn off and a few sights must be left unseen for someone else to discover. Well, this was a description of our journey. In the following sections we will describe what we discovered on our way.
3 Theoretical Material

This chapter serves as a theoretical base for the following empirical investigation. The section starts off with a brief introduction to mergers and acquisitions, followed by a presentation of the motives given for mergers and acquisitions according to researchers on the subject. Additionally, general theories on evaluation of mergers are presented. The chapter is concluded with a summary. The figure below illustrates what parts of our outline are being discussed in this section.

![Theoretical Outline](image)

**Figure IV: Theoretical Outline**

### 3.1 Introducing Mergers and Acquisitions

The expressions *mergers* and *acquisition* are parts of the language of M&As, the commonly used abbreviation of mergers and acquisitions. The terms are often used interchangeably, but there are in fact a few noteworthy differences between them. According the Sudarsanam (1995), a merger takes place when two corporations combine and share their resources in order to achieve mutual objectives. Both companies bring their own shareholders, employees, customers and the community at large. The interests of these different stakeholders do not always correspond, leading to a situation where one group may win at the expense of another. The shareholders of the joint companies often continue as cohesive owners of the new firm. Gaughan (1991) argues that the term statutory merger is used to describe a merger where the purchasing firm takes on the assets and
liabilities of the merged company. There are also subsidiary mergers, which is a merger between two companies where the target company becomes a subsidiary of the acquiring company.

Weston & Weaver (2001) hold that acquisition means that one firm is purchasing the assets or shares of another company. Preliminary discussions between the acquiring company and the top officers of the target firm might be held. If a mutual agreement is not reached, the acquirer can make an offer directly to the shareholders of the target firm to buy their shares at a certain price. The initial tender offer might become hostile. According to Sudarsanam (1995), the acquired firm becomes the subsidiary of the purchasing company and the acquired firm’s shareholders cease to be owners. Usually the acquirer is much larger than the acquiree.

Sirower (1997) talks merely about acquisitions, but presents a number of distinct degrees of integration. These are the following:

1. The company is acquired as a stand-alone.
2. The acquiree is a stand-alone but changes it strategy.
3. The target company is to become part of the acquirer’s operations.
4. The target and the acquirer are fully integrated.
5. The target company takes over the acquirer’s existing business and is integrated into the target’s operations.

Considering the different definitions presented above, it is obvious that the terms are easily confused. Maybe the distinctions themselves are of no great importance, perhaps except for accounting rules, but the degrees of integration certainly ought to be considered by the companies involved.

3.1.1 Definition

Based on the possible solutions above, we will now present our own definition of the expressions. A merger is the combination of two firms, in which both companies keep most of its power, in the sense that both have some influence on the decision-making. Our apprehension of an acquisition is that it occurs when one company more or less takes over the acquired company, in the sense that the acquiree loses much of its decision-making power. We are aware that these definitions are not particularly precise, but this is intentional. Partly because the legal rules apparently differ from country to country, partly because researchers on the subject tend to ignore
the levels of integration presented by Sirower (1997) above, in the sense that they treat the terms inseparately. The basic idea, as we consider it, is that the more equal in size and power the two combining firms are, the more likely the deal is a merger, whereas the more one part of a purchase is dominant, the more likely the deal is an acquisition. Despite this, we will not take any consideration to the distinctions given above but use the expressions interchangeably, unless anything else is mentioned. The main reason is the general blur and confusion of the expressions.

3.2 The Role of Mergers

Weston & Weaver (2001) argue that the fundamental role of merger activities is to enable companies to adjust more efficiently to new challenges and opportunities. With excess capacity in a number of industries, mergers to facilitate the consolidation and reduction of capacity will be required. The new technologies will continue to impact industries as well as create opportunities for business firms of all sizes. Earlier studies have shown that about two thirds of mergers have been failures in the sense that they have not earned the required cost of capital for the product-market activity involved. However, Weston & Weaver (ibid) conclude that later studies have stated that the success rate is moving towards 50 percent.

Bleeke & Ernst (1993) hold that in place of predation, multinational companies must learn to co-operate to compete. In a dynamic environment, companies must be able to respond to the external changes, and to do it quickly, since environmental changes may lead to bad relations and lower external efficiency, Alarik (1982) says. An unsatisfying flow of resources is a serious threat towards the existence of the companies. We have interpreted this as the need for managers to secure that relations with suppliers and buyers function satisfactorily, to avoid interruptions in the production flow. Alarik (ibid) suggests that if the environment changes in a way that affects a company’s input of resources negatively, a shortage of resources will sooner or later occur. As resources decline, the need for changes increases. Since there is a shortage of resources, the ways of solving this problem are reduced. In such a situation, a horizontal or a vertical merger may be a wise alternative to consider, in order for the companies to qualify for more resources. Horizontal and vertical mergers are explained below.
Something that could almost be considered a basic instinct of the human race is not to abandon things that work well. This is pretty much summarised by the expression “do not change a winning team”. This, however, can only be true as long as everyone and everything around you stays the same. As other teams change their ways, or if rules are replaced, you need to reconsider your strategy in order to keep up the good work. The same goes for firms that want to be ahead of their competitors. The winning strategy needs not be changed if the environment or other elements are permanent, but as it is, everything – including competitive conditions – is dynamic and undergoing frequent change.

To summarise, mergers are means for companies to stay competitive in a dynamic business environment, in which firms must learn to co-operate and join forces. Mergers allow companies to respond quickly to external changes, as well as to secure that the flows of resources function satisfactorily.

### 3.3 Motives

We argue that a majority of the world’s great amount of organisations exist out of economic reasons, in the sense that they serve its owners with some profit. Therefore, it follows naturally that profit could be seen as the basic motive underlying each move a manager makes. Consider, for instance, that a company decides to acquire another company that operates in a different business. The motives mentioned for the acquisition may be a desire to reach new markets, but in turn, the reason for this is to keep or gain profit. Thus, the economic motives lay beneath each and every decision a profit-seeking firm makes, and could be regarded as an indirect motive. Nevertheless, for reasons of simplicity and tradition, we shall henceforth separate the distinguishable direct motives in order to clarify in what sense they may contribute to economic gains of the company.

During the investigation of theoretical as well as empirical material, quite a number of different motives have been come across. We have found that these arguments are of mainly two sorts, which we henceforth intend to refer to as either explicit or implicit. The explicit motives are the reasons actually given by company management, while the implicit motives refer to reasons that can be suspected, but are not confirmed by the managers. For reason of simplifying the presentation of the arguments, the motives will be discussed as belonging to either of these groups.
3.3.1 Explicit Motives

The following motives were found in the theoretical material and have been categorised as *explicit*, i.e., expressed motives. The motives are presented without any specific order, thus no motive has more significance than any other.

3.3.1.1 Synergy

Gaughan (1991) argues that synergy is probably the most common argument for entering a merger according to theorists at large. A general definition is $1+1=3$, meaning that the combined companies will not only put their current businesses together, but will also add something extra to the new organisation. Gaughan (ibid) defines synergy as the capability to make a corporate combination more profitable than the profit of the two individual firms. Likewise, Sirower (1997) holds that synergy is increases in competitiveness and resulting cash flows beyond what the two companies are expected to accomplish independently. There are many opinions of how to reach synergy effects. Gaughan (1991), among others, mentions replacement of inefficient management, whereas Alarik (1982) points out economies of scale and more efficient marketing and administration as means to gain synergies. According to Gaughan (1991), there are two main types of synergy – *operating* and *financial*. The former entails efficiency gains that are often the result of a horizontal or a vertical merger. The latter involves the lowered costs of capital that can be reach through combining two or more companies.

In order to reach merger success, four cornerstones of synergy must be considered. These are strategic vision, power and culture, operating synergy and systems integration. A poor understanding of these components will seriously damage the companies involved, according to Sirower (1997). There are several problems associated with achieving this, and above all to avoid falling into what Sirower (ibid) calls “the synergy trap”. First, it basically leaves companies about to acquire or merge with two problems: to meet the performance targets that the market already expects, as well as to meet even higher targets implied by the acquisition premium. Second, there are no trial and errors included. Once you have engaged in a project, you are stuck with it, unless it is divested. Third, once you have started the integration process, a failing merger or acquisition may turn out to be extremely costly. According to Sirower (ibid), in order
to achieve synergy at least one of two conditions needs to be fulfilled. Either the acquirers must be able to limit the competitors’ ability to contest their or the targets’ current input markets, processes, or output markets, or the acquirers must be able to open new markets and/or interfere on their competitors’ markets where these competitors are not able to respond.

Porter’s (de Wit & Meyer, 1998) well-known competitive five forces model tells us that there are five elements threatening a company’s business. These are intensity of rivalry, threat of new entrants, threat of substitutes and bargaining power of suppliers and buyers. As we see it, all of these might be sufficient arguments for mergers. The horizontal integration embraces both the problem of presumptive new entrants and the intensity of rivalry. By merging with a rival operating in the same field as oneself, the concentration is increased, resulting in less intensity of rivalry. In the same way, a merger between a company within a certain industry and a company about to enter it reduces the risk for the former to lose its position through a future intensified rivalry. Regarding reducing the bargaining power of suppliers and buyers, the solution may be to merge vertically. Doing this, the company is able to influence the prices of inputs and outputs and also to further secure the inflow of resources from suppliers.

Gaughan (1991) argues that the cost decline that arises as a result of a corporate pact is one of the major sources of operating synergy. An increase in the size or scale of the firm’s processes can lead to a decrease per unit costs – economies of scale. This might be attained through a horizontal acquisition of a competitor. Economies of scope are often mixed-up with economies of scale. The two are closely related but economies of scope refer to the capacity of a company to make use of one set of input to offer a larger collection of products and services. Horizontal integration involves mergers of firms selling a similar product or service. The result of this process is that the industry becomes more concentrated. According to Gaughan (ibid), concentration may be defined as the percentage of total industry activity, measured by total revenues that are controlled by the largest companies in the industry. The greater the amount controlled by a smaller number of companies, the more concentrated the industry. An obvious advantage is the efficiency gains associated with synergy and economies of scale. Another benefit is an increase in monopoly power – the ability to command higher prices for a company’s products and services without fear of lost sales owing to price competition.
Most horizontal combinations do not result in an outright monopoly but rather in increased concentration in the industry and an oligopolistic market structure. The formation of a larger firm through the horizontal integration of competitors may provide benefits by lowering costs through scale economies and lowering risk through diversification. Monopoly power is not usually enjoyed in a more concentrated industry. As the industry becomes more concentrated, several larger competitors arise, each of who may have lower economic and financial costs. In this case each may be better able to compete with larger rivals. As the industry moves towards increased concentration, smaller firms have an incentive to combine so that they can maintain their ability to compete.

Alarik (1982) argues that environmental changes might lead to altered relations with suppliers and buyers, which in turn may result in lower external efficiency. If the flow of resources is uneven, companies’ mere existence may be threatened, and the critical dependency relations between the companies may be changed. This is one crucial reason why companies sometimes merge vertically. Vertical mergers are a way to reduce symbiotic dependence. According to Gaughan (1991), vertical integration involves merging with firms that are closer to the source of supply or to the ultimate consumer. A backward integration concerns the buying of companies that supply one of the merging firms with inputs, whereas forward integration entails a firm with large reserves and another company with, e.g., a strong marketing and retail capability. One of the main benefits of backward integration is the enhanced access to dependable sources of supply. Through relationships with the supplier, one can gain priority access to input that are built to parent company specifications. In addition, one can reduce the probability of being cut off from access. The subsidiary should give the parent company first priority in deliveries. Although this policy may raise some interesting antitrust issues, it is clearly an advantage to the parent company. Alarik (1982) claims that the merged companies’ resources and operative businesses are united in the new organisation. The businesses are often quite common regarding production and marketing. The level of integration is therefore often quite high.

According to Gaughan (1991), if financial synergy is a motive in a merger, the cost of capital should be lowered after the merger is undertaken. If the acquisition or merger lowers the instability of the cash flows, the capital investors might look upon the firm as less risky. Wide swings, up and down, in the merged companies cash flows would be less probable and
lower the risk of bankruptcy. Operating with higher capacity, through a reduced sales force or a shared distribution system can decrease production cost. Financial economies of scale are also achievable in the form of lower floatation and transaction costs.

3.3.1.2 Diversification

According to Kotler (1999), during the 1970s and early 1980s strategic planners caught expansion fever. Big was beautiful and it seemed that everyone wanted to get bigger and grow faster by broadening their business portfolios. Companies milked their core businesses to get cash needed to acquire glamorous businesses in more attractive industries. Thus many firms exploded into huge conglomerates, sometimes containing hundreds of unrelated products and businesses. Managing these smorgasbords often proved difficult and managers learned that it was tough to run businesses they knew little about. Many newly acquired businesses were bogged down under added layers of corporate management and increased administrative costs. Meanwhile, the profitable core businesses that had financed the acquisitions withered from lack of investment and management attention.

By the mid 1980s, Kotler (ibid) argues, acquisition fever gave way to a new philosophy, getting back to the basics. It entailed narrowing the company’s market focus and returning to the idea of serving one or few core industries that the firm knows. The company sheds businesses that do not fit its narrowed focus and rebuilds by concentrating resources on other businesses that do. The result is a smaller but more focused company, a stronger form serving fewer markets, but serving them much better. Many companies today have concluded that fast-growing businesses in attractive industries are no good investments if they spread the company’s resources too thinly, or if the managers cannot run them properly.

Sudarsanam (1995) hold that diversification is generally defined as enabling the company to sell new products in new markets. This implies that the target company in a merger operates in a business unrelated to the other firm. Several writers compare the achieved benefits to those that investors gain when diversifying their portfolio of assets. Gaughan (1991), for instance, says that “putting all one’s eggs in one basket” may not always be very wise, regardless of whether one’s eggs refer to one’s portfolio or to one’s businesses. The diversification factor was one of the major reasons to the third wave of mergers and acquisitions, the
conglomerate era during the late 1960s. As it happened, many firms sought to buy other companies rather than to expand the organisation internally. Apparently, the outward expansion during this period used to be facilitated by some financial techniques that momentarily increased the acquirer’s stock price, while only little value was added through the actual exchange.

We believe that diversification may also be a solution to what Porter describes as the threat of substitutes. According to de Wit & Meyer (1998), this is the phenomenon where a company in a particular industry risks losing customers due to them switching to substitute products. We argue that if a company is able to sense this threat, a solution might be to propose a merger to the substitute company, thus securing one’s position on the market. This results in a broadening of the initially threatened company’s business portfolio, in the sense that new products have been added to the original product range.

However, much scepticism has been directed towards this type of strategy, primarily due to two reasons. Gaughan (1991) holds that the first doubts were raised during the period of de-conglomeration that followed the conglomerate era, implying uncertainty regarding the expected value of diversification based on expansion. He goes on to state that “portfolio” diversification, which includes the whole corporation, loses some of its appeal. We believe that this is a rather important point. A company that has developed a well-known and appreciated brand name runs the risk of losing some of its good reputation if it allies with the “wrong” company.

3.3.1.3 Stagnation

Stagnation, here defined as an unsatisfactory growth rate (our definition), is likely to occur as an industry reaches its stage of maturity, Alarik (1982) says. The goal is thus to achieve renewed growth. Merging is often used as a defensive strategy in times of stagnation and bad profitability. Increased competition forces many executives to abandon autonomy and to join forces with others to be able to defend themselves. Greater resources and increased market share give the companies a stronger market position and increased external efficiency. We find it apt to illustrate the underlying forces of the stagnation motive through the well-known Boston Consulting Group (BCG) matrix. This model, according to Kotler (1999), plots market growth rate, as a measure of market attractiveness, against relative market share, which measures the company’s market strength.
Kotler (1999) explains that the stars in the upper left square are high on both growth rate and market share. They need heavy investment to finance their rapid growth, and as soon as the growth rate slows down, the stars will turn into cash cows. These are found in the lower left square and are associated with low growth and high market share. The products or services of a cash cow are established and do not need much investment to hold their market share. The symbolism of the name is obvious – the cash cow is milked as much as possible. The cows, with their high market share and low investment need, provide the company with funds with which to pay its bills and to invest in other products. Question marks might be found in the upper right square and represent the products or services which need heavy investment in order to possibly become stars, or merely to keep their present market share. The market growth rate is high, whereas the market share is rather low. Companies need to consider whether it is worth it trying to push the question mark into a star or if it is preferable to stop investing and let it phase out. Finally, in the lower right square the dogs are found. These are characterised by low growth rates and small market shares. The dogs often generate enough to maintain themselves, but do not contribute to any other products and are often considered to be a burden rather than an asset. Managers are advised to either invest heavily in dogs in order for them to become stars or simply to divest them to avoid the dogs from draining the company of money.

Using the BCG matrix, we can state that a company generally has a range of products which all belong to different stages of maturity. As some
products become mature, i.e., reach the cash cow or the dog stage, some kind of renewal is necessary to secure the future profits. A merger is a typical means to such a renewal. Consider, for instance, a part of the product portfolio of the Swedish mobile phone producer Ericsson. The company developed the mobile phone T65 some years ago, and it has sold rather well ever since. Let us say that this model represents the firm’s cash cow – it has been developed and industrialised, and no longer needs much investment, and it generates a lot of cash. Another model, e.g., the T68 is newer and still undergoes its industrialisation process, implying that it still needs heavy investments before it starts paying back. It has, however, shown to be popular, and because of the high demand it has a high market share and can thus be said to represent one of Ericsson’s stars. Other products may be more risky, and it is not clear if the phones are going to be successful – these are the question marks. Finally, there are the phones that have done their share already, and which are risky to invest further in, such as obsolete products that lack functions typical of the newer products. These represent the dogs.

3.3.1.4 Internationalisation

Alarik (1982) holds that an acquisition can be one step in an offensive strategy made to expand within existing limits, to expand externally instead of internally. Companies that have, for some reason, not been that successful can be bought and exploited by stronger and bigger companies. The acquired company is implemented into the existing organisation of the buying company. The level of integration is generally low. The common factors between the companies are, usually, mostly financial. Olve (1988) argues that when a company wants to get into another country’s market it is often easier to co-operate with or buy an already existing business.

According to Cardel Gertsen et al (1999), one of the main reasons to merge during the latest wave seems to be to get access. Businesses are acquiring others in different countries to gain access to new markets for their existing products, to R&D, technology, distribution channels, low cost labour or manufacturing operations of an acquisition, or simply to gain access to a firm’s profit.
3.3.2 Implicit Motives

The following motives have been classified as implicit motives, implying that they are merely assumed and suspected, but are seldom or never expressed. The motives are presented in no particular order.

3.3.2.1 Hubris

According to Sudarsanam (1995), the managers of the acquiring firm make the strategies and the acquisition decisions. In the neo-classical view these decisions are made to please the owners (shareholders) of the firm. In this view the shareholder’s interest is superior to the interest of the managers. If the interest of the shareholders and the managers is not identical, the latter interest is often preferred. Managers have a substantial control in modern corporations. Because of this they might serve their own interest instead of the interest of the shareholders. When the interest of the managers is prioritised the acquisition might fail and cause wealth losses for the shareholders. This might be the reason for the wide perception that acquisitions do not benefit the shareholders of the acquirer. Gaughan (1991) argues that hubris implies that managers seek to acquire other firms in order to serve their own personal economic gains and not look to the best solution for the firm. This can also be the reason why managers sometimes pay a premium for a firm that the market has already correctly valued. The pride of the managers makes them believe that their valuation is superior to the valuation determined by the more objective market. In this theory, the assumption that the market is more efficient and provides a better indicator of the value of the firm is understood.

According to Sirower (1997), managers ignore the shareholder value in favour of their own objectives, such as growth or empire building. The overwhelming evidence speaks for itself – years of research have shown that mergers do not increase shareholder value, and that managers therefore are inclined to pursue their own goals at the expense of the shareholders. Sudarsanam (1995) holds that managerial motives in acquisitions might be to make sure that the firm continues to grow, since their own position and influence are reflected in the size of the company. A manager wants to be able to use his/her talents and skills, which could not be fully utilised if the company is in a mature or declining industry and the firm does not grow. A merger can also be a strategy used to avoid a take-over of the firm. Social status and power follows a manager that runs a large firm. The size of the
compensation can also be related to the size of the firm, since it means harder work for the manager. The compensation can increase by the size of the firm even though the wealth of the shareholders might not. Risk diversification may be achieved by the acquisition. This course of action might not be value creating for the shareholders. Managers are dependent of their salaries, have created their own human capital and received stocks and options as compensation, this makes the managers overinvested in their own firms. The threat of financial distress and bankruptcy is greater on the managers than the shareholders. Managers might undertake acquisitions, assuming that the greater size of the company might grant immunity of being taken over.

3.3.2.2 Replacing Management

Faced with the traditional bad performance of mergers, Sirower (1997) holds that managers try to maximise shareholder value by either replacing inefficient management in the target firm or achieving synergies through the combination. Gaughan (1991) claims that some mergers are motivated by a belief that the acquiring firm’s management can better manage the target’s resources. The bidder may feel that its management skills are such that the value of the target would rise under its control and the improved management. This leads the acquirer to pay a value for the target in excess of the target’s current stock price.

3.4 Evaluation

This section is made up by three parts. First, there is a general introduction to the subject of evaluation. The other two parts are divided into measurable and immeasurable evaluation criteria. The criteria are presented in no particular order.

3.4.1 Introduction to Evaluation

Vedung (1999) defines evaluation as to consider something carefully and to pass judgements to determine the value of this certain thing. Evaluation does not entail an assessment or judgement in advance. It simply reflects on and clarifies what is or what has been in order to give guidance for future activities. Evaluation, however, does not include a partial view, or a methodical judgement of possible actions. It also includes cautious
judgement afterwards, which indicates that it must be carried out according to certain rules that guarantee a certain quality. Lundahl & Skärvad (1999) give a similar definition. They argue that evaluation means to judge the result of something. This refers both to the outcome of an activity of investigation and the activity *per se*. An evaluation tries to determine results afterwards, the effects and consequences of certain measures taken, decisions made or conducted programs. When undertaking an evaluation one needs to have some kind of goal or criteria of judgement. The aim of an evaluation can be to control or identify a problem, to learn from or correct it or a combination of these. It must also be defined in whose interest the evaluation is made.

Crowther (1996) asserts that a consideration of the varying purposes for which the object is evaluated leads to a suggestion that suitable measures for evaluation depend on purpose and cannot necessarily be considered as general to all purposes. Lundahl & Skärvad (1999) say that the goals of the object evaluated first must be identified. The goals are multiple and on different levels and at times also rather vague. Because of this it is extremely important to define the goals carefully, to reduce the risk of missing important goals or even evaluate the wrong goals. Secondly, the criteria of the evaluation have to be correctly selected and the instruments used to measure must work satisfyingly.

The most commonly used form of evaluation occurs after an activity has taken place. An example that immediately comes to one’s mind is that of evaluating a university course after its close. An evaluation can also take place after the termination of a project in a company. Although these situations might appear obvious Vedung (1999) holds that there are a number of situations in which evaluations are undertaken during the process of an activity. This most certainly presents the evaluator with a problem. When is the most appropriate time to do the evaluation? If judgement is to be passed on a long-term process, such as a reorganisation, how does one decide when it is fully completed and fit to be evaluated?

A similar discussion might be held about the topic of this thesis – the analysts evaluating a merger or an acquisition face the problem of deciding on when a proper evaluation can be undertaken and what motives are to be evaluated when performing the evaluation. The time frame is a crucial problem, since some of the reasons for a merger are only reached in the long run. If these are not taken into consideration the result of the
evaluation might be misleading. It is not always easy to determine the purpose of the evaluation, since there are several implicit motives to take into consideration. An evaluation done in with a certain perspective can give a positive result, but with another perspective one might not reach the same result.

Crowther (1996) stresses that it is necessary to recognise the need of satisfying multiple stakeholders. In the case of organisations serving the interests of more than one group, the ability to develop and maintain a variety of relationships in the context of diverse and perhaps contradictory pressure is critical, yet not necessarily visible to the external observer. Any system that fails to address the different perspectives and individual needs of all members of the stakeholder community will inevitable be unsatisfactory for some stakeholders, who will then try to change system. One efficient method is to consider all needs in the beginning and then design a framework for evaluation, which meets all this needs and can be expressed as a measurement and reporting system. The determination of the quality of the performance depends on the person evaluating that performance, and the perspective of that person. There is a need to recognise the multiple purposes for operations and different dimensions where performance exists and to combine them into a system of performance evaluation in order for appropriate measures to be devised. The performance of a business has multiple facets. The determination of good performance is dependent of the perspective from which the performance is being evaluated. A good performance according to one group of shareholders is not necessarily considered as a satisfying result by another group. Identification of adequate means of measuring the performance and also a determination of what good performance actually consists of are necessary. Traditional accounting measures do not necessarily provide adequate tools for measuring performance. Various methods based on accounting and quantitative analysis and also on more qualitative analysis have been suggested but it still seems that it is generally accepted that this problem has not resolved, and so the research continues. Accounting still has a central part of the control and evaluation systems and the planning function of strategic management still remains as the key to the successful operation of a business.

Alarik (1982) claims that the evaluation of the total effect of mergers is a very complicated task, due to the many pros and cons. The pros, such as economies of scale, co-operation gains and increased stability must be
compared to the cons, such as non-desired ways of competitions, monopoly gains, ownership concentration and increased costs for the society. Mergers that struggle towards full employment and a rapid economic growth are advantages to society, but this is only valid if it does not at the same time lead to an unacceptable concentration. According to Crowther (1996), there are multiple aspects to performance. Good performance in one dimension might lead to bad performance in another. The timespan is also a crucial factor, success in short term may not equate to good performance in the long run and vice versa. This suggestion shows the problems with many of the measurement systems that have a short term focus and only assess immediate results.

3.4.2 Measurable Evaluation Criteria

The following evaluation criteria are measurable in the sense that they can be expressed in figures and thereby facilitate comparisons with previous data. The criteria are presented in no particular order.

3.4.2.1 Earnings Per Share

According to Sirower (de Wit & Meyer, 2001), the level of synergy effects needed in order to make a profit out of a merger can be calculated. When a company is to achieve another company, a premium is paid to the shareholders of the acquired firm. The synergies, which the company expects from this merger, are improvements in performance that are greater than those already expected by the markets. If these synergies are not achieved the premium could be seen as a gift to the shareholders of the acquired firm. The challenge for managers regarding synergy is to solve the equation of earnings per share (EPS):

\[
\text{EPS (tomorrow)} = \text{EPS (today)} + \text{EPS (today)} \times \text{Expected growth} + \text{Synergy}
\]

We suggest that the model above can be used before the merger to determine the size of the future synergies. After the merger, the real synergies are calculated and the earnings per share are compared to the initially calculated earnings per share. Thus, the pre-calculated EPS should preferably equal or be lower than the real EPS:

\[
\text{EPS (tomorrow)} = \text{EPS (real)}
\]
If this equation is (at least) balanced, the merger could be considered as a success.

Sirower (ibid) says that the expected future growth and profitability improvements are already embedded in current share prices. Adding synergy means creating value that not only does not yet exist but also is not yet expected. This is why it is so hard to succeed if the goal is to achieve synergy effects. The company needs to make improvements above what is already expected or required, which is almost impossible.

3.4.2.2 Accounting Data

Jonsson (1995) argues that one evaluation criterion is to use accounting data. Post-merger accounting data estimates what the consequences are on the acquiring firm’s operating performance arising from a merger. This method has been abandoned, due to the long period of time that has to pass before the evaluation can take place. We believe, however, that this latter statement is rather strange. Jonsson (ibid) implies that an evaluation should be done shortly after a merger has been implemented, but we argue that effects stemming from the merger cannot be distinguished during the time immediately after the merger. Studying accounting data is probably neither worse nor better than any other method.

3.4.2.3 Event Study Method

Sudarsanam (1995) presents another approach within the event study methodology, in which success of a merger is measured by comparing the shareholders’ returns of both acquirer and acquiree after the merger to “normal” returns from an unaffected period. The time around the observed event is called the event period or “event window”. The abnormal return \( AR \), set off by the merging event is therefore

\[
AR = R - E(R)
\]

where \( R \) is the actual return measured throughout the event period and \( E(R) \) is the benchmark return expected in the absence of that event. Measuring \( (R) \) entails the calculation of share price changes and dividends paid during the event period. \( E(R) \) is estimated using share price and bonus data from the “estimation period”, which is assumed to be unaffected by the event, so that a neutral benchmark can be set up.
3.4.2.4 Share Value

According to Sudarsanam (1995), managers’ decisions are aimed at enlarging shareholder wealth. A merger or acquisition is commonly defined as a success if an increase in the value of the company’s shares occurs. However, several measures have to be taken. A benchmark against which the growth can be evaluated is needed, and a time scale for measuring the increase in wealth also has to be decided on. An increased profit is especially important for the shareholders of the acquiring firm, since their parts of the previous revenue have been spent on the acquisition. The shareholders of the acquiree, on the other hand, have already received money, and do not demand of the company to generate higher profits immediately.

3.4.3 Immeasurable Evaluation Criteria

This section presents the only immeasurable evaluation criterion that has been found in the theoretical material.

3.4.3.1 Interviews

Jonsson (1995) mentions yet another evaluation method, based on interviews. This is the best approach to find out how the representatives of a company measure the result of the merger. However, it is not certain that company representatives are willing to be interviewed, and even if they are, it might not be possible to assess the reliability of their answers. We agree that it is important to notice that the managers may wish to conceal certain unsuccessful features of the business, or inversely, may enhance parts of the business that have performed exceptionally well.
3.5 Summary

The explicit and implicit motives found in the theoretical material have been summarised in the figure below:

<table>
<thead>
<tr>
<th>Motives</th>
<th>Explicit motives</th>
<th>Implicit motives</th>
</tr>
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<tbody>
<tr>
<td>Synergy</td>
<td>Synergy</td>
<td>Hubris</td>
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<tr>
<td></td>
<td>increases in profit beyond what the two merging companies would be able to accomplish independently. According to Sudarsanam (1995),</td>
<td>replacing management</td>
</tr>
<tr>
<td></td>
<td>diversification means broadening the current product portfolio with product ranges of unrelated businesses, which is easily facilitated by merging across industries.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Stagnation refers to a business that has reached its saturation point, at which it is nearly impossible for companies to grow, Alarik (1982) says.</td>
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<td></td>
<td>Merging is one solution to this. Cardel Gertsen et al (1999) argue that</td>
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</tr>
<tr>
<td></td>
<td>internationalisation may follow as a result of stagnation, as a company tries to gain new markets abroad. Acquiring or merging with a company abroad makes it easier to get access to the new markets.</td>
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</tr>
<tr>
<td></td>
<td>Hubris (e.g. Sudarsanam, 1995) refers to managers attempting to fulfil their own interests in order to place themselves in powerful positions. According to Gaughan (1991), replacing management involves a company merging with another with the intent to replace the managers of that firm, believing that they themselves will do a better job on the post.</td>
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Figure VI: Explicit and Implicit Motives, Theoretical Findings
The evaluation criteria found in the theoretical material were earnings per share (Sirower, 1997), accounting data (Jonsson, 1995), event study method (Sudarsanam, 1995), increased share value (Sudarsanam, 1995) and interviews (Jonsson, 1995). The first four criteria are measurable, whereas the last is immeasurable. They all have in common that in order for them to function, one must compare an observation taken before the merger with an observation done afterwards.
4 Empirical Material

In this chapter the findings of our empirical investigation of articles and interviews are presented. We have studied motives for mergers and acquisitions as media present them, as well as the criteria used by journalists as the foundation for their evaluations. Material found in various articles forms the basis of the investigation, while interviews with journalists serve as complement. The figure below illustrates the parts that are in focus of this chapter.

![Diagram](image-url)

Figure VIII: Empirical Outline

4.1 Introducing Mergers and Acquisitions

During our research we have found eight various motives for mergers and acquisitions given by journalists in different articles. Most writers in our selection of articles agree on the major reasons for company activity around the world today. Lindstrand (DN, 970107) suggests that the rapid technological development has decreased the geographical distances, which has resulted in one more or less single global market. Deregulation of several markets as well as the removal of trading obstacles such as tolls, quotas, et cetera, are other contributing factors leading to increased competition within industries. These external factors force managers as well as politicians to think in new directions. The possibilities to operate worldwide have created a need for companies to do business in every corner of the globe. Despite advanced technology, the companies
preferably ought to be physically represented in every continent. Pettersson (VA, 990208) emphasises that it has become increasingly important for firms to expand by buying local companies in other parts of the world, the purpose being that this procedure is often both cheaper and more secure than building up a new business from scratch. Other reasons given by media, says Dahlberg (DN, 990202), are that companies are too small to manage the huge costs of development required for success, or that they wish to gain economies of scale in a capital intense industry.

Business activity is often associated with periods of growth and recession, where offensive activities naturally take place in times of prosperity. According to all interviewees (Isacson; Lagerström; Larsson; Ollevik), mergers and acquisitions are normally used as offensive strategies during booms. Ollevik adds that when a company is doing well and has an excess of money, it performs acquisitions to show hidden powers, whereas during bad times, it may have no choice but to merge in order to solve its problems. A company with an excess of money in times of recession can acquire other companies to relatively low prices. They wait until they can see the bottom and then they buy, which often signals that a new wave of mergers is about to start. This is a clever strategy for a company that wishes to increase its power on the market or gain new competencies. Ollevik exemplifies this with the VM-Data case, in which the company during 1991–92 acquired a lot of other firms so that, as the economy improved worldwide, they could make use of their resources more effectively than their competitors. Lindstrand (DN, 970107) argues that times of prosperity often result in low interest rates as well as high values on the stock market. Low interest rates tempt companies to take huge loans, with which to carry through mergers and acquisitions, after having paid off previous investments. Stocks with high values motivate managers to merge with other firms simply by exchanging shares with each other. Merging firms of reasonably equal sizes frequently employ this, since they do not need to pay with actual money, whereas two companies with differently valued shares may have to pay the difference. Lindstrand (DN, 970107) also vents that reduced governmental control and the threat of intensified global competition push companies to merge and become larger, in order to get lower costs and reach new markets.

The stock market generally indicates people’s view of mergers. Carlsson (DN, 971019) argues that when two companies of rather similar businesses merge, the share prices often increase because people believe that the new
company will be able to rationalise and reduce costs. On the other hand, if
the main motive for a merger is synergy effects, the market is usually more
careful. People know it is difficult to achieve, and that the effects also are
likely to occur some time ahead, as opposed to cost reductions that can be
made immediately. Size also affects the way other actors look upon the
company. Hans Dalborg (Einar, VA, 980907), vice chairman at Nordea,
says that today international banks look upon Nordea with more respect
and are more willing to make business than before the undertaken mergers,
due to Nordea’s greater size. Large and more visible companies have
greater impact on the market than small firms.

“The church tower has to be built high enough.”
Dalborg in Einar (VA, 980907)

Bjäringer (DI, 981127) holds that the merger between Stora and Enso will
probably increase the value of the stocks due to the attention that the larger
size of the company creates. Foreign analysts are likely to start following
the stock development and the investors. Those who prefer larger, rich and
market leading companies will look upon Stora Enso as an alternative
investment object to the competitor UPM-Kymmene, he concludes.

Far from everything is always positive about mergers. Therefore, when
companies announce the plans of a future merger on a press conference,
they normally avoid mentioning the unpleasant effects of the imminent
merger. Larsson says that these effects may be reduction of employees or
the fact that customers in many cases are not benefited by the deal, due to
the lower level of competition. Moreover, Linnala (DI, 010212) points out
that costs caused by the need for restructuring and reorganisationing the
company after a merger seldom are mentioned in the reports. One example
of this, says Linnala, is the many mergers that Pharmacia has experienced.
Before the merger with Monsanto in 2000, the costs for restructuring were
55 million dollar. In the reports the company merely verified that the
effects of the mergers and restructuring are not included in the prognoses of
the growth rate. Despite the large synergy effects claimed by Fred Hassan,
CEO of Pharmacia, Isacson (DI, 991221) stresses that there is also a risk
that the employees are tired of and bored with the many mergers and
changes.
“During the last 30 years there is no example of mergers or larger acquisitions that have resulted in an increase in the size of the market shares. On the contrary, the companies have shown a smaller market share after the union than they had together before the merger.”

Berggren (DN, 990907)

The quote is originally about the medicine industry, but this problem can be found in many industries. Berggren (DN, 990907) argues that when mergers are announced, the possible savings and the efficiency gained are accentuated. The costs for carrying through the merger, the difficulties in keeping the market shares or the risks of internal conflicts are rarely mentioned.

4.2 Motives

Having presented some general opinions and facts from media perspective about mergers, our intention is to go on to exhibit the findings of motives discussed by journalists as well as the criteria applied when evaluating the mergers. During the investigation of articles, many different motives have been found. As is the case in the theoretical material, these can be divided into explicit and implicit motives. The explicit ones represent the reasons actually given by company management (and thus discussed by media), whereas implicit motives refer to reasons that can be suspected but are not confirmed by managers. The categorisation used in the empirical material corresponds to the one used in the theoretical part, in order to make it as easy as possible for the reader to follow. The motives found in the articles are not however, the exact same ones as were found in the theoretical part.

4.2.1 Explicit Motives

The empirical investigation of motives for mergers and acquisitions resulted in the motives presented below. There is no motive that is more essential than any other and they are presented without specific order. These motives are expressed and therefore categorised as explicit.

4.2.1.1 Synergy

According to the respondents (Isacson; Lagerström; Larsson; Ollevik), synergies, including economies of scale within for example production and
Empirical Material

marketing, is the single most common motive to mergers. The value of a merger is never calculated as the sum of the parts involved, but that one plus one equals three, two plus two equals five, or some other equation that appear erroneous at sight. Forsberg (DI, 970311) indicates that the logic behind this is the owners’ high expectations on rationalisations (cost reductions) as well as on synergies. We have seen earlier that synergy effects are very difficult to accomplish. Still, this is frequently mentioned as the major reason for merging.

“If two competitors decide to merge, synergies are almost always mentioned as the main motive for that merger.”
Ollevik

Dalborg at Nordea (Ekelund, VA, 980427) takes this even further by saying that when a company search for a suitable partner, it should not focus too much on trying to find a partner that fulfil certain criteria. The main thing is to be able to reach synergy on the revenue or cost side. If the two companies are relatively similar it is easier to create these synergies.

“It is the first thing they mention”, Ollevik says, referring to synergies as a merger motive. According to Isacson, (DI, 990205), such was the case with Astra and Zeneca, who prior to merging in 1999 calculated huge synergies on the income side. Even regarding the merger between Akzo and Nobel the motives were to create synergies, Olsson (DN, 940530) claims. In this case the synergies were more efficient supply of material because of the greater volumes, more efficient productivity and improved leadership. This was aimed at increasing profitability.

“What seemed rational to do by the time of the decision of the merger, may not seem rational a few years later. Maybe there was no gain in getting bigger.”
Bild in Lundqvist (DN, 990516)

As should be rather clear by now, economies of scale appears as the major mean to achieve synergies. Pettersson (VA, 990208) says that the advantages of economies of scale are nowadays found not only in the production sections, but also just as much in development and marketing sections. This indicates that merging with or buying other companies may be necessary to gain more efficient distribution channels or to afford and keep up with research and development. The lower costs and the greater
Empirical Material

market share, according to Pettersson (ibid), help the firms keeping prices up or meeting the forces for lower prices. Having a global market is another advantage. The strong stock market and low interest rates have given the companies resources to make great investments in new firms. The high values of the company’s stocks have given them the opportunity to pay for the acquisitions with their own stocks. Other motives are profits from mutual, cheaper purchases and increased selling. The opportunity to buy a new core competence at a reasonable price is another example.

“It would be positive with an increased co-operation between Nokia and Ericsson. The larger units the greater the efficiency, and we have to co-operate within Scandinavia.”

Kairamo at Nokia from VA in March 1984
(VA, 011119, p 8)

According to Berggren (DN, 990907), economies of scale, increased volume and synergy effects were the motives for the merger between Astra and Zeneca. The same motives are frequently mentioned for other mergers as well. However, Berggren (ibid) criticises managers being obsessed by volume and size, referring to recent research inspired by Michael Porter, showing that there is a dynamic force in the home-market-competition. The research stresses innovation, change and learning, rather than volume and scale, as determining factors for the ability of long-term competition and productivity. Svensson (DI, 990510) reports that Evans from the Boston Consulting Group have a similar approach, arguing that the key to success does not depend on size or economies of scale, but in a way it is the other way around. Small companies are better at encouraging innovation and creativity, whereas big firms can be rather counterproductive. Carlsson (DN, 990330) argues similarly that in the medicine industry, the smaller companies are the ones inventing the new medicines, whereas the large companies, using their numerous and extensive sales channels, are the ones who are able to distribute the products. This reasoning may be held for other businesses as well. As Carlsson (ibid) states, large companies have greater resources than smaller ones and therefore many companies, Astra included, need a partner with which to join forces. Astra and Zeneca are much stronger united than on their own, he concludes. The leader column in DN (981210) argues that developing a new medicine is a very long and costly procedure. Losec, for example, took 23 years of hard work to create. This large amount of money is only possible to generate in large and lucrative firms.
The Swedish banks, DI (970203), are in the process of merging, and they collectively claim that the main reason is an increasing pressure towards economies of scale. Svensson (DI, 991206) argues that consolidation on the bank market will increase the value of the stocks and solve the over capacity, through decreased number of bank offices. Banks need a critical mass of products and distribution, in for example administered capital, to be able to compete with the increased competition from foreign banks and investment companies. Gianuzzi (DI, 990316) claims that cost reductions are perhaps one of the most important motives for merging. It is obvious that lower costs will result in higher margins and thereby higher profits. This, in turn, will lead to synergies. Merging one enterprise with another often makes room for rationalisations, for example, shutting down one or several stores that previously were competitors but which after the merger belong to the same company. Obviously, a crucial way of reducing costs is to cut the number personnel, which is the reason why most employees fear mergers. According to Gianuzzi (ibid), Länsförsäkringar and Wasa, two Swedish insurance companies merged in 1998 and alleged economies of scale and cost reductions in the form of decreased personnel, thus in the end synergies, as motives for the deal.

4.2.1.2 Diversification

As mentioned earlier, the merger wave of the 1960s was characterised by diversification, resulting in huge conglomerates. The same tendencies were frequent features of the 1980s. However, the trend today moves towards the opposite end of the spectrum, that is, towards core competence businesses, according to Lagerström as well as Henriksson (SvD, 970103). This trend could also be seen as an effort to lower costs. Ollevik, for instance, claims that focusing on the core business entails selling out unrelated businesses, and thereby pushing down costs for the firm. The driving force is seemingly the increased competition, and Rundberg (in Lindberg, GP, 950424), professor of business accounting, emphasises that size itself does not protect a company from being bought. Moreover he argues that conglomerates have no future. The overall value of fragmented parts is lower than the value for the separate parts. “You cannot be good at everything”, says Rundberg, implying that it is better to stick to the things you really know how to do. In spite of companies’ unwillingness to diversify today, the divesting of businesses during the 1990s and onward has naturally resulted in a number of companies for sale on the market. This has naturally contributed to the extent of the current merger wave.
Ollevik claims that the features of the merger waves of the 1920s and 1960s were nowhere near the merger motives of today. Those waves, as mentioned elsewhere, were characterised by striving to spread one’s risks by involving more products to depend on. We believe that some of this could be seen in certain industries today as well. One of Astra’s main reasons for needing a partner was their heavy dependence on their best seller Losec, the patent of which shortly will run out. They needed to broaden their product range in order to spread the risks. The role of the banks have changed and therefore also the whole industry, in the sense that in order to stay competitive they need to be able to offer services such as insurance and neighbouring products. Therefore, argues Peterssohn (DI, 990223) there is complete logic in a merger such as that of SEB buying Trygg-Hans a couple of years ago, and continuing the diversification by buying Norwegian insurance company – although the latter was motivated by looking for economies of scale. “Now we have the breadth and we must start to make the pieces fit together.” (Malmqvist, CEO at Getinge, VA 010903 p 61)

Some readers may react to this reasoning by claiming that banks and insurance companies are not operating in unrelated businesses, and that this should not be referred to as diversification. We believe, however, that these businesses until not very long ago actually were unrelated. Banking was one business, totally separated from the insurance business. Looking at the development today, the mix between the two have become thus common that it might be more appropriate to talk about it as a broadened range of products. Thereby, this phenomenon could just as well be referred to as economies of scope. The reason for giving the example above is to show that diversification, in one form or another, has not been completely abandoned as a motive for merging.

One reason to the large number of merger failures today, may be the challenge to unite two different company cultures. Bild (Lundqvist, DN, 990516) argues that the mergers of the 1960s, motivated by risk spreading through diversification, actually appear as more profitable than today’s mergers. The explanation, according to Bild, is that those mergers involved buying companies that were completely different from one’s own, and the purpose was not to merge the firms, but to spread the risks. Such mergers, where the buyer leaves the acquiree to manage itself, have a stronger tendency to become profitable. This reasoning is rather interesting, since
most people seem to agree on diversification as ”wrong”, claiming that the best thing to strive for is core competence businesses.

4.2.1.3 Stagnation

Ollevik argues that mergers are simple solutions when a company treads water and find it difficult to move on. A few years ago, Wrede (DI, 000607) says, there were for example two profitable reasons for mergers in the stagnating brewery business. Those were also the reasons why Carlsberg merged with Pripps. The first one was structural savings and the other one was that the two companies together have greater possibilities to reach out to the customers with their brands if the co-operate. Executives at companies operating on a mature market might feel the need to make something happen, to show the power and energy of the company, Lagerström states. The desired effect of getting attention is achieved, due to the fact that the action itself gets noticed right away. Since the effects of the merger might not show until much later, the risk of bad publicity is rather low and it does not matter if the actual result a few years later turns out to be rather poor.

"Mature companies with low organic growth rate might often try to do as for example Securitas and Assa Abloy, which have succeeded in becoming growing companies in mature industries through acquisitions."

Isacson

It is obvious that several merger motives are industry specific. We shall not dwell deeper into that matter, but contain ourselves with suggesting that banks, medicine and automobile industries are increasingly characterised by a few, large companies following frequent consolidations. Regarding the automobile industry, for example, Albons (DN, 990202) claims the major motive for merging is the enormous over capacity. The industry is able to produce about 20 million cars more than can actually be sold. The market has reached saturation point, which pushes down prices and forces co-operation that may in turn give cost reductions. Thus, there are two explanations as to why certain industries experience increased merger activity. First, there is a lack of growth due to mature markets. Second, there are high costs for development of new products in industries such as
pharmaceutics or cars, making it impossible for isolated firms to handle R&D on their own.

4.2.1.4 Internationalisation

According to Dahlberg, (DN, 990202), the internationalisation process has become particularly important in Europe since the birth of the European union and the common currency. Europe is more and more perceived as one single market, which has resulted in the search for a broad European basis, from which to expand internationally. The creation of the borderless inner market of the European Union is gradually changing the economic situation in Western Europe, Hallgren (SvD, 950806) claims. It entails not only quicker structural changes within the member countries, but also concerns the non-member countries. Companies that act within the central inner market are attractive to companies from nations on the outside.

The leader column in DN (990818) holds that internationalisation of ownership is a rather logical phenomenon. The American companies are much bigger than the European firms within a majority of industries. Therefore, in industries where size makes a difference, the European companies have a strong motive to engage in mergers in order to achieve economies of scale. Sweden was among the first countries to partake in the internationalisation process. The obvious reason was that the home market was too small, wherefore Swedish companies had to expand internationally in order to grow and to compete. Therefore, Sweden is today a natural part of the European integration process, and thereby a part of globalisation or internationalisation.

According to the leader column in DN (981210), the Astra Zeneca merger will be a reminder of the fact that the big companies will be increasingly more internationalised – not only the businesses, but also the ownerships. It is impossible to regard large consolidations of today as “Swedish”, it is being noted. Larsson (DI, 980609) argues that firms might also merge internationally in order to get access to foreign markets. One example, he says, is the merger between Volvo and Samsung where the Samsung division was integrated in Volvo Construction Equipment in 1998. The main reasons for this acquisition were to get a production-base in Asia and a local organisation in Korea. Through this move Volvo sought to increase the number of items in and strengthen the production line.
Internationalisation can sometimes be misused as an argument when two companies want to join forces. Larsson claims that at times, as in the case of the proposed (but discontinued) merger between SEB and Föreningssparbanken, the companies involved are not actually firms concerned in international business. Both of these banks are national companies, even though they own other companies abroad. In Sweden there are almost no international banks at all, at least not banks that turns to ordinary customers. Mergers like this are made to attract the richest of the rich and the really big companies.

We argue that the dream of becoming a large and important player on the international market is an important motive to unite for many companies. Sometimes this dream makes the corporations forget about the small customers and focus on the big and rich ones. The value of the stocks, which might enlarge when the firm grows and international investors becomes interested, and the pressure of delivering large profits to be able to give great returns to the shareholders push the companies to grow. This pressure can trigger the companies into fast and not carefully thought through mergers.

4.2.1.5 Fear of Being Bought

A motive that has frequently been come across in articles is that a company has to buy or merge with another company for fear of being acquired by a bigger company.

To eat or to be eaten, that is the question.

Larsson (VA, 011210, p 46)

We have, for instance, seen Swedish banks merge furiously to avoid being bought by, e.g., German banks. Lagerström recalls an interview she made some years ago with the CEO of Skandinaviska Enskilda Banken (SEB) when SEB wanted to merge with Skandia. He even admitted that “his worst nightmare was to wake up one morning and find out that Deutsche Bank had bought SEB” (Lagerström). Easy as it may seem for managers to refuse such an offer, the shareholders may not be of the same opinion, referring to a low stock exchange price and the need for capital to keep up with the competitors. Astra is often pointed out as an example of a company that was in great need to come up with a suitable partner with
which to merge. Isacson (DI, 990108) says that waiting much longer would merely have reduced the value of the company further. Another reason, according to Lagerström, is that managers believe that greater size can protect the company from being acquired by a larger one. If two equal companies merge they do it on equal terms and the managers will have the possibility to affect the decisions. If the company instead is acquired, this power is lost and the manager’s job might be in danger. It is interesting that Swedish companies at large seem to admit their “fears”, and use it as a motive for seeking a partner on their own.

One such case where the involved companies actually admitted the fear of being taken over as a reason for merging was when Finnish Kansallis-Osake-Pankki and Finnish Föreningsbanken joined forces in 1995, says Lundberg (DN, 950210). Both SEB and Handelsbanken had at the time recently opened offices in Helsinki and the fear of being acquired by the large Swedish banks made the two smaller Finnish banks merge with each other.

4.2.2 Implicit motives

The motives presented in the section below are categorised as implicit motives, because they can only be suspected since they are seldom confirmed or stated by the companies. They are not reproduced in any specific order and no motive is more essential than another.

4.2.2.1 Hubris

“It is all about marking a territory. Male dogs are operating at the moment. You have to get power in order to be able to delegate. If you are not in control it is more or less like throwing paper-swallows around you, no one cares.”

Gyll, former CEO of Volvo in Petersson (DN, 931129)

In almost 50 percent of all mergers and acquisitions that take place, Ollevik says, implicit motives can be assumed. According to the leader column in DN (970203), mergers are often perceived as an action of cult in a developed business. It is like a maturity test for the owners and the company boards of directors when they see the opportunity to form a new business cycle. The drama of a merger can hardly compete with any other
business events – the positioning of the owners, new conditions of competition, and most often an upgrading of people’s properties. There are several examples of manager hubris, or egoism, related to mergers of well-known Swedish companies, of which Astra is said to be one. According to the leader column in DI (990419), critics have claimed that the timing of the deal was extremely badly chosen, considering the rock-bottom price of the stock. The interviewee suggests to DI that

“Mogren⁴ might have had personal motives for the merger, for example to avoid or to forestall getting sacked”

Leader column (DI, 990419)

supporting his statement with claiming that the deal was Mogren’s baby, not the main owners’. Ollevik holds that usually the suspicion of manager hubris starts when the given motives for a merger are not logical enough and therefore do not make sense. When one starts questioning the company’s calculations on creating large synergy effects and the managers do not have any answers, it begins looking suspicious, he says. We argue that the prospect of huge synergies may function as a smoke screen, in the sense that it is an easy way to tempt shareholders to accept the deal.

However, the manager ego is not the sole reason for “hubris behaviour”. Lundqvist (DN, 990516) argues that managers are victims of strong pressures nowadays. They are forced to show energy and ability to take action; otherwise they are easily replaced by a more powerful manager. To propose and carry through a merger is, or at least seems, energetic. As Ollevik puts it:

“There are these things that managers want to do – to create a monument of themselves. They want to show hidden powers.”

Ollevik

Personal motives are common when it comes to mergers and acquisition, Lagerström argues. It is difficult, if not impossible, to prove this motive, but managers frequently seem to aim at becoming managers of a large company since it increases their status. Another motive to the high number of mergers and acquisitions is, according to Rydén (Benson, DI, 011124), the increased salary for the Swedish executives when the ownership of the

⁴ Astra’s CEO by the time of the merger.
firm is moved abroad. This force should not be underestimated. Even executives are human and first of all look to their own interests, Rydén claims, who adds that a bid with a high premium, making the options suddenly worth much more than if the merger would not go through, as yet another manager ego motive.

4.2.2.2 Excess of Money

A motive stressed by Dahlberg (DN, 990202) among others is abundance of money, which is usually found in times of growth. Often, Lindberg (GP, 950424) argues, recession has reduced activities of investment, which along with freed capital leave the company with an excess of money in their hands. When a company has excess of money, Ollevik says, the question of what to do with it eventually comes up.

“If there is no clear investment plan, the company might start acquiring other firms. It is almost as when you get your pay cheque; you feel rich – and it is a way to show off your strength. It looks as if the company is actually achieving something.”

Ollevik

Having an abundance of money may sound like a pleasant problem – if a problem at all – but according to Lindberg (GP, 950424), there are in fact a few dilemmas involved here. First, liquid money is costly. The alternative cost of keeping it in hand is to place it and allow it to yield interest, which certainly is the better choice in a long-term perspective. Second, the managers need to respond to the shareholders’ requirements of a reasonable return. A third factor is that liquid money makes the company attractive for presumptive buyers, particularly for foreign companies who are tempted by Sweden’s relatively high interest rates and low crown rate.

Carlsson (GP, 990121) claims that shareholders often encourage mergers, since the stock price usually rises shortly after the announcement, even though the company has not yet gained any profits. At the same time, Dahlberg (DN, 981127) says, the firms are normally favoured by high stock prices, indicating that they can pay deals with their own shares. Giertta (DN 981127) holds that in a way, this reasoning makes the merger almost look like it is for free. With relatively low rates of interest, it is considered rather cheap to perform mergers. With an excess of money at hand, and with heavy investments already paid, managers do not know
what else to do with the money. Larsson supports this theory and adds that after a long period of prosperity, such as the present situation, companies need to show the stock market that they are successful in order for the value of their stocks to increase. If the managers cannot come up with something new to do with their own products, they may wish to merge with another company to show how good they are and how large they will become. However, Larsson says, just because the turnover increases this is no guarantee for success. The profitability per employee or per invested SEK might not increase at all, but can actually decrease although the total profit might rise.

4.2.2.3 Lack of Confidence and Fear of Being Left Out

Besides the motives mentioned above, there are plenty of implicit reasons that managers avoid giving, says Dahlberg (DN, 990202). One example is the fear of being left over, when everybody else seems to join forces with one another. According to Lagerström, this motive is often found when defensive mergers are undertaken. Companies are worried that they will not be able to keep up with the high speed of development and thereby be left behind by their competitors. Sandlund & Rehnberg (SvD, 990406 p 27) say that Astra used this motive explicitly as an argument for merging with Zeneca:

“Everybody unite, that is why we need to do that to”.

According to Dahlberg (DN, 990202), another example is bad self-confidence, where the company does not believe in its own ability to find a way out of the present situation. Astra has been mentioned as one example of bad self-confidence. The patent of the best seller Losec was about to run out, and the company had no follow up product that they really believed in – or dared to believe in. Therefore, one of the motives for merging with Zeneca was to ease the dependence on Losec.

“They may see mergers as something cool, some kind of law of nature, and I think that this is totally wrong. In some cases it might be good, but in other situations I think it is completely up the creek.”

Larsson
This could be described as the snowball effect. Isacson agrees that all firms within an industry are very aware of what the other companies do and if there are many structural changes it affects all of them.

“If companies within a specific industry start to merge, other companies will follow, trying to avoid becoming underdogs. This always involves some risks, but one cannot be the leader of a large firm without being prepared to take chances.”

Lagerström

It is harder to undertake a merger if all the other companies around you are becoming larger, since a merger usually is undertaken between two companies with approximately the same size. If larger companies in the business start to merge, smaller companies might want to do the same. According to Larsson, merging has become a whim of fashion that is too seldom questioned.

4.2.3 Media’s Sources of Information

Since media is one of the most influential sources of information when it comes to the public, we wanted to examine what sources media use when presenting the motives for different mergers and acquisitions. The information about motives for mergers used in A-Ekonomi, is collected from the management, the union, analysts and independent researchers, if possible (Lagerström). DN, Larsson says, collects information of motives from press releases, telegrams from news agencies, the union, persons affected by the merger at the company and press conferences. DI gathers information about the motives from the companies, press releases, conferences and interviews (Isacson). The information used when SvD is looking at motives for different mergers are collected from the companies themselves, press releases, press conferences and interviews (Ollevik).

4.3 Evaluation

In the evaluation section, we will present the criteria for evaluation found in the empirical investigation. In order to make it possible to compare the theoretical and empirical criteria in the analysis, the latter have been renamed according to the theoretical terms when necessary. Thus revenues
are referred to as *accounting data*, whereas stock price is labelled *share value*.

### 4.3.1 Introduction

After having studied a great amount of articles on the subject of evaluation, the area still remains something of a blur. Media keep telling the reader or the viewer that this or that merger is successful, whereas another is not. On what basis these judgements are done is seldom mentioned, except for one seemingly important issue: stock prices. Taken together, surprisingly few articles have been found that actually report on merger evaluations.

The procedure of evaluating mergers differs among the respondents. Nonetheless, they all have in common that for a merger to be notified and evaluated in media, the event needs to be ascribed some degree of newsworthiness. Journalists in general are driven by a desire to create interest and thereby attract people to buy their paper or watch their programme. On account of this, far from all mergers are commented on in media. Ollevik claims that the focus is on large mergers that are of general interest to the public, or that for some reason or another is interesting as news. There is no possibility attempting to cover all mergers performed and a selection must therefore be made. Isacson and Lagerström both admit that mergers working exceptionally well or bad are more interesting to study than mergers that show an average performance.

Ollevik argues that it is not part of his job to judge the outcome of a merger, but admits that it occasionally happens. In those cases, the analyses strive towards objectivity and are based on the initial motives and information gathered from analysts and competitors. When an evaluation is made, calculations on what the journalist believes the merged companies to be able to achieve are compared to the goals set up by the company, their reasons, their claimed effects and potential profits. Lagerström claims that an evaluation may be done through creating an overview of the company along with a comparison between the profitability of the company and the competitors’ profitability and companies that have not merged. Larsson says that DN applies three different perspectives when doing their evaluation, the customer, the company and the labour market perspective. According to Isacson, no particular evaluation criteria are used in all merger cases. All in all, the respondent agreed that only the mergers with a public interest are evaluated. Furthermore, there are no fixed criteria used
when doing the evaluation, but this generally varies from one merger to another.

All the respondents agree that mergers are usually evaluated too soon. Lagerström, for instance, argues that at least three years ought to pass before a merger can be fully evaluated. If done earlier, there is a risk that the merger can be labelled as unsuccessful before all the effects are visible. The managers of the merged companies are the ones with most information and they most certainly will attempt to affect the journalists to interpret the information in a particular way, Ollevik says. It is always important for companies to have a positive picture shown in media, since it enhances the employees’ feeling of security and the company is regarded as strong and successful. Media are important tools if one wants to affect the public opinion. Sometimes, companies can use media as tools. In interviews companies may reveal that they are in search of a partner with which to merge, and thereby media can help them get in contact with another company with the same purpose.

According to Ollevik, when discussing media’s role in a merger context, journalists may very well be able to undermine a proposed merger in the sense that it is possible to influence the shareholders not to accept it.

“We (SvD) are quite proud to say that we took part in stopping the merger between Volvo and Renault during the early 1990s. The analysts at SvD were convinced that this merger was way out of line and the more that was written about it, the more facts turned up and in the end the companies backed out.”

Ollevik

Lagerström and Larsson mentioned the Volvo–Renault deal example as well when discussing this issue. Lagerström claims that media can prevent a merger from taking place, but in the end it is up to the shareholders to decide whether or not the companies should merge. Larsson holds that being yelled at is a part of the job for a journalist: DN’s role is to make companies mad. Isacson also believes that media is capable of preventing a merger from happening if they can find uncovered information or is successful in affecting the opinion of the general public.

About a year after its implementation, a DN reporter published an analysis of the Astra Zeneca merger, although admitting that it may be too early to
evaluate. The outcome so far was apparently unexpected and contradictorily, for two main reasons. First, Zeneca’s product portfolio and research were better than had been expected, and second, Zeneca’s centralisation and strong management culture make the British superior to the decentralised Swedish Astra with its previously independent managers. (Nachemson, DN 991204) We are surprised that this information was unexpected. Media wrote quite a lot about the merger before it took place, and also put some effort into studying all information about the two companies and the prospect of them fitting together. It is strange, therefore, that Zeneca’s range of products would not be known. It is also astonishing that it comes as a surprise to the reporter that the British centralised organisation had such impact on the decentralised Swedes.

Studies have shown that newly merged companies generally have a considerably lower growth pace than firms that have grown organically. According to Sandlund & Rehnberg (SvD, 990406), the merged companies simply have so much to do to make the merger work that the focus and the protection of external contacts suffer. Only after a few years, when the dust has settled, the company is able to function rationally and to increase the pace. Two merger researchers, Normark & Forsberg, had a debate article published in DI 970129, in which they concluded that too many mergers fail – mainly because of defective management and insufficient information. The objectives of growth and synergies are seldom reached, Normark & Forsberg say, and then go on to present the different reasons for the frequent failures. Surprisingly – and annoyingly – enough, the facts on which they base their conclusions and the way in which they evaluate the growth rate and synergy effects are not mentioned.

### 4.3.2 Measurable Evaluation Criteria

This section entails the evaluation criteria found in the empirical investigation and which can be categorised as measurable. The criteria are presented in no particular order.

#### 4.3.2.1 Accounting Data

According to Lundqvist (DN, 990516), the revenues generated by the company during the years immediately following the merger, as compared to earlier returns and as compared to similar companies are one criterion to
study when evaluating a merger. Likewise, the leader column in SvD (990926) reports that:

“…despite the promises that have been given about synergies…most merged companies do not reach the economic goals that have been promised”

implying that the revenues should have been higher. Ollevik also mentions accounting data as a source for information about the performance of the merger.

### 4.3.2.2 Share value

Hedberg (SvD, 981214) reports that the consultant and management company A T Kearney has performed an extensive investigation in which 115 big global mergers during 1993–96 were studied. The purpose was to examine the result of the mergers and to judge whether they were successful or not. The criteria used in the investigation were solely the share prices of the companies, the development of which were studied from three months before the announcement of the merger until two years afterwards. The result was that more than half of the deals actually had destroyed shareholder value rather than improving it. The people behind the study agree that two years may be somewhat short to make a fair judgement of the effects of the merger. Lundqvist (DN, 990516) also claims that the development of the share price about the time of the merger, as compared to “share index” is a useful measurement of the performance of a merger. Nachemson, (DN 991204) argues in an evaluation that Astra Zeneca’s share price was swinging a lot immediately after the merger, but at the time of the analysis, it was stabilising upwards, which was considered positive. Lagerström also mentions the value of the shares as an evaluation criterion. Although not expressed explicitly, most journalists tend to report on the share prices when evaluating mergers, and all in all, when the share price of a merger is increasing, the deal is with few exceptions considered as successful.

### 4.3.2.3 The Grufman Reje Method

Carlsson (DN, 971002) presents another way of evaluating a merger, as applied by the consultant firm Grufman Reje, which focuses on analysing mergers between banks. The Grufman Reje method measures two objects –
the proportion of the cost of personnel in relation to the refining value, and
the cost of capital of achieving that refining value. An example is that if a
bank generates 1 SEK in refining value, then perhaps 0.40 SEK is needed
to cover personnel costs, and about as much for capital costs. This method
makes it possible to compare the efficiency between two banks. The two
merged banks that were analysed and compared in relation to this article
were Handelsbanken/Stadshypotek and Föreningsbanken/Sparbanken.
Gruftman Reje concluded that both mergers had increased their efficiency –
but in two different ways. The former showed that the capital had been
used more efficiently, while the latter had increased the efficiency through
higher profits. Carlsson (ibid) does not mention anything about the
possibility to make use of this method for mergers in other businesses, but
as we understand it, this should not be impossible. Any company should
presumably be able to measure how well they utilise their resources. The
Gruftman Reje method does not seem particularly common, and is not
generally acknowledged. Carlsson (ibid) also claims that the valuation is
done with market values and not real values, which means that the figures
are not correct, although it allows them to be compared.

4.3.3 Immeasurable Evaluation Criteria

The following section entails immeasurable evaluation criteria that have
been found in the empirical investigation, presented in no particular order.

4.3.3.1 Interviews

Lundqvist (DN, 990516) suggests that interviewing the management of the
merged companies is a possible way to assess the performance. As
mentioned in the theoretical investigation, a problem with this criterion is
that managers may enhance certain information while conceal other facts.
Our respondents (e.g. Larsson) also mention interviews with managers as a
means to determine the outcome of a merger.

4.3.3.2 Employee Aspect

Another thing that media seem to analyse in mergers is the employee
aspect. Gelmanovski (DN, 990804), for instance, although admitting that
the merger process is still in its infancy, reports that the employees at Astra
Zeneca still have not noticed any great changes. The company has
communicated the new organisation’s missions and visions to the
organisational members in order to facilitate the creation of the new company culture. Gianuzzi (DI, 990316) reports that according to Länsförsäkringar Wasa’s CEO, it is important to gain the organisational members’ trust. The two insurance companies merged in 1998, and the CEO says that the information flow and the atmosphere among the employees were checked on and evaluated some time after its implementation. In this case, the result was satisfying, but it is not very likely that it would have been reported to the press if the employees had been badly treated. Likewise, Lagerström states that employees are an important source of information, in order to get the right picture of the performance and the atmosphere of the merger.

4.3.4 Media’s Sources of Information

As mentioned in the section about motives, the sources that media use are important. Therefore, we also investigated what sources they used for their evaluations. Did they differ from the sources used when presenting the motives for the mergers? According to Lagerström, A-Ekonomi collects information from financial reports of the company, and they also look at the value of the shares. Employees at the merged company is also a useful source, as are previous employees at the company that may have left for a competitor due to possible problems and disappointments after the merger. Competitors to the company are another source, but this information has to be confirmed before it is used. Larsson claims that when doing an evaluation, DN uses almost the same sources as when investigating the motives, including press releases, telegrams from news agencies, the unions, persons affected by the merger at the company and press conferences. Often, off-the-record conversations with important persons and information from analysts are added. Isacson holds that DI gathers information from the same places as in the case of the motives, i.e. from the companies, press releases, press conferences and interviews. Finally, Ollevik says that SvD uses the gathered information for the motives and analyses these together with information from analysts and competitors.
4.4 Summary

**Empirical Findings**

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*Figure IX: Explicit and Implicit Motives, Empirical Findings*

The belief that larger units creates greater efficiency and that the sum of the previous two parts of a merger will afterwards equal three is why *synergy* is often given as a motive for mergers, according to Forsberg (DI, 970311). Bild (in Lundqvist, DN, 990516) argues that to spread the risk or increase the number of services or products by *diversification* might be profitable. Despite this the trend at the moment is to focus on the core competencies. Companies on a mature or *stagnating* market can start feeling as if they were treading water and cannot grow organically, wherefore they might choose to grow through a merger, states Ollevik. A leader column in DN (990818) argues that companies with small home markets need to expand *internationally* in order to grow and to compete. To merge with a foreign company is often the easiest way to get access to foreign markets. Managers are sometimes afraid that the company might be acquired (*fear of being bought*) and that a greater size, by merging with an equally big company, will prevent this from happening, Lagerström says. Ollevik and Lundqvist (DN, 990516) believe in *hubris* as a motive for merger. Managers want to create monuments over themselves to be able to show power, but are also put under a lot of pressure to show results, which might encourage them to merge with another firm. According to Lindberg (GP, 950424), having an *excess of money* is costly and might also attract presumptive buyers. Rather than giving shareholders large dividends managers may choose to invest the money by acquiring another company.
Sandlund and Rehnberg (SvD, 990406) hold that companies sometimes are worried that they cannot keep up with the high speed of development or that they lack confidence in their own products and therefore choose to merge with another company.

The evaluation criteria found in the empirical investigation are accounting data (e.g. Ollevik; Lundqvist, DN, 990516), share value (Lundqvist, DN, 990516; Lagerström), the Grufman Reje method (Carlsson, 971002), interviews with managers at the merged companies (Larsson; Lundqvist, DN, 990516) and the employee aspect. Accounting data are often used to assess the company’s revenues and shareholder dividends and may thereby serve as a criterion. The share value reflects the view of and belief in the company’s performance, according to the market and people in general. The Grufman Reje method deals with the refining value of a company before and after a merger, whereas interviews serve to investigate to what extent the managers of the merged companies consider that the merger has been successful. Media also evaluate to what degree the employees of the merged companies are satisfied with the situation.
5 Analysis

In this section we intend to compare the findings from the theoretical and empirical material. At first the motives found in the theoretical study are compared with the criteria used for the evaluation, after which the same procedure will be undertaken for the empirical material. Finally, the theoretical and the empirical motives are compared, as are the corresponding evaluation criteria.

5.1 Theoretical Motives and Evaluation Criteria

The following illustration shows the elements being analysed in this section:

![Figure XI: Analysing Theoretical Motives and Evaluation Criteria]

The following motives were found in the theoretical investigation: synergy, diversification, stagnation, internationalisation, manager hubris and replacing management. The evaluation criteria found were earnings per share, accounting data, event study method, increased share value and interviews. In the comparisons below, we present each motive along with possible and actual evaluation criteria.
5.1.1 Synergy

Synergy is clearly the most frequently mentioned motive, and it is also the one most often evaluated by researchers. Several methods of evaluating synergies have been found. Sirower (de Wit & Meyer, 2001) suggests that one way to evaluate synergies is by looking at earnings per share (EPS). The earnings per share in the new company after the merger must equal the two former companies’ earnings per share times expected growth plus synergy. If this is not reached, the merger is considered a failure. This rather complex formula proves that synergy is one of the most difficult goals to reach, (1+1 seldom turns into 3) and thereby it is no great surprise that the number of mergers that are considered as successful is thus low.

Jonsson (1995) suggests that another criterion is looking at accounting data to see the size of the revenue. We suggest that this method may be very important for shareholders, since they are primarily interested in the size of their dividends. On the other hand, it is extremely difficult to determine if the presumptive extra revenues stem from the merger or if they would have been generated in any case. Therefore, we argue that only using this evaluation criterion can be rather deceptive. According to Jonsson (ibid), evaluating synergy through the event study method involves comparisons between the shareholder dividends of both companies before and after the merger. If both shareholder groups get increased dividends after the merger, the deal is perceived as successful. The problem related to this issue is that the market needs to be perfectly competitive, in the sense that prices reflect the available information. A condition for this to work is that there is no asymmetric information that can breed increased or decreased expectations, which can push prices upwards or downwards, resulting in incorrect values of the shares. Thereby, if asymmetric information appears, this method is clearly useless, and the equation \( AR = R - E[R] \) turns out to be unsolvable.

Sudarsanam (1995) argues that increased share value is a sign of increased performance. The value of the company’s shares reflects the shareholders opinion of what the company is worth. If the value of the shares increases after a merger, due to increased demand, the shareholders consider the merger to be a possible success. If the shareholders instead consider the result of the merger to be a failure, they want to sell their shares before the value starts to decrease, which will put a downward pressure of the value of the shares.
Another method suggested by Jonsson (1995) is interviews with representatives of the company. Evaluating synergies with interviews is likely to reflect how well the company management believes that they have performed. This entails that the company’s own goals are evaluated, and it runs the risk of being rather over-positivistic and one-sided. One could also question whether the managers merely consider financial objectives, or if they take consideration to the employee aspect as well. Since synergies often entail rationalisations through personnel cut-downs, employees might not share the managers’ views of how “successful” the merger has actually been.

5.1.2 Diversification

The theorists do not evaluate diversification. The reason is probably that it is not measurable unless it is transformed into financial facts. Evaluating diversification directly could only mean stating that it has taken place. However, if looking at accounting data for the acquired product or firm, it is possible to evaluate the presumptive revenues gained from the deal indirectly. As in the case of synergy, it is difficult to determine if the profit is a result of the merger or would have occurred anyhow. Interviews, on the other hand, may be used as an evaluation method. However, the only thing that the company representatives can do is to verify that the diversification has taken place, and that the business portfolio has been broadened. It is also possible that the interviewed manager is able to suggest that the diversification has led to better results, but it should be noticed that s/he might be biased and may exaggerate those results.

5.1.3 Stagnation and Internationalisation

Alarik (1982) argues that stagnation in an industry often results in a number of mergers between rivalling companies, aiming at a higher growth rate. Stagnation might lead to, or be combined with, internationalisation, and these can be evaluated in much the same way. Using accounting data, one can probably observe stagnated or declining revenues a few years before the merger. If the data shows increased revenues after the merger has been implemented, the merger could be described as successful. As mentioned earlier, this method is not that reliable, and should therefore be used carefully. As is the case with diversification, if the growth through the merger is transformed into financial facts, it should be possible to evaluate
the growth by applying the event study method as well as the EPS model. Interviews would be a possible evaluation method, but as declared earlier, not particularly objective. Although these methods could be used, researchers do not evaluate the stagnation motive.

5.1.4 Hubris and Replacing Management

Manager hubris and replacing management are both implicit motives. These are extremely hard to evaluate since it is difficult to prove them as motives initially. However, theorists often mention manager hubris as the merger motive when the merger does not perform particularly well. As for replacing management, it can only be confirmed, and the new management can be evaluated for its efforts. But still, it is not certain that what they achieve is a result of them being in charge rather than the previous managers.

5.2 Empirical Motives and Evaluation Criteria

The figure below illustrates what parts of the investigation are analysed in this section:

![Figure XII: Analysing Empirical Motives and Evaluation Criteria](image)

The following motives were found in the empirical investigation: synergy, diversification, stagnation, internationalisation, fear of being bought, manager hubris, excess of money, lack of confidence and fear of being left
The evaluation criteria found are accounting data, share value, the Grufman Reje method, interviews and the employee aspect.

5.2.1 Synergy

Despite the fact that synergies are the most frequently mentioned motive, they are very seldom evaluated. We have come across articles where journalists verify that the company have made rationalisations and achieved synergy effects (e.g. Isacson, DI, 990205; Olsson, DN, 990530), but no articles with any measurements. According to Bjäringer (DI, 981127), large size is likely to have impact on competitors’ views on the company, and also attract acknowledged investors. However, according to Carlsson (DN, 971019), a merger-of-equals is likely to more easily attract shareholders, since they are able to grasp possible rationalisations and reduced costs. On the other hand, if synergies are the main motive, shareholders might be more restrictive, knowing that synergy effects are difficult to achieve. The increased demand of and interest for the company’s shares will result in an increased value of the shares. Furthermore, we believe, it is possible for management to evaluate whether the company has reach the desired synergies, but apparently media do not find such information interesting enough to report on. The respondents confirmed that what they publish must be of public interest and therefore we conclude that some issues might be left out. Media admit using share values before and after a merger in order to assess whether it has been successful or not (Lagerström). The Grufman Reje method should be possible to use for measuring synergy effects but are in fact not applied by media.

5.2.2 Diversification, Stagnation and Internationalisation

The diversification motive has generally been spat on. Lagerström argues that the trend at the moment is to go back to the core competencies. As a result, no evaluations on diversification have been found empirically. Regarding stagnation and internationalisation, they are much the same as in the theoretical part, i.e. they are possible to evaluate only after having been transformed into financial facts. Growth and new markets abroad can be confirmed either by media themselves or by company management, but cannot be measured financially.
5.2.3 Hubris and Fear of Being Bought

Implicit motives are extremely difficult to evaluate, since they are seldom or never expressed as motives. Therefore, they can only be suspected. As a result, since the motives are not confirmed, the possible consequences cannot be stated. It should be noted, however, that media usually speculate about these motives when a merger is considered to perform badly. Lagerström admits that a merger failure gets more attention in media since it is considered as more newsworthy. Therefore, it is not surprising that media can actually help knocking a proposed merger over, as admitted by all respondents.

5.2.4 Excess of money

Excess of money is easily measured in terms of money before a merger, but can hardly be evaluated afterwards. This is not a motive in itself but according to Lindberg (GP, 950424) and Ollevik, the company is in desperate need of investing the liquid funds. Since there is not enough time to make a thorough valuation of the target firm, there is a risk that the deal is made too hasty and therefore also runs the risk of failing.

5.3 Comparing Theoretical and Empirical Motives

The model below illustrates the two boxes that are juxtaposed and analysed in this section:

![Figure XIII: Analysing Theoretical and Empirical Motives](image-url)
5.3.1 Motives in Common

Several motives are found in both theoretical and empirical material. The explicit motives are synergy, diversification, stagnation and internationalisation, while the single implicit motive found in both is hubris. We believe that the motives that we have found in the empirical material are closely related to things that are newsworthy. The interview respondents (e.g. Isacson; Lagerström) confirmed that they write primarily about merger failures and it follows that implicit motives are speculated in and they are used as explanations to unexpected mergers.

5.3.2 Diverged Motives

The theoretical investigation showed that replacing management appeared as a motive that could not be found in the empirical section. Inversely, in the empirical study, fear of being bought, excess of money and lack of confidence and fear of being left out were found with no corresponding motives in theoretical material.

5.3.2.1 Replacing Management

Replacing management is mentioned by theorists (Sirower, 1997; Gaughan, 1991) as a motive, which has not been found empirically. We argue that this is a result of the majority of American literature that has been used in this study, as opposed to the empirical part, which is solely Swedish. The famous “Jante law” influences the Swedes not to admit that they are better than anyone else, and this supports the rareness of the replacing management motive.

5.3.2.2 Fear of Being Bought

Fear of being bought was found merely in the empirical part. Lagerström argues that many mergers are undertaken as mergers-of-equals, aiming to enlarge the organisation. Hereby, the company avoids being acquired by someone bigger than itself and thereby avoids losing control of the development process and power distribution. It is surprising that this motive is only found in the empirical investigation.
5.3.2.3 Excess of Money

Excess of money is an empirical implicit motive, which can be regarded as a rather offensive strategy. This is probably an indirect motive that is hidden in other motives in the literature. If, e.g., the direct motive is to internationalise the company, this may not be realised until the firm can afford acquiring or merging with a foreign company. Therefore, the excess of money is not mentioned as a motive *per se* in theoretical research. Furthermore, we believe that excess of money most often results in acquisitions rather than mergers, according to our definitions of the expressions (p 25). As Lagerström says, mergers-of-equals can be undertaken during times of prosperity without excess of money, since the triggered share prices enable the companies to more or less simply exchange shares. An abundance of money can also be considered as a merger motive, because the managers do not know what to do with it.

5.3.2.4 Lack of Confidence and Fear of Being Left Out

The lack of confidence and fear of being left out motives are found in the empirical material. This is what happens when the ball starts rolling – the snowball effect. As one or a few companies merge, and the results turn out well, other firms hasten to look for partners with which to marry, hoping to get similar effects. Larsson, among others, argues that many smaller companies are affected by the merger activities of their larger counterparts, adding:

“They may see mergers as something cool, some kind of law of nature, and I think that this is totally wrong. In some cases it might be good, but in other situations I think it is completely up the creek.”

Larsson

It is surprising that there are no ideas about these implicit motives presented by theorists. We claim that the snowball effect is present everywhere during merger waves, but that lack of confidence and fear of being left out are not recognised as merger motives by researchers. This is rather strange, since other implicit, speculative motives such as hubris and replacing management are frequently found. Both these motives are related to times of prosperity and recession in the sense that good times often breed a large number of mergers, and that few companies wish to stand alone watching the others prepare for war.
5.4 Comparing Theoretical and Empirical Evaluation Criteria

This figure illuminates the two parts that are enhanced and analysed in this section:

![Diagram](image)

*Figure XIV: Analysing Theoretical and Empirical Evaluation Criteria*

5.4.1 Evaluation Criteria in Common

The evaluation criteria noted in both theoretical and empirical material are *accounting data, share value* and *interviews*, of which the two former are measurable while the latter is immeasurable. Accounting data is an easy measurement, which allows the analyst to compare revenues from one year to another, or before and after a merger. The problem associated with this method is that it can be difficult to determine if the presumptive increased revenues are a direct result of the merger. The development of share value is obviously the most evaluation criterion in both the theoretical and empirical material. We believe that this is due to the simplicity of measuring and comparing such figures. However, it should be noted that this measurement may be rather deceptive, in the sense that it reflects the opinions of people in general, who may not have much insight of the company’s performance. The time period immediately before and after the merger is also likely to mirror expectations and uncertainty rather than a real value of the performance. It goes for all these criteria that they are relatively easy to get access to and give a comprehensible analysis of the company.
5.4.2 Diverged Evaluation Criteria

In this section we will present the evaluation methods that do not have a corresponding criterion in the other part of the investigation. The theoretical investigation offered two measurable methods, *earnings per share* and *event study method*, whereas the *Grufman Reje method* and the *employee aspect* of the empirical part had no corresponding method in the theoretical material.

5.4.2.1 Earnings Per Share and Event Study Method

Two of the criteria found in the theoretical material were not registered in the empirical investigation, namely earnings per share and event study method. The obvious explanation is that these methods are mathematical formulas constructed to calculate exact results of the company’s activities. We argue that such evaluation criteria are neglected by journalists, mainly due to the complexity related to them, which is likely to deter people. It is a significant difference between theoretical and empirical findings that theorists tend to embrace formulas in much greater an extent than journalists. Media prefer to stick to recommendations on what to pay attention to. We argue that this is due to media’s strive to write about subjects that are newsworthy. Mathematical formulas are probably not of main interest to each and every individual, wherefore such evaluation criteria are neglected. Furthermore, researchers generally have more time at their disposal developing formulas and calculating the results. Journalists, on the other hand, often work under time pressure and must therefore stick to the information that is already there, without having to recalculate every single figure.

5.4.2.2 The Grufman Reje Method

In the empirical investigation, one criterion appeared that could not be traced in the theoretical material. This is the Grufman Reje model, which measures changes of the refining value of one SEK. The reason for this model not being discovered in the theoretical part is that it has been developed and applied by a Swedish consultant company (Grufman Reje), and is aimed at comparing the efficiency level in Swedish banks. It is, according to our knowledge, not a well-established model.
5.4.2.3 Employee Aspect

Evaluating the consequences of a merger as experienced by employees has been found in the empirical material, e.g., in the case of Länsförsäkringar Wasa (Gianuzzi, DI 990316). We believe that companies generally, after having gone through a merger, check with the employees, in order to evaluate to what extent they have been affected and how they have experienced the merger. If the implementation has been well received and appreciated by the employees, the management is eager to present this picture of the company in media. Inversely, if the employees perceive the merger negatively, the management will try to silence the matter, whereas media now are likely to be more interested than ever, due to their lust for startling news. It is surprising that we have not come across this aspect of evaluation in theoretical material.

5.4.2.4 Remarks

What is surprising is media’s eagerness to evaluate mergers long before the dust around the deal has settled. Journalists keep saying that “maybe this is too soon to evaluate, but…” (Nachemson, DN 991204). We have not come across any theorists undertaking an evaluation too early, thus the question is why media keep doing it. We argue that media are driven by an urge to find a scoop rather than waiting for the proper time to analyse the deal. For them, sensational news and speculations are at times more important than actually give the merged companies a chance to carry through the merger, and only after this give a fair picture of the firm.
6 Conclusions

This chapter presents the results of this study along with reflections on our findings. It also includes suggestions on further studies related to the subject.

6.1 Questions and Answers

In order to fulfil the purpose of this study, we initially posed five questions to be answered. As a reminder, these are as follows:

1. What are the motives given and the evaluation criteria used in a merger or an acquisition according to theorists?
2. What are the motives given and the evaluation criteria used in a merger or an acquisition according to media?
3. Are there any differences in merger and acquisition motives given by theorists and media?
4. Are there any differences in evaluation criteria for mergers and acquisitions given by theorists and media?

The motives found in the theoretical material are synergy, diversification, stagnation, internationalisation, hubris and replacing management. The evaluation criteria found in the theoretical material are earnings per share, accounting data, event study method, increased share value and interviews. Synergy is the sole motive that can be directly measured by using financial facts. It may be assessed by using earnings per share, accounting data, event study method and share value. The remaining motives cannot be evaluated, other than merely stated, unless transformed into financial facts. Having done this, it is possible to study accounting data in order to trace any extra revenues that might have been generated.

The motives found in the empirical material are synergy, diversification, stagnation, internationalisation, fear of being bought, manager hubris, excess of money, lack of confidence and fear of being left out. The evaluation criteria found in the empirical material are accounting data, share value, the Grufman Reje method, interviews and employee aspects. Synergy, as in the paragraph above, is most easily and frequently evaluated. All empirically found evaluation methods are possible to use to
determine presumptive synergies. This is generally not done. Accounting data and increased share value are the criteria most commonly used by media when evaluating mergers.

There are a few differences noted among the motives of theoretical and empirical findings. In the theoretical investigation, there is one motive not present in the empirical part, namely replacing management, which we have explained by cultural differences. This is due to the “Jante law” along with Swedish laws and unions, which protect employees’ rights. Interestingly enough, there are clearly more motives in the empirical material. The motives observed empirically but not theoretically are fear of being bought, excess of money, lack of confidence and fear of being left out. Regarding fear of being bought, we hold that this may be explained by the Americans (since using American literature) being too proud to admit explicitly that they are actually afraid of being bought. Swedes, on the other hand, are more willing to admit one’s weaknesses. Excess of money involves having too much liquid funds, which may attract acquirers and the managers also want to avoid having to give shareholders large dividends. Since this motive is not mentioned in the theoretical part, we argue that it is included indirectly in other motives, such as internationalisation. The extra cash allows the companies to merge with or acquire another firm abroad. We find it rather strange that lack of confidence and fear of being left out and could not be found in the theoretical investigation, since other implicit, speculative motives such as hubris and replacing management are frequently found. Both these motives are related to times of prosperity and recession in the sense that good times often breed a large number of mergers, and that few companies wish to stand alone watching the others prepare for war.

Two evaluation criteria presented by theorists, earnings per share and event study method, were not registered in the empirical material. The reason is that journalists seek subjects that have some degree of newsworthiness, thus mathematical formulas as the ones mentioned above are neglected. The two methods found empirically that has no corresponding method in the theoretical investigation are the Grufman Reje method and the employee aspect. The former is explained by the fact that it has been developed by a Swedish consultant company, and is not particularly widespread, whereas the latter is considered to be newsworthy and therefore is important for media to enhance.
6.2 Reflections

It can be concluded that all motives initially given are not evaluated after the merger has been implemented. The main reason for this could be that the majority of motives are difficult to evaluate. Several of the motives are immeasurable, since they cannot directly be analysed in financial terms. One way to analyse those motives is either to merely state that they have taken place, or to transform them into financial facts in order to make them comparable to, e.g., earlier observations. This, however, is a little bit far-fetched, and also a bit risky due to possible mistakes related to the transformation. Therefore, we do not support this method.

Some motives seem to be general, since given and discussed by both theorists and journalists. Synergy is such a motive. The formulas developed to calculate synergies in the theoretical material are obvious signs of this, as is the frequent references to synergy effects in the empirical material. Internationalisation is another motive that seems to be common all over the globe and in most industries. Among the implicit motives, hubris appears as a general motive. Obviously, most people are eager to increase their own positions and reputations, no matter what industries they operate in. However, this motive is probably to some extent related to culture, in the sense that some countries are individualistic and such behaviour is if not accepted at least expected. Other nations may have a more collectivistic orientation, and may therefore not accept such behaviour. Some motives may be perceived as less general, and in some cases even industry specific. Stagnation is one example. Most industries at some point experience that they have saturated. Companies within that industry cannot grow organically and may see merging as a solution, either by reaching economies of scale or by reaching new markets. Some industries can also be characterised by products that demand heavy investments or R&D costs. Companies in such industries may need to join forces with competitors in order to afford developing new products and keep up with the latest technology.

It has stood out clearly that most evaluations performed by media are undertaken far too soon after the merger. Some of the desired effects of a merger may take years to accomplish, thus cannot – or should not – be evaluated after a year, which is commonly the case. Immediately after the integration of two companies, much of the energy is generally spent on making the merger work smoothly. Therefore, the pace of activities is
slower than usual. When having recovered from the implementation, the company must not only reach the original level of operation, but also increase the pace beyond the previous level in order to generate profits.

Most evaluation criteria are not developed for merger evaluation specifically. They may very well be used to analyse a company’s performance from one year to another, simply by comparing two observations, but it is also this fact that makes them possible to use for evaluating mergers as well – before and after observations. However, it is strange that no merger specific model has been developed as yet, considering the current inconsistency in evaluation criteria of mergers today.

Researchers are able to focus deeper on mergers in general, whereas media, due to the demand for newsworthiness, must focus on failures. As noted earlier, since journalists often are driven by a desire to make a scoop, the explanation is that such stories are far more newsworthy than successful deals. When reporting on a failed merger, journalists often choose to blame the failure on implicit motives, primarily hubris. Despite not having discovered any mathematical formulas, with which to evaluate for example synergies, in media, we think that such formulas still may be applied by the journalists. However, it is important to keep the reader’s or the viewer’s interest. Therefore, in order not to deter people, journalists opt to leave out such calculations, perhaps other than mentioning the mere results.

We suggest that it is almost impossible to perform a merger or acquisition and satisfy all involved parts at the same time. If one part is content, another one is demanding compensation for their losses. The main goal however, seems to be to fulfil the demands of the shareholders. This is easier said than done though, since there are several different groups of shareholders and all of them have their specific requests. The effects of the merger have commonly two sides. Good performance at one level might lead to a poor performance in another. Which side is to be concluded as the most important one? The search for a method that can measure both the differences in monetary value of the company, as well as the potential improvements within the company, such as effectiveness and increased knowledge, have to continue. It seems almost impossible to focus on more than one perspective at a time.
6.3 Recommended Research

We would like to see further research on evaluation methods, along with a few selected criteria that could be used to assess the outcome of mergers in general. The criteria should preferably be easily accessed and not take too long to perform, thus media could make use of the same despite their limited time. The method should then make it possible to compare all mergers no matter what industry they are in. It would also be interesting to study media’s role more in-depth, in order to get a picture of the possibilities to affect and influence companies and everyday people.

6.4 Epilogue

Finally, after a long and winding road with many detours and stops for both asking the direction and refilling the tank, our journey has come to an end. Although we experienced many troubles on the way, we can now look in the rearview mirror and state that the trip was worthwhile – now we will just pause for a second and admire the scenery.
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Appendix I

Interview Guide

General Questions
- To what extent do you think that media’s speculations about presumptive merger partners for a certain company can affect that company’s management?
- Is it possible for media to help stopping a proposed merger?

Motives
- How do you get information about motives for a merger?
- What motives are given by companies? Examples?
- Is it possible that there are motives not expressed by the companies? Which? Examples?
- Are all these motives relevant in the current merger wave? Why?
- Are mergers solutions to all of these motives? Why?
- To what extent do the companies influence each other to merge?

Evaluation
- How do you get information from which to do an evaluation?
- Are all mergers evaluated? Why? How is the selection made?
- What makes a merger successful?
- Who decides whether a merger is successful?
- Do opinions differ about this? How? Why? Examples?
- What criteria do you consider when doing an evaluation?
- Are all motives evaluated? Why?
- How are the criteria selected?
- Are the same criteria used for all mergers? Why?
- Are all evaluations evaluated to a similar extent? Why?
- Is there a certain point in time when an evaluation is done? Why?
- How long time should pass before the evaluation is done? Why?
- Do your evaluation criteria differ from other analysts’ criteria? Why? Examples?
- Has it happened that you have judged a merger as successful, whereas others (media) have not (or vice versa)? Why? Examples?
- To what extent are the companies able to influence the picture you give of them?