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Human and Culture integration
in Mergers & Acquisitions:
A study of Andersen acquisition by KPMG in Vietnam.

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Abstract

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Title Human and Culture integration in Mergers & Acquisitions: A study of Andersen acquisition by KPMG in Vietnam.

Research problem What did KPMG Vietnam do to integrate organizational culture and human resource of Andersen during and after its acquisition in 2002?

Purpose The aim of this research was to focus on culture and human resource dimensions by investigating the case KPMG acquired Andersen in Vietnam in 2002.

Method The conducted methodological stance in this report is interpretive research. The qualitative method has also been utilized. This research has mostly based on primary data in which semi-structured interviews and questionnaires were implemented to collect empirical data related to Andersen Vietnam acquisition. Secondary data from books, journals, websites etc has also been gathered.

Conclusion Although KPMG did not employ every tool suggested by researchers, it was proven to perform fair or good in culture integration dimension

Key words auditing, advisory industry, KPMG Vietnam, Andersen, acquisition, strategic fit, organizational fit, synergy, culture compatibility, human resources integration
Acknowledgement

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Thesis authors,

Karol Duda & Hong Y Pham
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CHAPTER 1: INTRODUCTION

1.1 Background

In 1998 Mergers and Acquisitions (M&A) on the global scale were worth US$ 2.4 trillion. That was a record year due to 50% value increase of M&A from previous year. In 1999 this number continued to exceed $3.3 trillion and in 2000 this figure stroked $3.5 trillion (Buckley & Ghauri, 2002). 2006 was a remarkable year for acquisitions worldwide as well; the annual value exceeded US$ 4 trillion when cross border acquisitions also reached $1.13 trillion (Larsen, 2007). This increasing trend also continued in 2007 and 2008. All of the above figures have proved that M&A is not only a key strategy for many Multinational Corporations (MNCs) but also increasingly dominates the world economy.

MNCs deployed M&A as a strategy to avoid going bankruptcy, penetrate into a psychologically distant market, expand their current position in a market, diversify its portfolios, obtain surplus or synergy power of combining resources etc. Some corporations have been considered to achieve success by exercising M&A. A case in airline industry is a simple but good example: Air France and KLM merger in 2004 has been considered successful up to now, while turning KLM from losses into a highly profitable company (Spinetta, 2006).

On the other hand, along with the acceleration of acquisitions value is the fact that up to 83 percent of these acquisition transactions are unsuccessful ones (KPMG, 1999; Moeller and Schlingemann, 2005; Sirower, 1997). Majority of these acquisitions failed to achieve pre-acquisition objectives. The reasons for international acquisition failures derive from different issues and explained in various ways. Many M&A researchers have strived to generalize these different reasons. The high rate of failure of M&A which has been analyzed by many researchers primarily relates to business and financial misfit. Culture and management issues have been left by managers and shareholders with less concerns; this trivial concern for these two aspects was often a mistake which caused M&A failures.

Mainstream research

It was already pointed out in the Background chapter of this paper that M&A involve very significant amounts of money, and clearly the trend shows a rise of these expenditures (2.4$ trillions -> 3.3$ trillions -> 3.5$ trillions). It is however not the purpose of this paper to examine the trend, adjust with
inflation or compare to the world’s GDP – the aim here is to highlight the financial importance of M&A for many decision makers, especially shareholders. It is though interesting that M&A occurred “in waves or particularly intense activity” (Gertsen, Soderberg & Torp, 1998, p.19) since a great percentage of these happened in crisis-related periods e.g. Stock Market Crash of 1929 (Britannica, n.d.). During these times companies in general had financial issues, becoming easier targets for M&As, or due to its insolvent and liabilities might be taken over by banks and other credit institutions. This activity is as well proved by Cartwright (1998) to be especially frequent in banking and insurance industry. As a natural consequence, financial measures where one of the key indicators.

It was observed (e.g. Cartwright, 1998) that during 1960s and 1970s firms chosen rather to diversify while contracting conglomerate M&As. In 1980s and 1990s however the trend has significantly changed to horizontal and vertical ones (Cartwright & Cooper, 1996). The goal altered from diversifying to achieving “synergy and the advantages of large-scale operations” (Larsson, 1990). Moreover, Healy, Palepu and Ruback (1997) perceived this change and suggested following distinction for M&A: Strategic M&As, which are based on synergy through “cultures, systems, and processes” integration; and Financial M&As, which purpose is asset management rather than typical synergy. The former type is said to be dominant since the change in orientation (ibid). This transition is more thoroughly described in APPENDIX A.

The new area that is “causing problems” is in many sources referred to as organizational and cultural integration (e.g. Cartwright & Cooper, 1993). Moreover models developed without these variables cannot adequately implement human factors, which are needed for success of M&As (Birkenshaw, Bresman, & Hakanson, 2000; Larsson & Finkelstein, 1999).

Acquisition theme and its issues relating to culture and people factors will be studied in this research, basing on the case of KPMG acquiring Andersen in Vietnam. The scope of this research was just geographically covered in Vietnam, not in global scale; therefore, the information and data collection method have also been focused in this country.

KPMG Vietnam was motivated by the fact that acquiring Andersen was the quickest way to grow and develop in Vietnam. The acquisition also enabled KPMG to increase its competitiveness, access to Andersen’s wide client network base, knowledgeable staff and technology. A more thorough description is provided in APPENDIX B.
1.2 Company's profile

KPMG is a global network of professional firms offering a wide range of Audit, Accounting, Tax, Advisory and industry insight services. Currently there are above 130,000 people employed in 144 countries. In Vietnam an affiliate was established in 1992. The firm base its services on people, who constitute the most valuable and important asset in the corporation. The company makes effort both regarding time and money to provide its employees training and knowledge.

KPMG’s history is rooted and formed from the key four figures of KPMG, who are the founding members of the present organization. Their names served for creation of the firm’s name: Klynveld Peat Marwick Goerdeler. The oldest of the four accounting companies was in market since 1897. During the time there were many significant mergers and acquisitions in the industry, but in the end only the names of those four companies retained. The final merger was completed in 1987 (KPMG Annual Report 2008, 2009).

1.3 Problem statement

This paper aims at issues companies face during and after acquisitions, especially those associated with employees. At times, these issues were referred to as ‘organizational fit’. Simply, they involve variation of conditions of acquiring and acquired firms. Those inconsistencies cannot be easily incorporated to financial assessment of the operation (e.g. Return on Asset) due to their philosophical nature. The differences of these conditions often were stated in researches as the reasons for lack of successful integration of groups socializing in different workplaces.

There have been already many studies regarding similar problems; it is not a fresh topic either. Nevertheless, big corporations are still facing problems that ought to be solved during planning its Mergers and Acquisitions (M&A). Consequently this problem is likely to continue in the future, thus reflecting the need for ongoing research in this field.

Empirical research scope will be narrowed to audit and advisory sector of financial industry, while the market is large, data is accessible, acquisitions and mergers are common in this industry. Research will be conducted on a case of Andersen Vietnam acquisition by KPMG, its former competitor. Both companies had similar size and significant market shares in the country, and in turn this major acquisition can be seen as involving significant resources and risk. Even though this study has only covered an acquisition case in one country, it is likely that information about the problem would have both theoretical and practical applications.
The problem introduced here can be of interest to various recipients including not only KPMG, but its competitors and other big companies which take interest in M&A. It may be a valuable insight in practical issues coupled with acquisitions, thus attracting universities and researchers as well.

1.4 Research question

This research aims at revealing culture and employee-related issues KPMG management faced during and after the acquisition of Andersen Vietnam was conducted. Thus the Research Question is formulated as follows:

“What did KPMG Vietnam do to integrate organizational culture and people of Andersen during and after its acquisition?”

Moreover, secondary important questions were also formulated. Although they do not directly connect with main research questions, we consider them to support analysis, thus significantly improve quality of the paper. Areas of interest are divided among:

- What are the cultural and organizational differences between KPMG and Andersen?
- How is KPMG Vietnam organized from Cultural and Human Resource Management perspectives?
CHAPTER 2: METHODOLOGY AND RESEARCH METHODS

The methodology part of this research will be majorly conducted accordingly to the book *Researching and Writing a Dissertation for Business Students* by Fisher (2007). Moreover, the book *Research Methods in Business Studies, a practical guide* by Ghauri and Grohaug (2005) and *Business Research: An informal Guide* by Farr and Timm (1994) will also be additional sources to make a more well-developed methodology part.

2.1 Research Approach

2.1.1 Methodological stance

In this paper we intend to assimilate findings in a way that would allow providing certain solutions for this particular case. The link may not be clear or direct one since the case evolves around complex phenomenon. Thus in this paper we will avoid making recommendations due to its validity and functionality.

The methodology stance used in this research is interpretive approach. Fisher (2007, p.47) pointed out interpretive researchers “see the link between understanding and action as an indirect one” since they are linked with each other through people’s thinking, values and relationships.

Interpretive research has been categorized as Gnostic, in which truth is subjective, hidden and gained through personal struggle (Fisher, 2007, p.16-21). It is often accompanied with processual perspective, where uncertainty and complexity is emphasized (ibid., p.49). Interpretive research gives a possible depiction of how the connection may work, whereas realist research verifies possible connections between variables (ibid, p.57).

Interview based on this approach begin with broad view about how the conversation may develop and encourage the interviewee to determine the direction that the interview flows (Fisher, 2007, p.62). This is again consistent with interview type (semi-structured) which was chosen for this paper as a key data gathering method.
2.1.2 Case description

A survey approach would be suitable in case the researcher’s aim is to “obtain a broad and representative overview of a situation” (Fisher, 2007, p.59). Meanwhile, an in-depth understanding of particular situations would be appropriately illustrated by case studies (ibid). A case study aims at illuminating a decision or set of decisions: why they were taken, how they were implemented and with what result (Yin, 2003, p.12). Nevertheless we will not conduct a typical case study but follow what is suggested in this method. Yet we were not able to provide a particular name for the method used in this study.

A research can be conducted by two sorts of research methods: qualitative method and quantitative method. The main difference between the two methods is not the quality but the procedure. Additionally, distinction is also reflected by different perspectives on knowledge and research objectives. Quantitative method emphasizes statistical testing and verification or quantification procedures; the focus here is made on facts or reasons for social events. On the other hand qualitative method focuses deeper on personal opinions while phenomena are often complex in their nature (Ghauri & Grohaug, 2005, p.109).

In this research, even though the quantitative research can be used to find out the relation between variables, the qualitative method will be utilized. If the research is conducted and structured as a case study, qualitative data can be analyzed by seeking for the similarities and differences in data (Ghauri & Grohaug, 2005). The conclusions will be given out on the basis of those similarities and differences.

The selection of qualitative method may stem from different reasons (Fisher, 2007, p.42). Firstly, it is a common approach in business studies when there are difficulties in measurement of statistical association between variables, which are used to analyze or investigate the problem. Secondly, it is applicable when data comes from different research methods i.e. direct, email or telephone interview, observation etc. Thirdly, qualitative case studies provide a broader and deeper understanding of processes that one variable causally linked to others. Fourthly, this research is limited due to employee resigning, causing quantitative method to be hardly feasible.

Case studies certainly lack of representativeness and it is a mistake to claim what happened in one case would represent all cases (Fisher, 2007, p.60). Thus in our research we will refrain from generalizing.
2.2 Data collection

This research is based on both primary and secondary data. Utilization of different research instruments, i.e. direct or email interviews in addition to standard documents and other secondary data will revalue our research and make it become more reliable and diversified.

2.2.1 Primary data

When secondary data are not able to assist us to answer the research question, not available or limited, we must depend primary data which are relevant to our study and research. The main advantage of primary data is its consistency with research questions and research objectives (Ghauri & Grohaug, 2005, p.102). However, this kind of data can be time and cost consuming to collect and difficult to access (ibid, p.103).

The heart of this research lies in carrying out and processing information gathered through interviews and questionnaires with employees related to both Andersen Vietnam and (later) KPMG Vietnam. Two interviews and one questionnaire were conducted, where the central topics was Andersen integration into KPMG Vietnam during the acquisition. Furthermore, a video interview with KPMG’s former chairman implemented by KPMG International, to which we approached, provided us as with several first-hand insights about the company in global scale: SWOT analysis, financial performance and post-Andersen’s bankruptcy issues.

2.2.2 Secondary data

Secondary data provides information that is useful to solve the research problem, understand and explain our research question in a better way. They include books, journal articles, webpages, catalogues etc. (Ghauri & Grohaug, 2005, p.91). The first main advantage of secondary data is its considerable time and money saving. Moreover, they can propose suitable methods to resolve a particular research problem (ibid, p.95). On the contrary, the disadvantage of secondary data is that they are collected from other researchers with different objectives, which may not absolutely fit our research problem (ibid, p.97)

Secondary data in this research consists of official KPMG documents retrieved from company’s webpage, or through direct request to the company. Third-party papers were already found in databases, but in limited number and usually with only little relevance for the topic. Most of the general
information is available through articles on non-academic web portals, however available in either English or Vietnamese. Many of them were already found and retrieved. When it, however, comes to financial details of acquisition, these data are not commonly published.

### 2.2.3 Data availability and delimitations

Most of the documents, as secondary data, are available for this research in either English or Vietnamese. Many of them were already found and retrieved. When it, however, comes to financial details of acquisition, these datas are not commonly published. In the case of primary data, proper employees to make interview with were identified, initially of a count of 3.

High staff turnover among ex-Andersen after the acquisition makes it more difficult to access the ‘right’ employees. Although these employees could provide very valuable information for our research problem, they are unable to be approached due to contact unavailability.

Moreover the acquisition took place in 2002, almost 7 years before. Documents older than 5 years are difficult to access and this has caused problems to access proper secondary data. Finally, primary data and some secondary data might be collected in Vietnamese; it is however an obstacle that can be avoided since one of the authors is a native speaker.

### 2.3 Interviews and Questionnaire

It is a critical point in this research to contact ex-Andersen staffs who are either currently working for KPMG Vietnam or left it after certain time after focal acquisition. Depending on respondents’ preferences, email or phone interview would be conducted. Most of these staffs are currently managers, senior managers or directors - we believe them to have proper knowledge about the acquisition and its relating issues (as ex-Andersen employees). Moreover KPMG’s global operations knowledge should be provided as well since they attended trainings concerning global management. To improve quality of this thesis, personal opinions about the acquisition will be obtained from regular employees as well since they could be the most influenced sources of sensitive or critical information.

This research method is used here due to its ability to combine survey or observation, which more enrich and deepen the data than one can produce separately (Farr & Timm, 1994, p.73). This would allow gathering complex data which otherwise could be difficult to grasp, and concentrate on interesting topics which arose during interviews and wouldn’t be spotted. Besides, interview enables acquisition of
subject’s both verbal and nonverbal responses (ibid). Although nonverbal behavior would be problematic to perfectly utilize, it might give a clue of sensitive or less interesting topics.

Interviews can be conducted in few ways; on two extremes there are open or pre-coded interviews (Fisher, 2007). In the former topics flow without much obstacles, while in the latter one the interviewer reads from a prepared script and not to deviate from that. In this research semi-structured interview method is chosen, i.e. in general a compromise between those extremes. Decision to pick this method was made due to certain factors; on one hand much research was already conducted and we have precise expectations. On the other we believe respondents might bring up valuable insights if they are not constrained to particular questions and encourage free flow of information.

Respondents

We have initially identified three suitable respondents for our research problem, two of whom are now currently working for KPMG whereas one left the company after 5 years working. All of the respondents were former Andersen staff and transferred to KPMG after the acquisition. The respondents were intentionally chosen based on assessment of his potential knowledge of focal acquisition, job specification, experience and contact availability.

Mr. Phan Thanh Binh, Senior Manager of Financial Advisory Service (FAS) Department of KPMG Vietnam.

Before transferring to work as Senior Manager of FAS Department in 2007, he had worked for KPMG Vietnam’s auditing department from 2002 (after the acquisition of Andersen) to 2007. Before 2002, Mr. Phan had worked for Andersen Vietnam for 5 years as an audit supervisor. He is now responsible for managing major of FAS contracts, leading the whole FAS team which engages in buying and selling businesses, investigating fraud, advising restructuring, raising capital, seeking business opportunities for clients etc. Mr. Phan is believed to be the suitable for our investigation due to different reasons. Firstly, he used to work for Andersen for quite a long time and later on for KPMG until now. Secondly, he is in the KPMG’s management team so he has a wide knowledge about KPMG Vietnam’s management issues, especially issues related to the acquisition.

Mr. Le Duc Phong, Senior manager of Audit Department of KPMG Vietnam.
Mr. Le used to work for Andersen for a period of time and he has also been working for KPMG Vietnam for more than 7 years and now is one member in top management of the company. He still had significant involvement in KPMG’s management issue. Mr. Le was chosen since he used to work for both companies. He is believed to provide insightful information as well as his own sense about positive and negative aspects, which KPMG Vietnam performed, relating to acquisition integration.

Ms. Ngo Thi Hong Khanh, Internal Auditing Manager in Asia Region of Coca Cola.

Ms Ngo used to work for Andersen Vietnam for 4 years, since 1998. After the acquisition in 2002, she worked for KPMG for 5 years (from 2002 to 2007). After resigning from KPMG in 2007, she has been working as Deputy Manager of FPT Group, Ho Chi Minh Branch and now Internal Auditing Manager in Asia Region of Coca Cola. Ms Ngo was intentionally chosen since she had worked for both Andersen and KPMG. Besides, she resigned from KPMG probably due to some management issues of KPMG with ex-Andersen staff. This might provide our research some good insights about issues relating two companies’ compatibility after the acquisition.

2.4 Data analysis

Since we have chosen to work on Vietnamese market and only one group member was able to have a first, “pure” and direct contact with either interviewees or documents written in his mother language (Vietnamese), it raised obstacles for the other member. Moreover, interpretive approach was chosen, but again the other group member wasn’t given the possibility to have insights in “pure”, first hand information. It is often said that only 40% of meaning is expressed by words. Then again, due to different cultures and languages used by group members (Vietnamese vs. Polish) the process was slower and possibly less accurate.

Nevertheless, this obstacle has enforced on us greater mobilization in data analysis. Firstly, since interviews and questionnaires were dealt with by one person, the other one had to provide descriptive insights into what is expected to get from interviewees. Secondly, the data had to be translated and explained to the other member and eventually discussed during many occasions. Eventually we have not perceived many inconsistencies among our interpretations of phenomena.

After the dissertation was accomplished, we are not able to tell whether this condition has improved the quality of our paper or only prolonged the time on common discussions on theory, findings and analysis.
CHAPTER 3: THEORETICAL BACKGROUND

The purpose of this chapter is to describe theoretical foundation as well as develop conceptual framework, which will facilitate reasoning in the following Analysis chapter. Although empirical case illustrated in the next chapter is concerned about acquisition, in mainstream research the notions of mergers and acquisitions are often bonded. While those phenomena can be said to be different transactions, at least in legal terms, they often accompany similar problems and tools as solution to this problems. Thus there will be no clear distinction for these notions, altering the key notion of this paper simply to Mergers and Acquisitions (abbr. M&A).

3.1 Culture

Although culture is a comprehensible notion and most of us have its own version, it cannot be easily articulated in plain language or among researchers. Olie (1995, p.128) argues he has found 164 definitions of this word. One is certain – culture is complex, and simple “How things are done around here” (Cartwright, 1998) is too superficial in this case. Cartwright (ibid) distinguished between two divergent approaches towards defining culture – pragmatic and purist. The former one basically describes culture as something nation or organization ‘has’. The latter one suggests culture is socially constructed and dynamic in its nature. These two approaches impinge on the models and tools that refer to culture, and as a result may have different solutions and outcomes. In this dissertation the former approach is applied.

Hofstede (1980) in his extensive study described culture as the “collective programming of the mind that distinguishes the members of one group or category of people from another”. An attempt was made to categorize cultures using four variables: individualism, power distance, uncertainty avoidance, and masculinity. As a result of this study, much criticism was pointed at this research (e.g. d'Iribarne, 1996). Nevertheless it is considered one of the biggest and most influential studies made. Other pragmatic definitions include “shared values and basic assumptions” (Schein, 1992), believes (Nahavandi & Malekzadeh, 1988) or even “just another management variable” (Gertsen et al, 1998). Bolman and Deal (2003, p.243) suggests then “[c]ulture is the glue that holds an organization together and unites people around shared values and beliefs”.

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An example of purist definition on the other hand was introduced by Kleppesto (translated by Gertsen et al, 1998) as “the constantly ongoing attempt of the collective to define itself and its situation”. This is a process view opposed to pragmatic, static perception of culture. One has to be as well aware of culture division to national and organizational to fully grasp underlying notions and analysis.

### 3.2 The Foundation

Bolman and Deal (2003) focus on management and leadership issues of a firm. It could be one typical management book among many others; however it provides in a pretty comprehensive manner different perspectives on a company and its culture together with surrounding issues. Authors, reaching to social, behavioral and psychology sciences, have developed four frames in order to “sort through multiple voices competing for managers’ attention” (ibid., p.12). As a result it is possible to look at an organization through Structural, Human Resource, Political, or Symbolic frame. In this manner they claim the same situation is possible to be perceived in four ways. When combined, they would enhance effectiveness. Authors motivate it by recalling Galileo success – every lens contributed to more accurate illustration. Managers might benefit from similar strategy – having few perspectives on same situation although generate complexity, improves understanding in the end. Although this literature does not explicitly deals with the issue of this research – Mergers and Acquisitions, it does it indirectly through giving mentioned perspectives. Moreover it often relates to such notions as change and integration, which are immanently linked with M&As.

Bolman and Deal (2003) suggest that applying any of them would obviously give a different perspective and possible set of solutions to a management. Thus, authors compiled simple tool to determine which ones would be preferable in particular circumstances. Among the assisting questions (ibid, p.310) one was especially relevant to integration:

> “Are individual commitment and motivation essential to success?”

Authors in relation to this question state: “the Human Resource and Symbolic frames need to be considered whenever issues of individual commitment, energy, and skill are the key to effective implementation” (Bolman & Deal, 2003, p.310).

Moreover, when authors come to “Change” motive, the four frames are discussed in relation to this motive. Symbolic frame is viewed as suitable when there is a risk of “loss of meaning and purpose,
clinging to the past”, whereas in the Human Resource frame “anxiety, uncertainty; people feel incompetent and needy” (Bolman & Deal, 2003, p.372). The resulting strategies underpinned to these two frames are to “create transition rituals; mourn the past, celebrate the future” and to train to develop new skills, involve employees in many events and support them psychologically (ibid).

As we appreciate insights given by every of the four frames and decide to utilize each, there will be however given more interest to the above ones. Thus within this research, Human Resources frame and Symbolic frame will be regarded as main ones. Structural and Political frames in turn would provide additional insights for this research and these two frames together with the former ones will be solid ground for organization and cultural integration during M&As.

### 3.2.1 Structural frame

A major contention mentioned in structural frame is about the hierarchical structure of an organization. However, this research is only concerned about work division, coordination and how to organize and build dynamic working teams. Bolman and Deal (2003) defined the structure frame as “one of the oldest and most widely used ways of thinking about organizations”. The basic assumptions of structural view emphasize on dividing work and coordinating it (ibid., p.42). One of structural aims is to achieve a pattern of roles and relationships (ibid., p.45).

There are many different options in grouping people into working units: teams based on knowledge or skills, time, product, clients or customers, place or geography, process. Apart from dividing work, coordination is one another important issue. Different organizations employ various methods to coordinate individual and team but two main methods were discussed by Bolman and Deal (2003): vertical coordination and lateral coordination. With vertical coordination, higher levels coordinate and manage subordinates through authority, rules and policies, planning and control system. On the other hand, in lateral coordination and control is implemented through meetings, task forces, roles coordination, matrix structure and network organizations (ibid, p.49–50).

According to Dr. Peter Minich (cited in Bolman & Deal, 2003, p.94), “the more often team members work together, the greater the chance for a successful outcome”. Therefore it is critical to build a cohesive team. However, an essential element of a top-performing team is building an “effective pattern of roles and relationships focused on attaining common goals” (ibid, p.95).
In this research concerns are around differences in coordinating employee tasks. Team working is one example where particular actions are performs to optimize the efficiency and coordination among members, in our case of two organizations. Moreover, in our opinion both vertical and lateral coordination may facilitate integration processes if properly planned and applied.

3.2.2 Human Resource Frame

Human resource plays a crucial role for the growth and success of an organization. The way to build a strong human resource foundation, tailor and improve it, is an important factor to have a cohesive and dynamic organization where employees are the key assets (Bolman & Deal, 2003).

In the competitive business environment nowadays, a company becomes prosper when it has more talented, motivated and loyal employees than its competitors. The more productive and innovative its employees are, the better customer service it can provide (Bolman & Deal, 2003, p.135). Therefore, an organization has to well balance individual and organizational needs in creative ways. Human resource frame views the workforce as an investment rather than a cost (ibid., p.129).

When the organization and employees are not fit well, individual may feel oppressed or organization’s performance may worsen because employees poorly perform or even do things against organization’s goals. Contrarily, a good fit between two sides benefits both: individuals feel satisfied with their work whereas organizations can get talents and proper resources to energize themselves to success.

To build a strong-based human resource philosophy, firstly organizations should establish and develop a public statement of human resource philosophy (Bolman & Deal, 2003, p.135). In addition, strong companies clearly understand sorts of people that they need, be selective and hiring the right people is a next step to intensify the organization (ibid., p.137). Keeping employees by rewarding well, protecting jobs, launching appropriate promotion scheme also assures sustainable development for organizations (ibid., p.137–141)

From employee perspective, reward and evaluation system is considered as one of the most important elements constituting organizational form (Galbraith, 1977; Kerr, 1982; Murthy and Salter, 1973). Concern for this organizational facet is a crucial part for integration success after the acquisition. Basing on the market or industry nature and the strategies the firm selects to adopt, such systems vary considerably across organizations (Buckley and Ghauri, 2002, p.373). Variations in reward and
evaluation systems consists of many factors relating to evaluation criteria, including time period the process is focused, indices and performance indicator used to measure performance.

The bonus and incentive systems may be significantly different across firms. Managers who are familiar with highly leveraged performance bonus may hardly adjust to a more bureaucratic mode (Hayes, 1979). Reward and evaluation systems represent an important mean to fortify organizational culture (Kerr and Slocum, 1987), changes to the existing system after an acquisition can be inferred to strong reactions.

As product, market, organization world become more complicated, people’s skills and knowledge are getting increasingly valuable. Human resource oriented organizations realize the importance of investing in employees and empowering them as a way to optimize this resource. Investing in employees can be exercised by training on job and in class. Empowering employees is not only to make information available but also to “encourage autonomy and participation, redesigning work, fostering teams, promoting egalitarianism and giving meaning work” (Bolman & Deal, 2003, p.142-143). Besides, a good working environment is where diversity is promoted, every individual and groups are well and equally treated – no matter what their positions, gender, nationalities etc (ibid, p.153).

3.2.3 Political frame

This frame deals with coalitions and conflicts in a firm. This perception is based on behavioural theories. The expectation of unitary body of a company is erroneous (Bolman & Deal, 2003). Since there are various interests among members of an organization, groups are likely to be created when interests partly overlap (ibid.). People compete for different reasons; in a firm power and control revolves around scarce resources. As long as there are different concerns, conflicts will be sustained even though people ‘come and go’ (ibid.).

The power over resources can be set between two extremes: overbounded and underbounded systems (Bolman & Deal, 2003). The former exist when there is high concentration of power and tight regulations employed. The latter one is about power diffuse and loose control. It was argued by the authors that “classic pattern of revolutions is when a period of rising expectations is followed by widespread disappointment” (ibid. p.226). Thus overbounded systems may easily lose its control over “mad crowd”.

It was argued by Bolman and Deal (2003) that coalitions are made up in order to bargain for different resources. Goals that emerge out of the process do not have to be necessarily valuable for every
organizational member. Moreover, organizations are designed in a manner, where decision or negotiation outcomes cannot be always viewed as a “rational expression of an organization’s goals” but instead like a “political embodiment of contending claims” (ibid., p.225). Coalitions can be more powerful and successful if they comprise authorities that are as credible and competently (ibid.). It is argued that people rarely conform and do their best only because they were told to ‘do so’ and therefore need such authorities, who will lead wisely and competently (ibid.). Vaara (2000) while conducting a research in M&A field has come to interesting finding as well. Representatives due to their superior knowledge of specific cultures, were provided significant power in internal debates.

### 3.2.4 Symbolic Frame

This dimension is based on perception of reality by various people involved in organization. It focuses on “issues of meaning and faith” (Bolman & Deal, 2003, p.19). Authors claim the power of symbols is greater than that of words while “images or associations come to mind when you think about words” (ibid). The frame derives from social and cultural anthropology, comparing organizations to entities bonded in social networks. Here, rationality of a unit is questioned; it would be irrational though to claim humans make decisions solely on sober reasoning while successfully excluding emotions. It was moreover tested by Vaara (2000, p.105) in his research. He suggests that negative emotions would usually lead to alienation while the opposite was proven as well, i.e. positive emotions tend to attach cultures.

This frame focuses on “how humans make sense of the messy, ambiguous world in which they live” (Bolman & Deal, 2003, p.240). Importance is switched from plain perception of ‘what happened’ to ‘what is meant by that’. Over time, similar accounts of events and values underneath them are expected to form what is expressed by ‘collective understanding’ – national or organizational culture dependently on borderlines. Cox (1969, p.13) argues symbols play important information medium in everyday life: “Our links to yesterday and tomorrow depend also on the aesthetic, emotional, and symbolic aspects of human life—on saga, play, and celebration”. There are different symbols distinguished in the frame; they are said to have distinctive roles and effects for an organization (Bolman & Deal, 2003, p. 239-299).

Symbols, which are expected to provide a sense and purpose in an organization, are distinguished among Myth, Vision, and Values. The former often originates from firm’s establishment and supports its distinctiveness. Vision is centered on ideology, encompassing purpose and future plans. Values are the
intangible qualities of an organization, “worthy of esteem or commitment for their own sake” (Bolman & Deal, 2003, p. 252). However, values that are converted into various organizational papers like Mission Statements often lose its original meaning and goal (ibid). Therefore it is important for an organization to convey the message in a visible way, e.g. through everyday operations and decisions that are made.

Heroes or Stories are interrelated in a sense that people often have them in mind during tough times. The former is a living example of behavior to others; is the hope in difficult times. These people can be either leaders (often CEOs) or “ordinary people doing extraordinary things” (Bolman & Deal, 2003, p. 254). They can be called on “in times of uncertainty and stress” (ibid, p. 256). However there is a dark side as well; Roush (1999, p. 139) suggests “If you are a selfish son-of-a-bitch, well that usually comes across fairly well (...) [a]nd it comes across no matter how many memos you send out [stating otherwise]”. Thus, leaders might have great responsibility for company since big expectations are attributed to them. Stories on the other hand may deal with organization, including heroes, or any tale. Their purpose is to instill direction, and hope, or externalize inner conflicts and tensions. Moreover they may be convincible medium for information, morals, values (Mitroff & Kilmann, 1975). Essentially, policy manuals can be intimidating, while “morals in stories are invariably inviting, fun and inspiring” and provide a method to pass traditions or simply make sales (Armstrong, 1992, p. 6). Nevertheless stories can “communicate the success of a good program, or obscure the failure of a bad one” (Bolman & Deal, 2003, p. 256) being a double-edged weapon.

Events, that have might have a profound impact on employees’ behavior, are divided by Bolman and Deal (2003) among rituals and ceremonies, which have symbolic values. The difference between those two can be said that the former ones are more frequent, but have less importance. These events provide order and meaning and develop social bonds. Society has often negative attitude towards newcomers; especially when culture is considered “strong” there could be very visible message “you are different and not yet one of us” (ibid). Thus Bolman and Deal (ibid, p. 260) state “[r]ituals of initiation induct newcomers into communal membership”, Ritti and Funkhouser (1982, p. 3) agrees as well – “[t]here must be an accompanying trial and appropriate ritual to mark the event”. Initiation can be perceived negatively from newcomer’s side as well; he might ask himself if it is worth sacrificing own values and if he can tolerate practices in the new environment.
*Metaphor, humor, and* play are the last symbols presented. They loosen things up or provide alternative methods to deal with issues; they “make the strange familiar” (Bolman & Deal, 2003). Humor and play integrate and contribute to flexibility and adaptiveness (ibid).

Although categories of symbols presented above are in general handful for an organization, there are some of greater importances than others, when dealing with acquisition matters. As for reasons included in above symbols’ destinations, Rituals & Ceremonies together with Heroes constitute the most important set regarding acquisition matter. Vision, Values and Humor still play significant role; the rest is considered as least important in this case. This classification was made for specific reason – simplicity, which is one of the qualities of a model or tool that enables easier reasoning in complex phenomena.

Change implied by M&A processes entails conflicts between parties. These can be resolved by framing issues, build partnerships and establish environment where discrepancies can be worked on (Bolman & Deal, 2003). Kotter and Cohen (2002) conclude change initiatives fall short due to its heavy reliance on traditional tools such as “data gathering, analysis, report writing, and presentations” while more informal but creative approach utilizing “feelings that motivate useful action” are brushed aside.

### 3.3 Three Phases of Acquisition

There are many different perspectives or models from various researchers relating to integration processes. Researches are not consistent on the number of stages in particular. Barrett (1973) for example argued that the transition is managed in the early months while others claimed it can take a whole year or more. Cartwright and Cooper (1996) proposed a comprehensive model where three stages of an acquisition are distinguished:

**The first phase** to make a successful acquisition is the implementing of the acquisition announcement. “Acquisition announcement” represents the decease of an organization and its staff knew it and prepared to change. The best way to announce this kind of shocking information is face-to-face communication. By this mean, employees have the opportunity to ask questions to get knowledge about future agendas of acquirer which may not be revealed in formal communication patterns. Besides, choosing representing personnel with strong presentation, leadership and charismatic qualities is also crucial to the success of the acquisition (Cartwright & Cooper, 1996).
The second phase is “making the marriage work”. In the early weeks, an important task is touring the organization and talking with managers and employees informally with managers and employees at all levels. Keeping high visibility is an effective way to maintain the change momentum (Cartwright & Cooper, 1996, p.127). Establishment of focus groups or inter-organization team-building initiatives is necessary to understand acquired organization employees’ concerns and expectations (ibid, p.128-129). In addition, conducting a formal employee survey by questionnaire or similar methods to assess their current attitudes is really advantageous. The questionnaires may concern issues such as stress or job satisfaction and provide ongoing feedback (ibid, p.130).

Then the process of assessing employee competencies and culture fit is usually exercised in some early weeks after the acquisition. Introducing more formal objective system i.e. a merger appraisal system makes employees feel fairer (Cartwright & Cooper, 1996, p.136-137).

Dealing with other aspects and employees concern i.e. pay, pension arrangements and other employee benefits. Furthermore, introduction of new systems and procedures and job security are other concerns. “Loyalty bonus” is granted to employees who stay with the new organization for the first six months. It enhance the feeling of security and commitment during six-month socialization process (Cartwright & Cooper, 1996, p.138-139)

The third phase is “monitoring the success of the marriage”. Post acquisition stabilization can take several years depending on the size of the organization.

Mergers and acquisitions lead to job losses and redeployment (Cartwright & Cooper, 1996, p.45). Organizations often decide to replace people to speed up the process of culture change. Senior managers of acquired company often bear the most delicate position and are easy to be removed from the beginning. Acquisitions are often caused to high levels of voluntary resignations (ibid). Unplanned personnel losses occurred at all different levels with extraordinary high rate amongst blue collar and shopfloor workers (Cartwright & Cooper, 1996, p.47).

✔ Continue to keep in touch: remain in contact with the rest of workforce, especially its middle managers. Integration can also be monitored by using questionnaires or regular meetings throughout the organization (Cartwright & Cooper, 1996, p.145).
✓ Recognizing the warning signs: “lowered productivity, high rates of labor turnover, sickness and absenteeism” may be the most common signs. Those may indicate low “morale, commitment, motivation and job satisfaction” (Cartwright & Cooper, 1996, p.147-148)

✓ Dealing with employee stress: some methods to address stress issues are “to provide stress or career advisors, introduce stress management training programmes, use attitude surveys and stress audits to monitor this issue throughout the whole organization (Cartwright & Cooper, 1996, p.149 - 152).

3.3.1 The first Phase - Determining success of Mergers and Acquisitions

Following section describes a set of tools assisting in initial assessment (pre-acquisition/negotiation period) of cultural and organizational fit of two companies.

Key variables

Empirical research conducted in last 10 years suggests that cross border acquisitions are typically less successful than domestic ones (Angwin and Savill, 1997; KPMG, 1999; Moeller and Schlingemann, 2005). Rottig (2007) argues however the empirical testing was rather inconclusive since the tested hypothesis was concerned about relationship between cultural distance and acquisition performance. The latter author identified numbers of researches conducted on this matter; a number of them revealed negative relationship of cultural distance while some others – positive one. Moreover, there were some where no was impact was revealed, or this relationship was one of the least significant among other tested ones.

Larsson and Risberg’s (1998) study provides a different perspective on this matter. They propose that parties involved in international transactions may be more aware of the fact these cultural differences exist. On the contrary, domestic investors may be falsely convinced the corporate cultures of two firms are similar since both companies exist in same society (nation), therefore generating unexpected (negative) outcomes. Their models are presented and discussed in APPENDIX C. Vaara (2000, p.105) claims organizations, i.e. managers, often attribute cultural differences as a convenient reason for a failure. Contrarily, successes are explained by other factors, such as the management’s actions.

Kleppesto (translated by Gertson et al., 1998) argues cultural distance does not have strong effect as it is often attributed to. Together with other researchers, he claims one of the most important factors is developed communication. This simple, yet universal tool should improve resolving arising cultural
problems. Based on analysis of 50 case studies Larsson and Lubatkin (2001, p.1594) conclude that one thing matters the most: employee involvement in socializing activities such as “introduction programs, training, cross visits, joining retreats, celebrations” and other socialization rituals. These activities were especially presented and emphasized by Bolman and Deal (2003) in their Symbolic frame. As long as autonomy is not roughly restricted, employees are expected to create a joint organizational culture on their own will. Larsson and Lubatkin (2001, p.1594) provide solutions if autonomy may be restricted – simply additional social control mechanisms such as “transition teams, senior management involvement and temporary rotation” are required.

One another key variable which assists in pre-determining the success of acquisition was the correlation of the acquirer and acquired company and marketing competency of the acquiring company (Buckley and Ghauri, 2002, p.12). However, as it was emphasized before in this paper, critical to the success of acquisition deals is the management’s ability to integrate the combining firms, and possibly generate synergy values (Schweiger and Goulet, 2000, p. 61). Literature on integration problems recognize that combining assets and people during M&A may be implemented in different ways and each type has different organizational challenges relating to it (ibid, p. 63).

Strategic fit and organizational fit are considered to be important determinants of any acquisition’s outcome. Strategic fit involves shared business strategies and goals. An essential element of “organizational fit” in acquisitions is the degree of compatibility of the acquiring and acquired firm’s management styles (Datta, 2002, p.372). Management style has been depicted as an element of culture of an organization and consists of many different factors. Datta (ibid.) argues among managers those consist of “attitude towards risk, their decision-making approach and preferred control and communication patterns”, which considerably different across firms. Level of “flexibility” in structure management in same firm may vary as well - one group may be inclined to take loosen or introduce informal control while others may emphasize the importance of formalized or tight operating control (ibid, p. 372). As Mintzberg (1973) points out, some management groups may rely on common sense or ‘gut’ feelings, whereas others base on formalized market research, strategic planning systems and a variety of rational techniques.
Cultural Fit

There has been certain amount of models predicting or assessing possible acquisitions. Their aim was to initially determine risk or success chances of investment. The model below is derives from the mentioned research made by Larsson and Risberg (1998). It deals with two notions: ambiguity and uncertainty, which however have similar meanings, but they exist from different reasons. The latter one is present when information flows between two parties are constrained but can be exercised to decrease uncertainty. The former one is related to information inconsistency in its meaning among cultures and communication may not be always sufficient to achieve certainty.

Figure 1: Proposed Outcomes of Different Levels of Cultural Awareness and Communications in M&A

Source: Larsson & Risberg (1998, p. 51)

Forsgren (1989) argues prior experience in a country is a vital factor for decisions regarding target company. Moreover, national cultures, similar on the surface, may to a great extend cause difficulties, which could be avoided if more information would be gathered. Even though it is observed for organizations to become similar, e.g. due to globalization, it affects companies mostly on macro level – organizational structure, technology etc (Larsson & Risberg, 1998, p. 44). On the micro level however they protect their culture and behavior. Thus previous experience of market on macro level is said to provide more gains than locating targets with potentially similar cultures (ibid, p. 43).

The next model confronts strategic importance of M&As with cultural difference of potential target company. This tool aims at assessing the risk of transaction. Since one of the variables is positive and the other negative, there is however no universal “neutral line” such represented by ‘low - high’ diagonal. Risk has to be assessed for exact conditions company is facing and shouldn’t be generalized. Fortsmann
(1998, p.77) states it is important to determine whether the two parties “possess the ability to manage around the cultural differences” since its lack may seriously enhance the risk of failure. On this basis various fields in the matrix (e.g. those marked as A, B and C) can be assigned risk levels, which for this model comprise of ‘acceptable’, ‘manageable’ and ‘unacceptable’. Yet, allocation of risk to these fields should be confronted with company’s preferred “culture-transfer strategy” (ibid, p. 73-78). In general, companies culturally strongly unified would assign more risk than those accepting diversity, e.g. through allowing local adjustments to national culture. Lastly, this model does not explicitly lead to choosing the best ‘fit’ for the two cultures even though its authors recognize the need to provide it within the model.

**Figure 2: Cultural Fit Analysis: Evaluation of Cultural Differences**

![Cultural Fit Analysis: Evaluation of Cultural Differences](source: Fortsmann (1998, p. 77))

The last two models brought up in this section present acquiring and acquired company’s attitude towards culture adaptation process. It can be perceived as a supplementary model to the previously described one. There are a total of 4 questions (two each for both parties) needed to be answered in order to assess propensity of culture fit/misfit. Although explanation of the system may be considered needless, meanings of the underlying notions inside the matrixes deserve clarification.
Nahavandi and Malekzadeh (1988) provide a short description of what is meant by each notion. Integration stands for the case, when one party wishes to preserve its identity, but is fitted in the other culture environment. Assimilation assumes one group will have to sacrifice its past and conforms completely to the new culture. Separation defines itself as a type where cooperation is used to express ‘mind its own business’, literally. Lastly, deculturation is a phenomenon, where a group rejects both its past and the dominant’s group culture. It is needless to say that when the two underlying models provide different outcomes, a conflict between companies may arise.

3.3.2 The Second Phase - Post-acquisition integration

Cartwright and Cooper (1996, p.36) argue successful integration requires understanding “the possible influence of the acquisitions on people involved”. Although creating a relationship between two parties’ managements is an important issue, integration should not be disregarded as not relevant and therefore
not implemented on lower management levels or junior staff (ibid). A major rationale why many acquisitions fail stems from disregarding the influence of acquired organization culture and its possible advantages over own culture (ibid, p. 43).

**Five C’s Model**

Rottig (2007) has developed a model, which aim is to foster acquisition performance. Although its primary type is international transaction, it applies to domestic ones as well since the author highlights many distinctions throughout the framework. The model comprises four key determinants of acquisition performance: **Cultural Due Diligence**, **Cross-Cultural Communication**, **Connection**, and **Control**. The last ‘C’ is the combination of former four C’s. Rottig (ibid) claims companies should benefit the most from applying this particular combination of tools.

**Figure 5: The Five-C’s Framework**

![](image)

*Source: Rottig (2007, p. 99)*

**The first variable** refers to assessment of compatibility in cultures. However, it does not necessarily indicate their likeness, but rather if they have propensity to be matched. Rottig (2007) emphasizes the need to analyze and understand its own organizational cultures preceding potential acquisition. Firm will benefit from developing its own comprehensive profile and decrease the risk of being inaccurate while making comparison with its potential partner. This variable can be bonded with a notion introduced by Berry (1980) – acculturation. It is defined as “the outcome of a cooperative process whereby the beliefs,
assumptions and values of two previously independent work forces form a jointly determined culture” (modified to fit acquisition context, by Larsson and Lubatkin, 2001, p. 1574). Acculturation was as well implemented in a model given in previous section, introduced by Nahavandi and Malekzadeh (1988); comprising four solutions: Integration, Assimilation, Separation, and Dec culturation. Rottig (2007) refers to several studies, one of which is made by KPMG (1999), where firms culturally aware and/or different were performing significantly better that those who were not.

The second variable stresses importance of communication between two firms (Rottig, 2007). Effective communication promotes exchange of sensitive issues and concerns. Larsson and Risberg (1998, p. 44) observes much of M&A literature emphasizes communication as important factor for decreasing employee resistance in domestic combinations. In international ones the role of communication grows to the key variable which directly affects success of integration (ibid). An example of Mitsubishi-Tokyo Bank merger is provided (Rottig, 2007, p. 105), which illustrate how easily communication can be hindered in a very ridiculous and absurd manner. Lack of communication may result in uncertainties, fears, and rumors, especially about layoffs among employees. Effective two-way communication may as well stop key managers and employees from “voluntary turnover” (ibid). This phenomenon often occurs together with irrational fear of dismissal (Krug and Hegarty, 1997). In the same study made by KPMG (1999), within the first year after acquisition 50% of managers was categorized under the “voluntarily turnover” label, which should trigger concerns for acquiring companies.

The third variable, Connection, takes into consideration structural and relational ties between the companies. Rottig (2007) argues that “formal organizational structure, however, merely represents the opportunity for the involved workforces to connect with each other” therefore stressing the importance of the latter ties. It has been widely acknowledged that relational ties facilitate the development of common culture through “shared values”, “norms of reciprocity”, “trust”, and “collective identification” (Bourdieu, 1986; Coleman, 1990; Fukuyama, 1995; Putnam, 1995).

The fourth variable, Control, refers rather to problems that it constitutes than to positive effects it realizes. Rottig (2007) highlights a significant problem that was being observed in a number of acquisitions, especially international. It is often the lack of control and its manifestation; it is very much connected to firm’s employee expectations when the acquiring company manifests its friendly intentions. Often it is faultily called a merger while it is legally not. As a result, confusion can be created, commitment and cooperation lowered. The process moreover may provoke employees to demand
integrity from the authority. When it certainly won’t happen, this may “jeopardize the authority of the acquirer (...) [decrease] control over the post-acquisition integration, and complicate the cultural combination process” (ibid, p.110).

Ouchi (1979, p. 838) suggested a type of control, derived from clan control, which “relies for its control upon a deep level of common agreement between members on what constitutes proper behavior”. Similarly, Rottig (2007, p.111-112) suggests a “task force” which is defined as “specialized, cross-functional team (...) from both organizations”. It would be able to manage issues related to acquisition issues by themselves. Another application of such a task force would be to form regular teams, whose purpose is to focus on tasks rather than be distracted each other differences. It would be feasible since the team would be given very little time to accomplish their job (ibid). Larsson and Lubatkin (2001) propose similar type of control. These authors have found that successful integration can be a result of social controls rather than strict procedures. Social controls are defined as “the amount of coordination and socialization efforts undertaken by a foreign acquirer” (ibid.).
CHAPTER 4: CONCEPTUAL FRAMEWORK

This paper provides a conceptual framework, which revolves around the core of our research, i.e. Andersen acquisition. There are two sets of variables: four different lens (perspectives) of an organization: structural, human resource, political, and symbolic lenses. These are expected to bring in different insights on how the acquisition process took place, particularly distinguished to three phases. The aim of this framework is to look from different perspectives on complexity hidden behind acquisition.

Figure 6: Conceptual framework
The four lenses presented on the top of the framework are directly related and similarly named as four frames introduced by Bolman and Deal (2003). Each of them is more or less, directly or indirectly related to change phenomenon, in this case linked to acquisition. The first variable, **Structural lens**, refers to the capability an organization allocates and coordinates work and working teams. Acquiring and acquired companies have different ways to coordinate their individual and working teams. Understanding how to build and coordinate an effective pattern of roles and relationships between two organizations is prerequisite for top-performing teams.

The second variable, **Human Resource lens**, concerns human factor to play the vital role for the success of an organization. In order to be prospering better than competitors, an organization has to view its workforce as an investment. This can be performed from inception by a selective recruitment procedure to keeping and training employees by different tools.

The third variable, **Political lens**, evolves around coalitions and conflicts in an organization. Various groups form them due to different interest and power inequality in a firm. It was mentioned before that organization should be viewed as embodiment of rivalry among those in position and power to make decisions and affect every member in turn. We believe this variable can explain various behaviour and decisions which could not be accurately evaluated using rational behaviour type tools.

The last, fourth **Symbolic lens**, presents a social perspective on organizational processes. This variable includes various factors affecting social disposition of employees, e.g. ceremonies, humoristic communication. Moreover, through this lens it is possible to evaluate whether vision and values implemented in the organization enhance employees sense of identity or its loss.

The second part of this framework consists of mentioned three phases. Those are based on Cartwright and Cooper’s model (1996) described in previous chapter. The 1\textsuperscript{st}, **Negotiation phase**, includes the announcement of the acquisition, the acquirer has kind of informal meeting to answer acquired company employees’ concerns, future agendas. Choosing proper messengers to convey acquirer’s culture effectively is also an important step to have to good departure for acquisition.

The 2\textsuperscript{nd}, **Integration phase**, involves in establishing focus groups or inter-organizational team building to concern acquired organization staff’s problems and desires. Using different means (e.g. questionnaires, informal talks), introducing more objective merger system and securing jobs are other useful tools for integration process.
The 3\textsuperscript{rd} variable, \textbf{Monitoring phase}, includes monitoring the progress of integration process in longer term. The acquirer remains in touch with the rest of acquired company’s workforce by continuing using questionnaires or liaison meetings. Recognizing warning sign (e.g. sickness, absenteeism, lowered working efficiency etc), supporting them to deal with pressure or stress are particular actions which can be taken into considerations in long-term.

\textbf{Delimitations of model:}

This model does not include other variables that are often the most important ones for shareholders – those connected to profits, new customers, knowledge etc. Moreover secondary important variables, to which question were formulated in research questions section, are included in the empirical case section, but do not significantly improve the quality of the paper (answer research question) are excluded from the model.
CHAPTER 5: EMPIRICAL FINDINGS

5.1 The Acquisition – legal transaction

5.1.1 The context of Andersen and Enron

The bankruptcy of Enron Corporation in December 2001 was the largest and most complex bankruptcy case in US history. Enron was an American energy company and one of the world’s leading in the industry. It had been voted as the most innovative of Fortune’s “most Admired Companies” for six consecutive years from 1996 to 2001 before its bankruptcy (Bolman & Deal, 2003). In October 2001, Enron was discovered to overstate their profit of $1.2 billion more than its real profit made, its stock precipitously fell down from 90$ to small pennies (Haberly, 2002). This accounting fraud made Enron become a popular symbol of corporate fraud and corruption. Enron’s bankruptcy consequently cause the collapse of Arthur Andersen – Enron’s auditing and advisory firm when it was also found guilty of criminal charges relating to fraud handling of auditing Enron. Before year 2002, Andersen with its revenue of $9.3 billion (in 2001) was one of the “Big Five” accounting, auditing and consulting firms together with PricewaterhouseCoopers, KPMG, Ernst & Young and Deloitte Touche Tohmatsu (Eichenwald, 2002). The collapse of Andersen as one of five accounting giants, has strongly affected the whole industry. Andersen’s bankruptcy with many interesting circumstances was a remarkable event in the history of auditing and advisory industry.

In 2002, after many prolonged negotiations, KPMG signed an agreement to acquire 23 of Andersen Worldwide business consulting offices in a deal worth of $284 million in Europe, USA, Asia Pacific and Latin America (Zea, 2002). Although efforts to acquire the whole Andersen’s offices outside USA were not successful, this acquisition was still considered as a path to strengthen KPMG’s position in the market. Moreover it would allow for immediate access and take full advantage of a wide business network created by Andersen.

5.1.2 The case of Andersen Vietnam

KPMG Vietnam acquired Andersen Vietnam originally due to Enron’s bankruptcy. The contract assured employments for all Andersen’s staff after the acquisition (Thoi Bao Kinh te Saigon, 2002). At the time of the acquisition, there was totally 177 staff who worked for KPMG Vietnam. KPMG ranked the second
place in the number of employees in “Big Five” (Deloitte & Touche, PriceWaterHouse Coopers, KPMG, Ernst & Young, Andersen), the fourth place in Vietnamese auditing industry. VACO which was joint-ventured with Deloitte & Touche ranked the first place in terms of staff number in Vietnam. The third and fourth places in “Big Five” were occupied by Ernst & Young and PriceWaterHouse Cooper with 167 and 132 employees respectively.

Figure 7: Vietnamese Audit Industry in 2002 – Employment

At 30 April 2002, Andersen operated in Vietnam with 100 employees (80 in Ho Chi Minh City and 20 in Hanoi) (Cleine, 2002). There were some staff that went to other companies, not KPMG since Andersen gave options for Andersen staff to choose their next working companies. Around 80% of all Andersen employees moved to KPMG (Phan, Interview, May 9, 2009). This resulted in the increase of position in Vietnam Audit Industry from 4th to 2nd.

5.2 KPMG Corporate Culture

The company working policy evolves around set of written qualities, or values, together with which a common sense and identity is expected to be created in every of its 140 countries (KPMG values, n.d.). These values are expressed in a form of sentences given below:
We lead by example – to convey expectations at all levels
We work together – to work in most efficient way, create working relationships
We respect the individual – respect differences among employees
We seek the facts and provide insight – to improve reputations as ‘trusted’ and ‘objective’
We are open and honest in our communication – share information, manage tough situations
We are committed to our communities – act responsible, enhance skills and experience
Above all, we act with integrity – to sustain professional standards, maintain independence

While the world is facing change, firm seeks to sustain flexibility and diversity, where knowledge is shared freely (KPMG Culture, n.d). Ethics are important as well since clients and industry often require it from KPMG (ibid). ‘Employers of choice’ vision is brought into live globally and recognized as critical element. The company aims at recruiting and developing “the very best people” (ibid). According to KPMG former chairman, Rake (Nightingale, 2002) KPMG can be seen from external point of view as professional firm, maintaining its integrity, reliable, “nice people” but not as innovative as some of its associates. He added it was important to share the same vision and values in order to “make it really work”.

In general, KPMG applies the standardized rules, policy from KPMG International but refines and modifies them in a way which is suitable with local environment and legislation (K. Ngo, Interview, May 11, 2009). Moreover, it often organizes formal and informal meetings to gather staff’s opinions.

5.3 Human Resource Management in KPMG

“Our most vital assets are our people, and our investment in our people is the key to our firm's continued success in the marketplace” (KPMG Vietnam Careers, n.d). KPMG was ranked one of “100 best companies to work for” in 3 successive years (2007, 2008, 2009) by Fortune Magazine (KPMG External Recognition, n.d), among the “20 Best Big Firms to work for” by Sunday Times, fifth place in “50 best places to launch a career” by BusinessWeek (KPMG Awards & Recognition, n.d) and many other honored rewards in terms of human aspects. KPMG also realizes its future depend on how it can nurture and flourish great talents and provide an environment where those can demonstrate their ability and flourish professionally (KPMG People & culture, n.d). Timothy P. Flynn – the current chairman of KPMG International also says KPMG’s people make it special (KPMG Message from Chairman, n.d).
As Ms Ngo (Interview, May 11, 2009) indicated, KPMG Vietnam always strived to learn, acquire and apply ‘the best practices’ from the parent company which had a long history for more than 100 years. KPMG is now considered the leading auditing company in Vietnam in terms of best working environment for employees (B. Phan, Interview, May 9, 2009).

KPMG has built up 7 values for its development and propensity two of which have been considered as human resource philosophy: “we work together” and “we respect the individual” (KPMG People & Culture, n.d). In addition, KPMG always have annual career days to recruit talented graduates from different universities in Vietnam (K. Ngo, Interview, May 11, 2009). The recruitment process of the company has always conducted through many different rounds: English test, group assessment test and interviews to hire the right people (KPMG Vietnam Careers, n.d).

At the annual fiscal year ended, KPMG Vietnam always implements appraisal or evaluation for the company’s staff. After finishing one client’s auditing job, every junior staff makes a “performance appraisal” with his/her senior. Until the fiscal year-end evaluation, every individual submits all of those “performance appraisal” assessment reports to performance managers for evaluation. Normally bonuses will be granted on the basis of each individual’s performance, ranging from 2, 3 or 4 monthly salary. Apart from bonuses, individuals who demonstrate exceptional performance usually get double promotion (K. Ngo, Interview, May 11, 2009). The reward and evaluation systems in KPMG and Andersen were similar. Standards and system to assess employees was alike due to similarity in hierarchical structure. Thus there was no difficulty for ex-Andersen staff to get familiar with evaluation system in the new company. The differences in assessments were due to differences in person’s evaluation attitudes. The variation occurred since people, who are good in technical skills, don’t have to be excellent in judging personalities (B. Phan, Interview, May 9, 2009).

Mr. Taylor, previously the top executive in Andersen, was given similar position in KPMG structures; he was said to be the second after the former KPMG leader. His authority and responsibility was considered as similar to the mentioned counterparts’. Moreover, some manager positions in KPMG were undertaken by ex-Andersen staff in order to harmonize the two organizations’ cultures.

KPMG continuously provides training in technical and competency skill both in-house and external for its staff. Before starting to work for KPMG, new joiners often have 2 to 3 months training about KPMG’s culture and academic knowledge. Every year, different levels in the company are provided different
kinds of internal training (KPMG News, 2007). KPMG’s staff are entitled to study ACCA (Association of Chartered Certified Accountants) outside sponsored by the company to enable them to equip themselves advanced knowledge in accounting, auditing and finance (P. Le, email, May 10, 2009). Besides, KPMG’s manager and above levels also have the opportunities to attend KPMG’s global trainings with different KPMG’s members world-wide every year (K. Ngo, Interview, May 11, 2009). After the acquisition, KPMG also provided a variety of trainings on KPMG’s culture, working approach for ex-Andersen staff in different levels (B. Phan, Interview, May 9, 2009).

In KPMG, the percentage of female staff to male staff is approximately 60% - 40% (K. Ngo, Interview, May 11, 2009). KPMG also has “Secondment Program” which exchanges staff from various offices in different countries throughout the global corporation. Furthermore, KPMG Vietnam advocates to attract expatriates from KPMG’s offices in other countries to fill up some important or empty vacancies (KPMG Brochure, 2001).

5.4 Organizational Differences

As a whole corporation, Andersen Vietnam followed concepts given from higher authorities. The structure of the two companies was not significantly different in any case. The relationships with its global network resulted in support each other clients, IT, auditing methods etc. One of the results was IT investment (P. Le, email, May 10, 2009). Andersen invested in notebooks and professional software to improve efficiency and accuracy. There was moreover more willingness to change working technologies (B. Phan, Interview, May 9, 2009). Technologies used by the two companies to many extents were still different; KPMG procedures included paper work instead of advanced IT software.

Moreover, Andersen invested considerably in training programs for newcomers (P. Le, email, May 10, 2009). Staff was sent abroad to participate in academic and skill training i.e. communication, customer handling etc. Staff was given the possibility to study MBA (Master of Business Administration).

Andersen clients’ assessments were made more thoroughly and carefully. Andersen was likely to be more selective in choosing clients, which are less risky and took less time. It advocated cautiously evaluating and rejecting small clients; therefore, they were larger and the audit fees were higher than KPMG’s clients. In Andersen, there were some foreign managers who attracted many clients originating from similar countries. On the other side, KPMG was more eager to contact potential client and therefore had businesses with a wide range of clients (B. Phan, Interview, May 9, 2009). Moreover the
strength of KPMG lied in its expertise in banking or financial sector thus having good reputation in Vietnam within those fields (K. Ngo, Interview, May 11, 2009).

**Cultural Differences**

Both of the companies are subsidiaries of multinational corporations. Although cultures of two firms were influenced by their parent companies, they had to apply national standards and refine culture to be suitable to the environment (K. Ngo, Interview, May 11, 2009).

KPMG and Andersen both strives to “learn, acquire and apply best practices, experience of holding companies” which they have acquired throughout business history of more than 100 years (K. Ngo, Interview, May 11, 2009). Both companies developed own sources, knowledge-bases, training styles etc, and provide fast updates to these within working methodology or approaches (ibid.). Mr. Le (email, May 10, 2009) stated that in general visions, philosophy, norms and values of the Big Five were similar. All of them aimed at becoming the biggest auditing and consulting firm in Vietnam while providing “the best service for customers”.

Culture, working environment (B. Phan, Interview, May 9, 2009) and relationship between managers and junior staff (K. Ngo, Interview, May 11, 2009) were found to be the two major differences between the companies. Team work and the relationships in Andersen were visibly different than in KPMG. Andersen kept the team closer which stimulated relationships in fixed teams for a long time. After some times particular people worked with each for certain time and seemed to communicate better thus be more efficient. In KPMG on the other hand there teams were often mixed - senior level was more flexible in choosing junior staff to work with (B. Phan, Interview, May 9, 2009). Moreover the number of people assigned to a team varied. In this manner companies with higher employee requirement were served in a more customized way than in Andersen. Junior staff was also able to learn from variety of people; it however slowed down the pace of work especially when new member was brought up. (K. Ngo, Interview, May 11, 2009) argued Andersen environment was more stable and less stressful - KPMG required ex-Anderson staff to work at fast pace in the beginning.

In Andersen there was a team called “business consulting”; their reputation derived from extremely great experience, whereas the leader was American with who was “very experienced and knowledgeable” (K. Ngo, Interview, May 11, 2009). There were many other examples of specific strengths in both companies.
Top management level had however fewer differences between each. This was argued to be the reason of the fact that auditing companies nearly have akin procedures, risk attitudes and risk management. Nevertheless Mr. Phan (Interview, May 9, 2009) noticed that in the beginning communication style was different due to culture differences.

Auditing working procedures were just slightly different since the two companies must follow the common accounting and auditing standard (B. Phan, Interview, May 9, 2009). Big Five had alike auditing procedures and employees’ skills (P. Le, email, May 10, 2009). “The supervisors and reviewers of our jobs in KPMG had difficulties getting used to working way of Andersen staff” (ibid.). On the other hand some KPMG employees were eager to learn from Andersen staff when it was worth it (K. Ngo, Interview, May 11, 2009).

5.5 Phases of Andersen Acquisition

5.5.1 “Before the announcement of acquisition”

Top management designed Project 17 led by Warrick Cleine, KP Chong. They created a team, which responsibility was to integrate Andersen’s staff into the new company (B. Phan, Interview, May 9, 2009). Before the acquisition was finalized, KPMG’s acquisition team had majorly negotiated with the Andersen’s acquisition team led by Brook Taylor – one of top executives in Andersen. However, KPMG did not implement formal or informal meeting with other Andersen staff to clear up their queries, anxieties or KPMG’s future agendas (K. Ngo, Interview, May 11, 2009).

Ms. Ngo (Interview, May 11, 2009) states she and her colleagues in Andersen had predicted an acquisition from KPMG towards Andersen after analyzing the context of contemporary auditing industry and possibilities of acquisition from different companies. Therefore, the information about KPMG’s acquisition was not something which was really surprise or shock to Andersen staff at that time.

5.5.2 “Early months after the acquisition”

The team in Project 17 which was in charge of pre-acquisition issues handled post-acquisition issues. This focus group was not only responsible for organizing trainings, activities but also closely contact to Andersen’s individuals. As mentioned above, the most notable task that KPMG did to integrate Andersen staff into the new company was continuously provide training about KPMG’s culture, working methodology for different levels. After the acquisition, KPMG’s human resource manager had informal
talks with every Andersen’s individual to understand and help them solve their personal concerns or
anxieties. Besides, a questionnaire relating to ex-Andersen’s issues in the new company was also
conducted by KPMG some time after the acquisition.

In the first year carrying out the evaluation, KPMG introduced a more formal objective system by
assigning both KPMG and Andersen staff to be involved in assessment team. However, there was no
kind of “loyalty bonus” for ex-Andersen staff who stayed in KPMG for a period of time (K. Ngo,
Interview, May 11, 2009)

Apart from arranging some of ex-Andersen managers to keep the same positions in management level in
new company, KPMG also implemented strategies to mix ex-Andersen with KPMG existing staff in the
same audit team to work with clients (K. Ngo, Interview, May 11, 2009). KPMG employed as well a
strategy, in which newly acquired clients were handled by ex-Andersen staff. Besides, after the
acquisition, KPMG increasingly organized a variety of trainings for staff in different levels, including
junior, senior and manager level as well.

As Mr Phan (Interview, May 9, 2009) stated in the interview, ex-Andersen staff hadn’t had to work in
early months after the acquisition, they just attended trainings about KPMG’s culture, working
methodology. Besides, the company also organized many parties to socialize and increase the
integration among ex-Andersen and KPMG’s staff. An event called “get together” in which all existing
and new staff in KPMG participated in a variety of indoor and outdoor games and activities was
organized to (ibid).

KPMG organized the program named “on the trust” training in which ex-Andersen’s seniors had the
chance to work and learn from KPMG’s existing managers. From this program, ex-Andersen staff also
had been provided more knowledge about KPMG’s working approach and style (K. Ngo, Interview, May
11, 2009).

It is claimed by Le (Email, May 10, 2009) that ex-Andersen staff did not have many difficulties getting
familiar with new system in KPMG since it was similar to their previous one. On the other hand it was
contradictory stated by other interviewee (B. Phan, Interview, May 9, 2009) that in the beginning “Of
course it was [difficult]”. At the same time there was a pressure on the staff that they “had to change”
(ibid) and “have to adapt to a new environment” (P. Le, Email, May 10, 2009). Yet (K. Ngo, Interview,
May 11, 2009) claims “KPMG was not rigid to impose its own culture to Andersen staff” but does not further elaborate on this matter.

As a token of fairness, in the first year the team which exercised appraisal and evaluation included both KPMG and Andersen. KPMG was active in combining the appraisal, evaluation team of both companies and have them to give comments on every individual’s performance (B. Phan, Interview, May 9, 2009).

After a short period of time, many ex-Andersen staff left KPMG. It is believed to happen mainly due to two reasons: variation between two companies’ cultures; external job opportunities (K. Ngo, Interview, May 11, 2009). In addition, one year after the acquisition, many Andersen’s staff in management level (majorly foreign staff) did not work for KPMG anymore (P. Le, Email, May 10, 2009).

5.5.3 “Monitoring the success of acquisition”

Many ex-Andersen staff had left KPMG due to many different reasons. The high turnover rate was especially high among foreign staff in management level who moved to other offices of KPMG or other companies. Human Resource Department of the company maintained its contact with existing Andersen staff. The purpose was to obtain information about remaining difficulties and problems, which could be accompanied by KPMG in order to solve them.

After transferring to work for KPMG, some of ex-Andersen staff had to undertake both previous clients from Andersen and new clients from KPMG. Furthermore, some also had the pressure about whether they could keep pace with the new working style, speed to perform their jobs efficiently. Therefore ex-Andersen staff had to bear more pressure than before. KPMG did not have guidelines to reduce unnecessary and less profitable clients but continuously provided trainings for ex-Andersen staff and recruited more new employees to reduce the amount of work for staff.

Still, high staff turnover rate was expected in both companies. Ms. Ngo (Interview, May 11, 2009) claims that even if Andersen Vietnam operated normally next few years, staff would also leave the company within similar period of time that they left KPMG. It usually after 4 to 6 years working in audit industry and happens due to stress and higher salaries offered by other companies (ibid.). Moreover, in 2004 a group of ex-Andersen managers in Hanoi office left KPMG in order to set up their own auditing firm, namely ACPA (NEXIA ACPA, n.d.).
Lastly, the acquisition was assessed by Mr. Phan (Interview, May 9, 2009) as “fair” and by Ms. Ngo (Interview, May 11, 2009) “quite successful (...) [even though] certainly it was not perfect".
CHAPTER 6: ANALYSIS

The purpose of this chapter is to conduct analysis of findings given in previous chapter. The analysis is based on tools provided in Chapter 3: Theoretical Background in a way described in Chapter 4: Conceptual Framework. This chapter starts with analysis of three stages of acquisition and in the next part looks at the acquisition through four lenses based on Bolman and Deal frames (2003).

6.1 Three phases in KPMG approach

Through interviews, it is found out that three interviewees reckon KPMG was well aware of the influence of the acquisitions on its human resource management issues. KPMG primarily understands managing people issues to be crucial to approach a successful acquisition. Therefore, it was likely to put many efforts to launch particular actions, strategies to integrate people of two companies. KPMG not only focused on integrating management level but also pay considerable attention to junior staff level. Offering managers of Andersen to keep similar positions in the acquiring company and constantly providing trainings for different levels,

6.1.1 “Before the announcement of acquisition”

The most important thing to handle a successful acquisition was to establish a focus team with professional experts in M&A field which are responsible for all acquisition issues (B. Phan, Interview, May 9, 2009). However, this team of KPMG negotiated only with Andersen’s top management which was in charge of the acquisition but they did not negotiate nor had formal talks with Andersen junior staff. As Cartwright & Cooper (1993) states the best way to approach a successful integration is to get close to acquired company’s employees to answer their concerns, inform them about acquiring company’s future agendas but KPMG did not do that in this way. They just did that after the announcement of the acquisition and this did not somehow enable ex-Andersen’s employees relieve from their concerns earlier.

Initial negotiation was recognized as a tool to determine risk of potential operation. Although negotiations between Andersen and KPMG were made on high management level, lower levels and junior staff were uninformed and individual or collective needs were not considered at that moment. As a result differences between corporate cultures might be underestimated since not all participants were
involved. The understanding of those differences is expected to be at intermediate level. According to Larsson and Risberg’s (1998, p. 45), this might produce “corporate clash” of however half potential.

Secondly, it would be rational to claim typical company involved in same type of acquisition (domestic) would be unaware of the resulting similarity or “corporate clash”. This is due to the fact that in Larsson and Risberg’s (1998, p. 50) domestic companies are supposed to be typically culturally unaware of its target company. The basis is the false belief of corporate cultural similarity only due to same social environment.

Nevertheless, KPMG is for once a company involved in auditing and advisory industries therefore potentially possessing knowledge of acquisition management. As regular information is processed and analyzed at the parent company, similarly acquisition knowledge was provided to subsidiaries. Moreover, KPMG itself was involved in big study (1999) regarding acquisition performance, where culture notion was highlighted. In turn it provided additional insights to the company. On this basis it is concluded that KPMG Vietnam was aware of both national and corporate culture differences. This however at least slightly contradicts Larsson and Risberg’s model (1998, p. 50), which predicts cultural awareness of acquiring company.

Alongside with above reasoning and given circumstances (moderate communication, high cultural awareness), initial negotiation of acquisition would generate moderate certainty with no ambiguity included as Larsson and Risberg’s model indicates (1998, p.51). The result indicated by the red dot, is given on the image below:

Figure 8: KPMG Communication and Cultural Awareness
From the acquisition of Andersen, KPMG was expected to benefit from assets growth (employee and clients), higher competitiveness and access to Andersen modern IT systems. The acquired company was of considerable size and the transaction involved substantial finances. Therefore it may be considered of high importance for KPMG to successfully manage the process without unplanned and expensive failures.

There has been substantial amount of data gathered on cultural and organizational differences. At the surface both organizations are alike: subsidiary of a multinational corporation, structures, values, evaluation and career systems, working in teams etc. Yet interviews revealed details, which change the overview – teams were constructed differently, new employees required trainings to keep up the pace, communication wasn’t very effective in the beginning, client initial assessment etc. These factors determine the level of cultural difference as moderate at most.

Management ability to lead the acquisition issues is regarded as one another factor relevant in Fortsmann’s Cultural Fit Analysis (1998, p. 77). Firstly it can be said creation of Project 17 team responsible for the acquisition issues in one relevant aspect. Secondly, knowledge processed and stored in databases, is regularly transmitted when updates are available – provision of M&A strategic knowledge. Thirdly, previous analyses and experiences with clients of Project 17 team members intensify their ability to lead M&A issues. As a result, the acquisition of Andersen could be attached with high importance, moderate cultural difference and high management ability. The initial risk associated with the transaction should lie between “acceptable” and “manageable”. The result indicated by the red dot, is given on the image below:
This problem should be more precise with following set of two complementary models. The first model takes into consideration “acquired firm’s preferred adaptation process”. Andersen staff was bearing in their mind possibility of adoption to the new environment and culture when being acquired by KPMG. Although culture is understood in many researches as ‘collective’ or ‘shared’ notions, it should allow variety and diversity. This is a case here as well: even though there were not many people interviewed, there seem to be different opinions and group consciousnesess. It is feasible to make assumptions regarding those groups since Andersen staff expected KPMG will be the new owner.

In one case, B. Phan (Interview, May 11, 2009) reckons that Andersen staff was confident and ready to join new company. In many facets it can be assumed that those Andersen staff was attracted by KPMG’s environment, but not necessary being able to leave behind old values and habits. This group preferred adaption process can be categorized as in between integration and assimilation. In another case, Ms. Ngo (Interview, May 11, 2009) states some other staff was somewhere in the middle between two extremes: willingness and depression, both related to potential acquisition by KPMG. Willingness can represent being keen to leave own corporate culture in favor of the new one and/or higher appraisal of new culture attractiveness than own ones. Depression however fulfilled catalyst role to the former characteristic. Yet it was much related to negative impact of change itself, employee uncertainty about future and resulting stress. Thus the second group can be willing to adopt integration the most among proposed solutions. Nonetheless, above assumptions are burdened with high error propensity.
The complementary model relating to “acquiring firm’s preferred adaptation process” produces as well uncertain result as previous model; on one hand both companies operated in the same industry and therefore it can be said that those organizations are closely related to each other. On the other hand both are subsidiaries of multinational corporations where culture is imposed from the top. Nevertheless companies are given flexibility in adjusting and refining to local situation. KPMG states one of their qualities is that “we respect the individual” meaning diversity is accepted. This result in assumption of moderate multinationality of the firm. Given those circumstances KPMG preferred mode would be consensus between integration and assimilation. The results are given on the image below; there are three dots, where Blue one represents KPMG stance, the Orange and the Red represent accordantly two Andersen stances provided by two interviewees:

Figure 10: Proposed scenarios of the Acquisition

At this point preferences of both firms seem to be ‘not distant’ from each other. Yet Project 17 team should be aware of high margin of error that results from inaccurate evaluation of Andersen staff needs due to lack of initial communication. Finally the risk of this investment settles at “manageable” level due to the error resulting from inaccuracy.

6.1.2 “Early months after the acquisition”

After the acquisition, an employee survey by questionnaire was also conducted by KPMG, this tool was really necessary for KPMG to have proper assessment about how good it had done in integrating the human resource. Informal talks between KPMG’s human resource manager and ex-Andersen individuals, launching a merging reward and evaluation system were also implemented by KPMG as important steps to integrate Andersen’s staff to the new environment. Nevertheless, means to keep staff like “loyal bonus” for ex-Andersen staff who worked in KPMG for a period of time was not exercised by KPMG.

In the Five C’s model introduced by Rottig (2007) Cultural Due Diligence appraises prior and following culture compatibility. The former one has been completed in previous section, while the latter on is
expected to be worked on especially extensively during the early stage of integration. Both companies’ managers had initial difficulties in complete understanding other firm employees. 6 months seemed to be the limit for a group of Andersen employees, during which some of the less adjusted resigned. Moreover, staff turnover rate among foreign managers were especially high, but there was no certain reason for this given. Possible and popular option for higher turnover among Andersen staff was to resign due to valuable positions in another company. Yet theories seem to neglect external environment in integration models thus decreasing own predictive potential.

The second C – Communication, was established between several structural levels. Preliminarily there was only at highest level, but after legalizing the transactions Project 17 team committed to seek advises from every Andersen staff regarding improvement to integration. Moreover there were routine meeting scheduled to seek more valuable insights; once a survey was made among employees. Therefore we claim KMPG by this dedication has accomplished a task very emphasized by many researchers – establishing effective communication.

The third C comprises Connection. At one part there is structure involved, which however persisted no matter what the company they worked for. At the other part there is relational connection underlined where the difference yet existed. More to say, fixed and time-stable groups were established in Andersen which facilitated creation of familiarity and informal communication thus enhancing efficiency among its members. In KPMG team creation rules were more flexible; team turnover was higher though it was observed still some prefer and tend to work together. It supports the thesis of importance of relational ties given by Rottig (2007).

The fourth C – Control, was expressed during integration process in several ways. Firstly, the formal preparation process conveyed the message KPMG cares. Secondly, social events and activities were organized as what Bolman and Deal (2003) express by “initiation”. At that time KPMG was switching from “you are different” to “we accept you” message. Thirdly, the company named various programs like “get together” or “on the trust” to increase one’s belief of being necessary for the firm.

6.1.3 “Monitoring the success of acquisition”

Most of mergers and acquisitions lead to job losses and redeployment (Cartwright & Cooper, 1996, p.45). KPMG was not an exceptional case. KPMG was not active to cut off jobs or substitute people to boost the process of culture change. However, many ex-Andersen staff left KPMG as voluntary
resignations. In KPMG’s case, resignations also occurred in all different levels but extraordinary high rate occurred at management level. This is relevant to Cartwright & Cooper’s (1996) claim that the most vulnerable position is occupied by senior managers of the acquired organization. And this was also illustrated by Le Duc Phong (2009) in the interview that the resignation of management level, especially that of foreign staff was likely to be an indispensability of an acquisition.

For long-term integration, KPMG’s human resource department remained in touch with the rest of Andersen staff to by questioning about their problem, continuously providing trainings for them to get familiar with KPMG’s working way (K. Ngo, Interview, May 11, 2009). It, however, did not pay much attention to stress issues of ex-Andersen employees. It might be better if they organized some programs about dealing with stress, appointing some stress advisory experts or reduce some less profitable clients to reduce the amount of work for ex-Andersen staff.

6.2 The Four Lenses

6.2.1 Structural lens

KPMG acquisition of Andersen was considered as a horizontal type (see APPENDIX A) since two organizations operated in the same industry. An facilitating condition for KPMG to integrate Andersen was that the two organizations had similar hierarchical structure. KPMG utilizes both lateral and vertical coordination e.g. standardized rules and meetings. In this way, KPMG has realized the necessity of combining different methods to coordinate individual and groups, high management level and subordinate level.

One of KPMG’s 7 values was “we work together” which indicates teamwork as a very important element of KPMG’s long-standing values. KPMG aimed at creating strong and cohesive relationships among members in a team to bring out the best of each other (KPMG values, n.d.). Nevertheless, relationships among team members in Andersen were tighter than in KPMG. He adduced that Andersen’s policy was to arrange some specific staff in the same team for a long time. Therefore, “it kept teams closer and more stimulated team relationship” (B. Phan, Interview, May 9, 2009). KPMG more oriented the mixing different members in one team to work with different clients. Although it sometimes makes the working process slower, it enables KPMG’s junior level to learn from different people (B. Phan, Interview, May 9, 2009). Andersen and KPMG have their own culture and focused development target. KPMG more highlighted at equipping knowledge for staff since it realizes it is the best way to generate value for
itself, this is also appropriate with company’s slogan “turn knowledge into value”. On the other hand, Andersen’s slogan “We are Andersen” was the most concise statement about strong and team relationship among members in the company. Therefore, it’s hard to define team-work coordination method of Andersen is more optimal than that of KPMG or reverse.

Yet, coordination procedures could be assessed as not totally similar. KPMG’s style of team-working enhanced the integration process since employees of the two firms had to mix personnel. At the same time it has broken strong bond built in Andersen personal relationships, and replaced it with more but socially weaker ones.

6.2.2 Human Resource lens

All of awards can be considered as the recognition or achievements of human resource nurture and development policy of KPMG throughout its history. As Bolman & Deal’s (2003) claim having more talented, motivated and loyal employees is firm’s such as KPMG advantage over its competitors. By implementing a centralized recruitment process in which human resource department fully involved in all recruitment issues and conducting a thorough recruitment process, KPMG was able to detect proper potentials, talents which fit its mold. Human resource needs to be nurtured and flourished through a whole process, from recruiting to investing and then keeping, developing them to be the backbone of the company. KPMG understands the quality of its employees will determine the quality of its client services. Therefore employees were provided a wide range of trainings including technical, soft skills and behavior as well. Training on jobs, internal and external trainings equip KPMG’s employees from different levels skills and academic knowledge which usefully support their current career.

This strategy of investing in employees of KPMG is also illustrated by Bolman & Deal (2003): a human resource-oriented organization must recognize the importance of training on job as well as in classroom. Investing in employees must be backed up by how to keep them (ibid). KPMG with its appraisal system of evaluating on every client’s job creates fair reward and evaluation system. Offering proper and attractive salaries, bonuses (annual or holiday) and benefits is a most relevant way for KPMG to keep its staff. Besides, KPMG offers right talents the opportunities to approach double promotion, which enables them to promote much more quickly when they demonstrate exceptional performance.

KPMG also fosters team-work with the policy of flexibility in working team, this has the strength that junior staff have the opportunities to learn from different level as Mr. Phan (Interview, May 9, 2009)
stated in his interview. Team-work is also considered by Bolman & Deal (2003) as a way to empower employees.

As facilitating condition for KPMG to integrate Andersen was that the two organizations had similar hierarchical structure and levels and the reward and evaluation system of two companies were more or less the same. This also made the integration of reward and evaluation system become more convenient for KPMG. Andersen could have little difficulties in adapting to new system, yet during the first yet it was chosen to closely cooperate with Anderson staff in order to play ‘fair’ and let newcomers adapt to the system. Besides, the diversity policy implemented in KPMG (one of the values - “We respect the individual”) also provides itself a facilitating condition to obtain Andersen’s foreign staff since there were many non-Vietnamese staff (from Japan, Taiwan, Korean) working for Andersen at the time of acquisition (K. Ngo, Interview, May 11, 2009)

6.2.3 Political lens

In this perspective position, power and interest are put forth. As Andersen was facing loss of credibility thus incrementally losing clients. As a result it faced financial problems and was exposed to hostile takeover. Among possible investors, KPMG was typed as the most likely one. International Law related to acquisition transactions has a requirement that at least 90% of top executives must agree on the acquisition to be conducted. In this case there was only one person involved – Mr. Taylor. He had 100% power in negotiating terms of agreement. As argued by Bolman and Deal (2003), coalitions were made if the interests of both parties were partly overlapping to compete over scarce resources. These resources in this case were the mentioned motives of acquisition for KPMG; both parties were certainly striving to retain their power and influence at low cost.

Due to confidentiality of financial data involved in the transaction, it was impossible for us to get access to those. Therefore an assessment of financial gains for the former Andersen partner was not feasible. Yet, to assess whether opportunistic behavior was present, the situation of Andersen employees after the acquisition might be evaluated. Mr. Phan (Interview, May 11, 2009) stated the previous partner of Andersen was given similar position, with similar authority and responsibilities as before – power and influence were maintained. Ms Ngo, which we have the most confidence in from all interviewees (since she is not working in KPMG anymore) confirmed that after the transaction Andersen staffs’ positions were to a great extend maintained.
Nevertheless, there is an attempt to evaluate the transaction from another side – adjustments. KPMG as the buying party, had initially better negotiating position than Andersen; yet, the latter had to accept the conditions. Since the acquisition was horizontal type (same industry, same position in production chain), the expected number of adjustments and its importance was relatively small. Many of these were taken care of gently like extensive training session in the beginning. Mr Phan (Interview, May 11, 2009) stated “we had to change”, whereas Le claimed there was no employee resistance. If we believe in Le’s statement, then there is a possible explanation of this matter. Bolman and Deal (2003) suggest that people accept directions if the authority is credible, and Mr. Taylor was such symbol, at least in the beginning. From KPMG perspective there were none or only temporary adjustments to fit Andersen culture.

The Andersen Acquisition was widely mediated as a merger, yet it was not. Rottig (2007) forewarns from making decision like this, when big promises might be hard to fulfil. Moreover Bolman and Deal (2003) state that a revolution may arise when expectation like the one above is followed by disappointment. It was confirmed by the interviewees that KPMG introduced extensive integration program. Yet this ‘integration’ fall rather to assimilation category since no effort was expected from regular KPMG employees. Moreover it was observed but not explained, why many managers, especially foreign ones, have decided to leave their new employer. With experience gained at KPMG, employees were often attracted by other companies due to better working conditions (including salary). Nevertheless, in 2004 a group of managers left KPMG in order to set own firm – ACPA. From one side, it could be viewed as exploited opportunity by that group. From the other side, it could be a result from conflicts of interests. In our opinion the latter option is more credible since we believe if the group would feel well, they might have not take the risk.

6.2.4 Symbolic lens

Similarly to what Bolman and Deal state (2003, p. 252), written propaganda in form of values and procedures often loses its original meaning. It was important for KPMG Vietnam to ensure they will be transferred with no or only little loss of meaning. Thus various training programs, catchy slogans (“get together” or “on the trust”) were formed to assimilate Anderson employees into KPMG culture. Initiation ceremonies and rituals are one of the most important factors in Symbolic frame to achieve this goal. B. Phan (Interview, May 11, 2009) stated in the beginning communication was difficult, but after
few months it became more feasible. From one side it can be explained as issue of different cultures, from another side it was said (ibid.) that society has often negative attitude towards newcomers.

Another essential encounter was the Enron case in US market, which influenced global operations. This story was surely in Andersen staffs’ heads and kept the important value that KPMG strives for – integrity. As Mitroff and Kilmann (1975) argued it would instill directions, mediate values and morals. Additional motivation for employees was made up by various heroes. One of them were the former Andersen partner (top executive) – Mr. Taylor accounted as their leader. He was given a position at the top, where his authority and responsibilities were shared with KPMG partner. With this fact in mind, employees might persevere remaining of identity. Moreover, a high performing team “business consulting” could be recalled upon called on “times of uncertainty and stress” (Bolman & Deal, 2003, p.256) thus keeping morale more stable.

KPMG decided to mix employees together. This would eventually mean that the advantage of strong personal bonds built in Andersen structures would be diminished. Moreover, since social bonds were built as well, informal behavior and language could be incorporated in communication. This is referred to as humor and play by Bolman and Deal (2003), which might decrease stress, loosen things up and as a result improve integration and integrity.

Certainly if Project 17 team would comprise a person from Andersen, it would enhance the understanding of issues. It would be especially handful when communicating with Andersen employees since there would be used “same” language.
CHAPTER 7: CONCLUSION

“Marry in haste, regret at leisure”

(Anon)

A marriage will be more successful when two parties have more time to thoroughly find out and assess different characteristics or aspects of each other. It is also a good implication for the case of a merger or acquisition in business. Many organizations view M&A as a very essential strategy to rapidly grow and succeed. Financial and economic aspects were often the first dimensions companies interest was point at. As mentioned before, 83% of all M&A has not come off well due to different reasons, but many researchers are in favor of claim that financial and economic rationalizations are reasons for those failures. Organizations began to realize that successful M&A is more than the matter of “getting the sums right” (Cartwright & Cooper, 1996). Certainly one of firms that were aware of the importance of people- and culture-related issues was KPMG Vietnam.

The company has facilitated the process in many (but not all) ways exemplified among many researches. In the beginning, experienced team at KPMG was assigned to manage the acquisition matters. At that time groups consisting of top executives, having different interest, argued about terms of agreement and reached it eventually. Yet, informal meetings with regular employees were not organized and therefore missed opportunity to inquire about their opinions.

The integration process proves KPMG’s apprehension of failure and therefore justifies their extensive contribution of resources for the acquisition purposes. Extensive training programs or social events are the most visible examples. Communication, which was stated by researchers to be one of the key factors of success, was highly developed in the integration process. Moreover, during the first year, there were many conveniences made for Andersen employees (e.g. Andersen managers involved in evaluating “own” subordinates).

After the core integration period, HR department decided to maintain some of the “integration procedures” however in less extensive manner. Nevertheless there could not be seen any direct activity aiming at reducing stress; instead more training to improve performance was applied. Moreover, cumulatively, staff’s turnover rate was high, especially in management levels. Some of them decided to set up own company – ACPA. This issue however should not be totally linked to KPMG’s integration
capability. Besides cultural misfit and conflict of interests, reasons such as job opportunities outside, high staff turnover rate in the industry or unavoidable outcome of an acquisition were also put forth.

KPMG’s style of team-working enhanced the integration process since employees of the two firms had to mix personnel. At the same time it has broken strong bond built in Andersen personal relationships, and replaced it with more but socially weaker ones. The symbols used throughout the whole process (e.g. event names, leaders, values etc.) created a bond and new identity among ex-Andersen members. Yet, in our opinion integration affected more the lower levels of organizations since many Andersen managers left shortly after.

Although whether the case of KPMG Vietnam fell in the number of 83% which failed or the rest 17% cannot be properly concluded in the scope of this research. The success of this acquisition can still be evaluated in some dimensions. By acquiring Andersen, KPMG attained approximately 300 clients from Andersen to grow and expand. Their strategies to deal with newly acquired clients from Andersen by arranging ex-Andersen staff to be the core of clients’ working team. The result was that KPMG lost very few clients in next few years. In maintaining client base, KPMG may be assessed to get success.

When putting culture and people dimensions in the limelight, it is recognized that KPMG was likely to assign many resources in order to integrate Andersen staff into the new acquiring company. KPMG had extensive prior foundation which facilitated the acquisition integration process. To some extend we agree with the interviewees: Mr. Phan (Interview, 11 May 2009) agreed that the acquisition was “at least at fair level” whereas Ms. Ngo claimed “it was not perfect but (...) quite successful” (K. Ngo, Interview, May 11, 2009).

This paper was an attempt to draw out some of the issues related to human and culture aspect in an acquisition. However, the outcomes of this paper cannot be generalized yet may provide practical insights into integration process. Finally, we recognize the need for further and more comprehensive research about these dimensions of an acquisition. Particularly it might be valuable to compare acquisition of Andersen Vietnam with similar one in Thailand, or even in the global scale. Finally, as we mentioned in the introduction, financial assessment was not considered in this paper, but may provide additional perspective on the matter.
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APPENDIX A

Pre-transition motives of M&A

These legal transactions originate from different strategic motives and purposes. They can relate to financial, economic and strategic goals on one hand, and synergetic effects on the other. Starting from the first set, firstly firms might strive to achieve economies of scale by combining resources, or economies of scope by diversifying the products or markets. Secondly, access to counterpart’s assets such as technology, know-how and markets. Other motives consist of achieving power through market domination or consolidation in the industry. The underlying reasons comprise as well value creation for shareholders, dominantly in short term, achieved by cutting costs, or manipulating rules of competition and antitrust (Buckley and Ghauri, 2002, p.3).

Moreover, Seth, Song and Pettit (2000) suggest some additional purposes, while the outcomes don’t have to be positive for the company itself. Managerialism represents one of the motives when managers maximize their own benefits; the other hypothesis refers to incorrect evaluation of investment outcome.

Synergy as the new motive

Cartwright (1998, p.7) argued that, until the last years of 1990s, there had been relatively low share of human aspects in research of M&A. The motives listed in above section are typically not concerned about individuals, but rather about firm as a whole. Cartwright (ibid) suggests this approach might generate a list of harmful impacts and supply few examples provided by other researchers. Those negative factors include: high labor turnover, low morale, stress etc., thus motivates the importance of research related to human factors.

The inevitable question is:

What was the drive force that pushed research on employee aspect?

Providing the answer, Cartwright and Cooper (1992) made a distinction among four types of M&A; these types can be categorized as follows:

- Horizontal – companies in the same branch and production stage,
- Vertical – companies in same branch, but different production stage,
- Concentric – companies in different but related branch
- Conglomerate – companies that are not closely related

It was observed (e.g. Cartwright, 1998) that during 1960s and 1970s firms chosen rather to diversify while contracting conglomerate M&As. In 1980s and 1990s however the trend has significantly changed to horizontal and vertical ones (Cartwright & Cooper, 1996). The goal altered from diversifying to achieving “synergy and the advantages of large-scale operations” (Larsson, 1990). Moreover, Healy, Palepu and Ruback (1997) perceived this change and suggested following distinction for M&A: **Strategic M&As**, which are based on synergy through “cultures, systems, and processes” integration; and **Financial M&As**, which purpose is asset management rather than typical synergy. The former type is said to be dominant since the change in orientation (ibid).

It is worthwhile taking one’s time to elaborate on facts presented above. On one hand there was a trend for companies to diversify their organization, where financial, economic or strategic tools were used to assess investment. There are not so many evidences or discussions regarding success of M&A done until 1980s. Since then many firms switched orientation towards synergy purposes of M&A, resulted in more sophisticated needs and therefore tools to assess and manage involved processes.

Synergy motive is expected to deliver more value than what is simply declared in corporate balances, i.e. $1+1>2$ – a combination should deliver more than arithmetic addition. These strategic investments (M&A) represent an option for a company to improve its position in the market, but from different reasons though. Ghoshal (1987) argues it may be achieved through learning from “partner” firm, or as Morosini, Shane and Singh (1998) propose, through more diversified set of resources and skills. Moreover firm’s management may aim at strategic synergy through increased efficiency (Walter & Barney, 1990), enhanced corporate learning (Ghoshal, 1987), or monopolistic market power (Trautwein, 1990). However, “achieving such goals often requires intensive efforts aimed at integrating the two organizations” (Waldman & Javidan, 2009, p. 2).
APPENDIX B

Motives of KPMG for Andersen Vietnam acquisition

KPMG recognized acquiring Andersen was the fastest way to growth and develop in Vietnam (P. Le, email, May 10, 2009). This acquisition also enabled KPMG to increase competitiveness and its share in Vietnamese market. Competitors market positions in Vietnam declined as a result of this acquisition. After the acquisition, KPMG was much stronger and consolidate its position in telecommunications, insurance industry and Japanese investment sector (Thoi Bao Kinh Te Sai Gon, 2002).

By acquiring Andersen, KPMG Vietnam had a wider client network base by achieving 300 existing clients from Andersen. Besides, KPMG also had the opportunity to access to 100 well-trained and experienced staff of Andersen (Thoi Bao Kinh Te Sai Gon, 2002)

At that time, Andersen was considered one of “Big Five” which had best investment in Vietnam. Andersen Vietnam gained financial support from Andersen International and they had great investment in IT and infrastructure (P. Le, email, May 10, 2009). For example, Andersen had used “business audit theme work” and much of its software, which considerably supported auditing procedures (B. Phan, Interview, May 9, 2009). Acquiring Andersen also means that KPMG had the chance to approach Andersen’s technology and know-how.

Another motive is based on a very close relationship between Andersen subsidiaries in Thailand and Vietnam. Besides, KPMG Thailand also acquired Andersen Thailand. Due to this tight relationship, KPMG Vietnam was provided more facilitating and better condition to acquire Andersen Vietnam (P. Le, email interview, May 10, 2009).
APPENDIX C

One of those models, developed by Larsson and Risberg (1998) deals with potential clashes when dealing with organizational and/or national differences in culture. Model presented below suggests indirectly that as the differences in both variables increase, the risk of failure rise as well.

Figure 10: Corporate and/or National Culture Clashes in M&A

![Diagram of Corporate and National Culture Clashes]

Source: Larsson & Risberg (1998, p.45)

Nonetheless Larsson and Risberg (1998) managed to test this hypothesis. Although their study didn’t answer all the questions, it revealed a surprise – in cross-border operations synergy effect was typically stronger. Moreover employee resistance was the highest in ‘corporate clash’ field in the above matrix. Those two arguments were the strongest to reject tested hypothesis. Their evaluation of the model proposed that parties involved in international transactions may be more aware of the fact these cultural differences exist. On the contrary, domestic investors may be falsely convinced the corporate cultures of two firms are similar since both companies exist in same society (nation), therefore generating unexpected outcomes. As a result of their study a model arose, presented by Figure X below. It concludes their research by discrediting domestic investments ability to be aware of potential clashes.

Figure 11: Proposed Cultural Awareness in Relation to Corporate and/or National Culture Clashes in M&A
<table>
<thead>
<tr>
<th>Corporate Culture Differences</th>
<th>Domestic M&amp;A</th>
<th>Cross-Border M&amp;A</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>Unaware corporate clash</td>
<td>Aware dual clash</td>
</tr>
<tr>
<td>Low</td>
<td>Unaware cultural similarity</td>
<td>Aware national clash</td>
</tr>
</tbody>
</table>

Source: Larsson & Risberg (1998, p. 50)
APPENDIX D

Assessing M&As Performance - Synergy model

Figure 12: Summary of Larsson’s Conceptual Framework

This model was introduced by Larsson (1990); it includes four major variables: Synergy potential, Firm Interaction, Coordination efforts, Employee resistance. The first three are said to have positive impact on synergy realization; the latter one however is the one opposing the cumulative effect of the former variables. Employee resistance incorporates many factors, which to great extend include notions used in similar researches. Gertson et al. (1998, p. 30) has made a very comprehensive and illustrative summary of Larsson’s Conceptual Framework, which enhance the understanding of synergy mechanisms. This model more or less fits the newly established needs of firms, since it includes both organizational and cultural integration variables.

Source: Gertson et al. (1998, p. 30)
APPENDIX E

Telephone interview with Mr Phan Thanh Binh, conducted on May 10th, 2009

1. How long had you worked for Andersen before the acquisition? What was your position at Andersen?

I had worked for Andersen for 5 years, since 1997 as a supervisor in auditing department.

2. Could you provide some information relating to the acquisition? How many Andersen staff moved from Andersen to KPMG?

I’m not absolutely sure but I think around 60 staff (in Ho Chi Minh City). There were some people going to other companies, not KPMG since Andersen gave options for Andersen staff to choose their next working companies. I think about 80% of Andersen total staff moved to KPMG. All of them still feel confident to join the new company.

3. Did KPMG acquire the whole Andersen?

Yes, the whole Andersen was acquired

4. Who handled the acquisition? Was the acquisition process jointly negotiated with Andersen management?

Warrick Cleine and KP Chong, who are now two partners of KPMG, were responsible for the acquisition and Andersen side’s person-in-charge was Brook Taylor.

5. What are the most explicit differences between working for Andersen and KPMG?

Culture and working environment were the two major differences. Auditing working procedures were just slightly different since the two companies must follow the common accounting and auditing standard.

6. How about team work in each company?

At that time, I think the team work and the relationship in Andersen was stronger than in KPMG.
7. How about training system?

As I mentioned, the working procedures and technology of two companies in whatever extent were still different. In Andersen before the acquisition, auditing staff had used “business audit theme work” software but KPMG did not. Most of the jobs were processed by hand with paper work. So training system in Andersen had been conducted, which based much on additional software. At that time, Andersen staff was also granted own notebooks to work.

8. Do you and Andersen staff find it difficult to get familiar with working procedures in new company?

Of course there was but just a little. But a good thing was that Andersen staff were able to bring technology to use in new company, for example some applicant software used in auditing. But the supervisors and reviewers of our jobs in KPMG didn’t get used to our way of working since it seemed to be more advanced. But after that it was accepted after our clear explanation of work.

9. In general, KPMG allowed Andersen staff to combine between the old features in Andersen and new features in KPMG, didn’t it?

Yes, that’s right. We had to keep in accordance with KPMG’s common standards. It also meant we had to change, orient ourselves to KPMG’s standardized working procedures, i.e. working paper must be arranged and referenced in KPMG way. However, the way to write and present every single working paper can be flexible.

10. How do you see the difference between two companies’ vision, philosophy and value?

The difference I saw is that Andersen kept the team closer and more stimulated the team relationship. However, KPMG oriented more at mixing the team; senior level was more flexible in booking junior staff to work with clients. That enabled junior staff to learn from different people; however, it made the working process slower especially when there was new member in the team. In Andersen, some specific staff worked with each other for a longer time and that seemed to enhance the working speed more.

11. How about the difference in vision and philosophy i.e. risk-taking attitude, creating change/innovation in the company?
I think the top management level had fewer differences. Actually, auditing companies nearly have akin procedures, risk attitudes and risk management. The difference that I can see that Andersen assessed clients more thoroughly, more careful and selective in choosing clients. It chose good clients, which took less time and it also had more focus on clients even though audit fees are maybe higher. At the time I worked for Andersen, the company advocated to thoroughly evaluate clients and rejected small ones. On the other side, KPMG was more inclined to contact and have business with a wide range of clients.

In my opinion, Andersen operated with higher technology and more change in working technology. When I moved to KPMG, some softwares, which had been applied in Andersen but was not suitable with working technology and style in KPMG, were removed.

12. Do you think Andersen staff was difficult to adapt to KPMG’s environment at the first time?

In general, I think it’s quite hard for them. There are some cases who quit the company within the first 6 months mostly due to inadaptability to new environment. As they had worked for Andersen for quite a long time, it is quite hard for them to adapt to new culture.

13. How about the structure of the two companies?

Basically, the structure of the two companies was not different so there is no difficulty for the two companies to integrate in terms of structure.

14. After the acquisition, did KPMG conduct a survey about Andersen’s attitudes or similar activities to improve the post-acquisition integration?

Yes, KPMG was likely to have lots of efforts to communicate with Andersen management and staff.

15. Did KPMG employ procedures to integrate ex-Andersen staff?

Yes, quite many. As you know, KPMG has had many great improvement and now become the number one auditing company in Vietnam in term of best working environment, revenue and number of employees.

There are a lot of trainings about KPMG’s culture and technology conducted by KPMG, which helped Andersen adapt to new company. Top management designed Project 17 led by Warrick Cleine, KP Chong and Craig McDonald. They also collected a team which was majored in integrating Andersen’s staff into
the new company. Different levels have different kinds of training. During early months, Andersen staff didn’t have to work, just training and taking part in transition courses to new environment.

There was an event called “get together” to integrate new and existing staffs together. Besides, many parties and outdoor activities were also organized. A notable thing which is very important in M&A management was that they had a project team in charge of this integration. In my point of view, this team did a good job. This team was also responsible for managing risk, confidential information of M&A and transition process, especially client management since responsibility with Andersen’s client still remained.

16. Was there a tension between native KPMG employees and former Andersen ones? How was the interaction between KPMG and Andersen ex-staff?

No, I don’t think there was great tension or something like that. Basically, the interaction was quite good. Certainly at the beginning, the communication style was quite different due to the culture. When there were new strangers in the company, the distance was still faraway in whatever extent. I think just after 6 months, the staff of two companies was able to get familiar with each other and have a good communication. And that period of time is also enough to make KPMG staff forget the name “Andersen” from their colleague.

17. How was KPMG’s reward and evaluation system different from Andersen’s? Did it satisfy you or those who had transferred from Andersen to KPMG?

I think it’s more or less the same due to the levels in hierarchical structure were similar. Both companies use appraisal system to evaluate. In auditing industry, we certainly know the responsibilities of a partner, manager, senior or assistant when we mention about these names. The difference in assessment here is just the difference in every person evaluation attitudes. Some people are good in technical skill but no in personalities .......

The way, standard or system to assess employees is quite similar. To assure the fairness, in the first year the team did appraisal included both KPMG and Andersen staff. KPMG was combining the appraisal, evaluation team of both companies and have them to give comments on every individual’s performance.
18. How was Andersen Top Management included in decision making in new company? What was Mr Taylor’s position when he moved to new company? Was he satisfied with his new position in KPMG?

Mr Taylor was still the partner in KPMG after he moved. I’m not sure whether he was satisfactory or not and how the decision making authority was allocated. Of course it was impossible to have two leaders in the same company. At that time, Warrick Cleine was the Managing Partner in KPMG, Brook Taylor was also considered as Deputy Director.

He was probably involved in daily management of the whole company. He also had the authority to sign contracts. I think the responsibility of two partners was quite similar, at the first time they share their tasks with each other.

19. In general, could you give your own opinion about how KPMG integrated the two organizations? Which aspect was positive, which aspect still needed to be improved?

In an overall view, the project and risk management were good. In term of clients, there were a large amount of clients KPMG had to handle after the acquisition. Client management was really good since the company lost just very few clients. 300 clients of Andersen was all acquired by the company. The assets of Andersen were only clients and human resource.

20. How about culture and people integration factors?

It is really hard to assess since we have to consider many different aspects. But I think they did quite a good job in these dimensions.

21. If possible, could you give one word to assess the job that KPMG implemented to integrate culture and people of two organizations? Something like rating scale?

I think the success must be at least at the fair level.
APPENDIX F

Email questionnaire with Mr Le Duc Phong, received on May 10\textsuperscript{th}, 2009

1. What are the most explicit differences between working for Andersen and KPMG?

- Andersen Vietnam had relationships with Andersen’s global network to support each other clients, IT, auditing methods ... They follow one firm concept.

- Andersen gained financial support from Andersen International and they had great investment in IT and infrastructure. Andersen was one of “Big Five” which had best investment in Vietnam.

- Andersen also investment considerably in training for new joiners and senior staff. All of new joiners was sent abroad to academic training and soft skill training i.e communication, dealing with clients, dressing way and meal having way with clients ...

- Andersen also had greater number of clients than KPMG had at the time of acquisition.

- However, KPMG oriented staff training in a better way when letting employees study ACCA (\textit{Association of Chartered Certified Accountants}) whereas Andersen allowed its staff to study MBA (Master of Business Administration).

Certainly, KPMG’s board of management has had some relevant changes to integrate two organizations in a better way and achieved lots of success in the following years.

2. What were the major reasons / factors for the acquisition?

- KPMG realized acquiring Andersen was the fastest way to grow and develop in Vietnamese market.

- Another reason was that KPMG Thailand also acquired Andersen and Andersen, KPMG Thailand also had a very close relationship with Andersen, KPMG Vietnam.

- Other main competitors with possibility to implement the acquisition of Andersen:

  - Deloitte &Touche which was a joint- venture with VACO due to many reasons see the acquisition of Andersen very difficult.

  - PriceWaterHouse Coopers (PWC): its strategy was just to acquire Andersen China and Hongkong.
3. **Was the acquisition process jointly negotiated with Andersen management and staff to make concensus on common interests, decision making authority in the company?**

Not sure about this problems. However, after the acquisition, almost Andersen staff level, especially foreign staff in management level moved to other offices of KPMG or moved to other companies.

4. **Could you summarize the main difference in visions, philosophy, norms and values of two companies?**

In general, these dimensions of Big Five were similar. They all want and target to be the biggest auditing and consulting firm in Vietnam, provide the best service for customers.

5. **Did ex-Andersen employees accept new norms and company’s philosophy or resisted to change? How did they perceive above dimensions of KPMG?**

Six years after the acquisition, KPMG is now much different with itself in the past. It has become a completely different environment which is very friendly, pro-active and probably the best for whom wish to develop their career in auditing industry. There is no limitation for career promotion. Many Vietnamese staff have posited important positions in the company. Clients have also been more diversified, which is different with that in the past when the company just focused on foreign companies. Nowadays, the large part of clients is stock listed companies, large state-owned companies, joint-stock companies and big private companies as well. Up to now, the working environment has not differentiate between KPMG and Andersen anymore.

6. **Did KPMG see harmonizing the two organizations’ culture and people essential or it just maintained their own culture?**

Yes, KPMG’s management level changed relevantly step by step to integrate two cultures of KPMG and Andersen. KPMG was not rigid to impose its own culture to Andersen staff.
7. Did KPMG employ particular procedures to integrate ex-Andersen staff? (i.e: employed specific experts or organize trainings for Andersen to enable them adapt to new company)

In general, Big Five has the similar auditing procedures and employees’ skills. In the acquisition process, KPMG and Andersen established a new team to find out about culture, procedures, client, auditing method to organize trainings or exchange programs of two firms so that every individual staff may share their own attitudes, concerns.

8. How was Andersen Top Management included in decision making in new company?

Not sure about this problem. But in fact, after one year Andersen foreign management staff did not worked for KPMG anymore. This is probably an indispensability of an acquisition.

9. How was KPMG’s reward and evaluation system different from Andersen’s? Did ex-Andersen staff find it difficult to adapt to new reward and evaluation system in KPMG?

Basically they were similar so Andersen staff had no problem with the new reward and evaluation system in KPMG.
APPENDIX G

Telephone interview with Ms Ngo Thi Hong Khanh, conducted on May 11th, 2009

1. How long had you worked for Andersen before the acquisition? What was your position at Andersen?

I had worked for Andersen since 1998 before moving to KPMG in 2002 as a result of the acquisition. I had worked as a senior in auditing department in Andersen. After 5 years working for KPMG, I moved to work for FPT Group as a deputy director of Ho Chi Minh City branch in 2007. In 2008, I started working as an Internal Audit Manager in Asia Region for Coca Cola.

2. How was the competition in Vietnamese auditing and consulting market in 2002 (at the time of the acquisition)?

PricewaterHouse Cooper (PWC) after its merger in 1997 has become very strong and dynamic in Vietnamese market and maybe led the top position. KPMG and Andersen might be in the second positions. Ernst & Young was not very prominent at this time. Deloitte & Touche had not performed well in Vietnamese market before 2000. From 2000, it cooperated with Vietnam Accounting Company (VACO) to establish a joint-venture corporation and considered as one of Big Four in Vietnam.

3. What were the major reasons / factors for the acquisition?

Market share, Andersen’s clients and experiences staff may be the first three reasons. Besides, access to Andersen’s technology i.e software is also another reason since Andersen had a very good investment in technology. At the time of acquisition, Andersen had been using many different softwares which much supported for auditing procedures.

4. How do you see the similarities and difference between two companies’ vision, philosophy and value?

Each firm has its own culture. Both are multinational corporations so KPMG and Andersen Vietnam are more or less influenced by culture of parent companies. The culture of two firms are led by parent companies; however, when two firms apply Group’s policy in Vietnam, they certainly have to refine it to be relevant to Vietnamese environment and situation. One example is that the difference in the way they orient or focus on clients. In Andersen, there were some audit managers who are Japanese, Taiwanese or Korean. So many clients of Andersen originated from those countries. On the other hand,
KPMG has its own strength and experts in banking or financial institutions sector so it is very well-known in Vietnam for those fields.

Another example, in Andersen there was a team called “business consulting” with extremely great experience. Leading by that very good team was an American who was very experienced and knowledgeable. In general, KPMG and Andersen has their own strength in some specific fields.

It also means the diversity in nationalities of Andersen is greater. The percentage of gender of Big Five is also quite similar, female on male is around 60% – 40%.

5. How about changes or innovation in two companies?

It is very hard to compare since Andersen closed their business in 2002. The changes or innovation in the company much depend on requirements of clients, demand and situation of the market. The situation of Vietnamese market in 1998 was very different with itself in 2002 and now. In 1998, Andersen had different innovation strategy and in 2002 KPMG had different strategies. But one thing is that KPMG and Andersen both strives to learn, acquire and apply best practices, experience of holding companies which have had a long history, more than 100 years. These parent companies have sources, knowledge-base, data, training styles etc. As KPMG and Andersen Vietnam have close relationships with parent companies, whenever there are updates about working methodology or approaches, parent companies always train or teach their affiliates.

Andersen or KPMG Vietnam have annual trainings every year and different levels have various trainings. For example when I was still a manager in KPMG, there was always an international training for this level and above every year. It gathered all members of KPMG global and the company also invites experts from KPMG’s training center. They taught and updated us all the changes, innovations, principles about accounting and auditing on global scale. As KPMG and Andersen are big multinationals, they always utilize valuable sources from parent companies.

6. At the time of the acquisition, how was the statement of Andersen’s employees?

At that time, we have already known that Andersen would be acquired by other companies but did not know exactly which company would acquire until middle of June.
7. At the time you and Andersen staff knew that you would move to KPMG, how was their statement when they are going to integrate to a new culture?

I think it was in the middle of willingness and normal statement. However, I think we were quite nervous since we did not know exactly how the culture, who our new managers, appraisal of new companies would be before knowing that KPMG would acquire. Everybody in Andersen usually discuss about that matter.

When the name of KPMG was proven to the acquirer we were not very surprised since we also predicted the probability of this. KPMG also wished to get the first position in Vietnamese market from PriceWaterHouse Cooper by this acquisition.

In general, I think our statement were neutral. It’s not right to say we were very willing or depressed by new culture.

8. To which extent ex-Andersen’s staff abandon their old culture? Was there any case that Andersen staff could not change compliantly to KPMG culture?

When the acquisition took place, we were sure that we had to adapt to a new environment, new culture. And we had to forget some of Andersen’s old culture and adjust/ adapt to new culture so I don’t think there were specific cases like that. I think we were not resistant to change.

9. KPMG established a team which was in charge of all acquisition issues. Before the acquisition concluded, had KPMG’s team negotiated and had informal meetings with Andersen staff to answer the questions, anxieties or personal problems?

I think there was but it took place after the acquisition finalized, not before. After the acquisition, human resource manager of KPMG met and had a talk with each individual from Andersen. When many ex-Andersen left KPMG after a period of time, human resource department was still in touch with the remaining ex-Andersen staff to get know about their problems.

10. What are the most explicit differences between working for Andersen and KPMG?

I think the most basic differences are the culture, working styles, the relationship between managers and junior staff.
11. Is it like when you are new one who joins in a new company?

Not really, it is right if I was the only one from Andersen who moved to KPMG. But I moved to KPMG with nearly all of my Andersen colleagues, we realized the concrete things were difference in relationships and culture. To be more specific, in KPMG we also worked in team as we did in Andersen. But in Andersen, we worked in a fixed team for a long time – one audit senior with 2 or 3 audit assistants. Before the peaking auditing season in October or November, that group would know exactly how many and which clients we would work with. We were able to arrange our work schedule. The strength when we worked in a fixed team in Andersen is that every member in a team worked very closely and attached to each other. On the other hand, we were not able to book junior staff like that, the way to book staff was more flexible in KPMG. Before the peaking season, we did not know how many and which clients we would handle. In Andersen, we had already knew that thing clearly in September, before the peaking season.

12. From a source that I found, after a short period of time, there were many ex-Andersen staff who left KPMG, weren’t there?

Yes, you are right.

13. How about the extent to which you and other Andersen’s staff adapt to KPMG’s new culture?

I think the ability to adapt to new environment, new culture of every individual is different. It depends on personality and adaptive capability of each person.

In general, it is right that there are many ex-Andersen employees who left KPMG after the acquisition. Apart form the difference in two companies’ cultures, one more important reason was that when KPMG acquired Andersen, I had been working there for 4 years. I also mean with the case of all colleagues who had worked longer than me, 5 or 6 years or more. Working environment in auditing industry is very hard and stressful. People who have been working for from 3 or 4 years or more have a tendency to move to other companies. They incline to find jobs which are less stressful with higher salary in other good companies. Everyone works in this field is the same ... I guess so. That is the common trend. Even there was no acquisition of KPMG towards Andersen, they would also leave the company after 4, 5 or 6 years working in audit industry.
Therefore, two major reasons that ex-Andersen left KPMG were that some of ex-Andersen staff don’t like to work in new culture. The second reason was that when they had committed to auditing companies for sufficiently long time, they wanted to find jobs with less pressure. We can wrap it up by the words “job opportunities outside”. Furthermore, there were some companies which knew that KPMG would acquired Andersen at that time. Big companies had good understanding of Andersen staff and they also knew that Andersen staff would hesitate about staying with KPMG or going to other companies. Those companies also gave generous and attractive offers to attract Andersen staff.

14. Do you think KPMG saw harmonizing the two organizations’ cultures and people essential or it just maintained their own culture?

Certainly top management of KPMG must think about this problem and had some detailed plans to minimize the risk of two different cultures. The thing I realize was that KPMG arranged and let some ex-Andersen managers to involve in management level of KPMG. It means some manager positions in KPMG was undertook by ex-Andersen staff. I think this was also a way they harmonize the two organizations’ cultures. Because managers or senior always have effects on their junior staff. Arranging ex-Andersen managers to undertake the same positions in KPMG was also a way to harmonize the two organizations’ cultures.

15. Some detailed and more concrete things, for example: did KPMG conduct a questionnaire to make a survey about ex-Andersen’s opinions about job satisfaction?

Yes, I remember they did that also. Besides, about one month after the acquisition’s “behind the scenes” had finished and everything was quite stabilized, KPMG started to organize trainings to update and convey KPMG’s way or approach for ex-Andersen staff.

16. How do you think about working pressure in KPMG in comparison to that in Andersen?

Surely it would be greater. At the time moving to KPMG, that was the second year I worked as an audit senior. Before the acquisition, I had already worked one year as audit senior in Andersen. Apart from handling previous Andersen’s clients, I had to undertake some new clients from KPMG. I also had to work with KPMG’s managers, partners or even junior staff. I and my colleagues in the same level were also worried whether we could catch up with the working styles and speed to perform efficient work. That was my own pressure that I felt at that time after the acquisition.
17. KPMG must realize the problem that Andersen’s staff was more stressful, incurred more pressures when working for the new company than before. Did it have some particular actions to diminish that problem for ex-Andersen staff? i.e conduct a survey to get seniors’ concerns or reduce unnecessary, high risk or minorly profitable clients.

In my opinion, KPMG did not reduce the amount of unnecessary clients since the number of staff was large and increasing at that time. Therefore, I think they did not have guidelines to reduce the number of clients. The best way to reduce that difficulty for staff was to provide continuous trainings for ex-Andersen staff to get more familiar to KPMG’s working way. The training program named “on the trust”. To be more detailed about that training, ex-Andersen’s seniors worked with KPMG’s managers. And when learning like that, we also had more knowledge about KPMG’s working concept or approach.

18. Mentioning about clients, did KPMG acquire all of Andersen’s clients?

In theory, KPMG was willing and also agreed to obtain all of Andersen’s clients. But in practice, the matter whether KPMG continued to cooperate with previous Andersen’s clients or not also depended on client side. To maintain the clients, KPMG had the strategy to keep the frame of Andersen’s team who had worked with those clients before the acquisition.

19. Did it increase to recruit new employees to reduce the amount of work for ex-Andersen staff?

KPMG acquired Andersen in June 2002 and after that, there were a recruitment stage in August and September in that year. KPMG, Andersen or other Big Four always have great career days to recruitment new graduates from different universities every year. KPMG also did that in 2002. But I did not remember exactly the amount of new staff in 2002 since it was quite a long time ago.

20. How was KPMG’s reward and evaluation system in the first year after the acquisition? Did ex-Andersen staff find it difficult to adapt to new reward and evaluation system in KPMG?

As I mentioned, since KPMG’s working team was not fixed, flexible with different clients. After finishing one client’s job, every junior staff would make a “performance appraisal” with his/her senior. Until the fiscal year-end annual assessment stage, every individual would submit all of those “performance appraisal” assessment reports to performance managers. In successive years, this evaluation system still had been maintained until 2007, a new evaluation system named “Dialogue” was introduced, which brought more convenience for staff in evaluation.
21. Was there any kind of “loyalty bonus” for ex-Andersen staff who would work for KPMG for a period of time (i.e. staying with KPMG for one or two years)?

As I remember, there was no kind of bonus like that.

22. In general, could you give your own assessment about whether KPMG was successful when integrating the two organizations? Something like rating scale.

It’s quite hard since my position at that time was audit senior and I also have not had enough information and relevant knowledge to answer this exactly. But as I mentioned, in order to integrate two organizations’ cultures, KPMG also arranged some ex-Andersen staff to be managers or they also maintained engagement teams with some ex-Andersen staff who worked with Andersen’s clients before. In my opinion, they were also successful in some extent even though it’s very hard to give a proper answer basing on those actions.

I think certainly it was not perfect but it was quite successful. Although many ex-Andersen staff left KPMG after a short period of time, I think it was majorly due to job opportunities outside. As you know, employees who worked for auditing companies usually transfer to work for other companies - not in auditing industry after 3 or 4 years.