

MSc Programme in Strategy, Organization and Leadership

July 2011

POST-MERGER INTEGRATION

IN



- THE DUTCH SBU

Department of organization

STU: 219.208

Pages: 102

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Executive summary

This master thesis is the ending assignment, before obtaining a master degree within strategy, organization and leadership at Copenhagen Business School. The subject of the master thesis is mergers and acquisitions and post-merger integration.

The thesis is centered on the Danish/Swedish dairy cooperative Arla's acquisition of the Dutch Friesland Foods Fresh, May 4th, 2009 from the dairy giant FrieslandCampina and seeks to explore the integration effort following the acquisition. The analysis will draw on both M&A theory and change management. It is found pertinent to single out four areas of focus, when establishing the theoretical framework and when subsequently performing the analysis. These four areas are integration strategy, integration guidance, cultural integration and employee integration. Within these four categories, the theories used in the thesis suggest more specific action points. The most important points are: Creating a strong and compelling vision, motivation, empowerment, and inclusion of employees in central aspects of the integration process, structural and strategic changes, the preserving of organizational identification, continuity, creation of project teams and installing a sense of urgency.

The empirical data is gathered through interviews with key personnel from the Dutch SBU and two Arla representatives in charge of the integration, and the analysis provide insight into how Arla management and local Dutch management have managed the integration process in relation to the theoretical framework.

In short, it is found that the SBU has been allowed a great deal of autonomy in both the formulation and execution of the new value-added strategy. The local management team has communicated extensively to the employees of the SBU about the integration process and this has helped to create projected continuity, despite the substantial strategic changes that have been made. The commitment this has spurred has to some extent been offset by Arla's failure to assure finalization of pension-contracts and Arla HQ's lack of urgency. This is an issue emphasized by several SBU managers. However, the interviewed Arla representatives do not seem to attach significant importance to it. Perhaps a deliberate choice on the part of the Arla representatives, no major changes have been made in the structure and work organization of the SBU.

1. Preliminary Considerations

Introduction

Today's global economy and internationalization continues to increase the demand on companies to launch change initiatives to improve competitive advantage and adapt to and ever changing environment. These changes can involve internal adaptations aimed at rationalizing or improving efficiency and will often be managed within the existing boundaries of the company. Mergers and acquisitions are highly complex events with a seemingly infinite number of factors that can lead to success or failure. Because so many parts of the participating organizations are influenced in such fundamental ways, mergers and acquisitions represent a profound and difficult organizational change process.¹ Regardless of the change initiative, deliberate organizational change begets some degree of management and control of the involved parties and processes. As a result, management is increasingly being held responsible for the outcome of the change initiative, positive or negative, and "lead change" has become a popular management catch phrase of the twentieth century. The philosophy behind change management theorems is that leaders and managers of organizations not only are instigators of change, but also possess the knowledge and power to steer the change process and ultimately determine the outcome. Whereas much organizational change happens within the organization, in some cases the change initiative will be of a more external character, whereby the company seeks to achieve optimization through for example coalition with another company. This type of change initiative is often labeled a merger or an acquisition (M&A) and has in the past two decades become a popular strategic option for companies that wish to acquire new financial or strategic resources in order to become a larger and more powerful actor on the market. Until the contraction of global finance markets in 2008, the twenty-first century had witnessed the largest ever growth in M&As each successive year setting a new record for the total value of M&As transacted.² In 2006 the global volume of M&A exceeded US\$ 4 trillion with the European share accounting for US\$ 1.4 trillion. Past experience has shown that M&As often lead to

¹ Kavanagh and Ashkanasy, (2006)

² Saigol, L. (2008)

decreased shareholder value and although this trend has been somewhat reversed in recent years, still many initiatives fail to meet expectations.³ One possible reason for this could be poorly executed pre-merger analysis of target companies. Although most literature on M&As focuses on the processes preceding the merger, such as strategic, financial and cultural fit, it might be equally important to examine the post-merger procedures. As mergers are increasingly moving away from unrelated conglomerate mergers to related, horizontal ones, attention should perhaps instead be centered on post-merger integration and the processes following the actual merger or acquisition.⁴ Too often change initiatives such as M&As are planned, launched and executed without any proper consideration of the pitfalls related to the post-merger process and the precautions that need to be taken. As the deal is sealed, management tends to lack an appropriate plan for further action and ends up finding themselves overwhelmed by damage control instead of realizing the projected and anticipated synergies and shareholder value.⁵ Rent-seeking activities, reduced effort and re-allocated effort are just some of the “leakages” responsible for absence of synergy and shareholder value.⁶ It is pivotal that these leakages are addressed and avoided during the post-merger integration and, thusly, the aim of this thesis is to investigate the underlying processes of post-merger integration from the perspective of both the acquirer and the target company.

Motivation

Due to the immense resources devoted to this kind of organizational change, M&As are rightfully regarded as a crucial step for companies to master. All companies undergo some kind of organizational change and most companies must at some point consider expanding its operations horizontally or vertically. In either case, M&As are an obvious strategy. However, because of the complexity, scale and time horizon of such endeavors, M&As often fail to meet the expected outcome and end up consuming immense resources. Although much literature has been written about M&As, we find it relevant to investigate

³ Able, R.M. (2007)

⁴ Hopkins & Donald, (2008)

⁵ Feldman & Murata, (1991)

⁶ Meyer, (2008)

further the implications of this type of organizational change and how it is managed. In particular, the post-merger integration of the target company and the derived processes deserve attention as this is where the initiatives often fail. Finding this specific part of M&As interesting and relevant, we will apply a case study approach to examine the issue. The thesis is, therefore, centered on the Danish/Swedish dairy cooperative Arla's acquisition of the Dutch Friesland Foods Fresh, May 4th, 2009 from the dairy giant FrieslandCampina and seeks to explore the integration effort following the acquisition. In order to perform a proper exploration we find it necessary to establish a theoretical framework consisting of multiple theories and theoretical areas of relevance to post-merger integration. This theoretical anthology will be applied in the analysis of the case at hand and will be applied to draw meaningful conclusions regarding the integration process of the Dutch dairy. The case company and the acquisition in question are found pertinent because the integration process, at the time of this investigation, had been going on for over a year and this allows us to retrospectively analyze the processes and initiatives and come up with recommendations to how to address and improve potential inadequacies.

Problem formulation

The fact that over 50 pct. of all M&As fail to meet expectations indicates that merging and acquiring companies need to revise the approach to the change process.⁷ The integration process and in specific the post-merger integration is considered a highly relevant factor to the success of the change process.⁸ Therefore we find it pertinent to establish a co-relation between the post-merger integration management and the ability to meet the expectations set forth by the merging companies. By doing so, the post-merger integration becomes a very critical phase of the entire process and subject of great importance.

We have therefore chosen to work from the following problem formulation in analyzing Arla's post-merger integration performance:

HOW HAS ARLA MANAGED THE POST-MERGER INTEGRATION OF THE RECENTLY ACQUIRED DAIRY, FRIESLAND FOODS FRESH?

⁷ Thompson et al. (1992)

⁸ Beer and Nohria (2000)

With specific attention to post-merger integration, M&As and change management, we have set forth four working imperatives to direct the thesis. Focusing on factors central to post-merger integration, the selected theories will be operationalized and applied in the answering of the problem formulation. The four working imperatives are as follows:

1. Determine aspects of M&A and change management theory central to post-merger integration.

By scrutinizing various theoretical materials about both M&A and change management, we will try to determine, which theories provide the best insights and tools to analyze a post-merger integration process.

2. Operationalize the selected M&A and change management theory specifically to the Arla case.

In order to conduct an as effective enquiry as possible, we find it effective to operationalize the selected theory, both ensuring focus on issues relevant to the case company and providing the reader with a clear overview of the investigative measures that we are going to apply. The operationalized theory will be composed in a manner so that it forms an anthology, consisting of a series of relevant subjects and different theorists take on these subjects, and the anthology will then constitute the theoretical framework of the thesis.

3. Establish to what extent the integration process has proceeded in accordance with the operationalized theory.

Moving on to the analysis of the thesis, the anthology will be applied to the case company, Arla, and the post-merger integration process following the acquisition of Friesland Foods Fresh in May 2009. Analyzing the integration process, we will try to establish the measures used by management and the extent to which these correspond to the ones prescribed by our anthology.

4. Clarify what steps need to be taken to ensure further integration of Friesland Foods Fresh into Arla.

As a last part of the thesis and based on the findings in the previous sections, we will come up with recommendations to how further integration can be promoted. We will try to outline both the positive and negative aspects of the integration effort and clarify which subjects in the theoretical anthology deserve more attention.

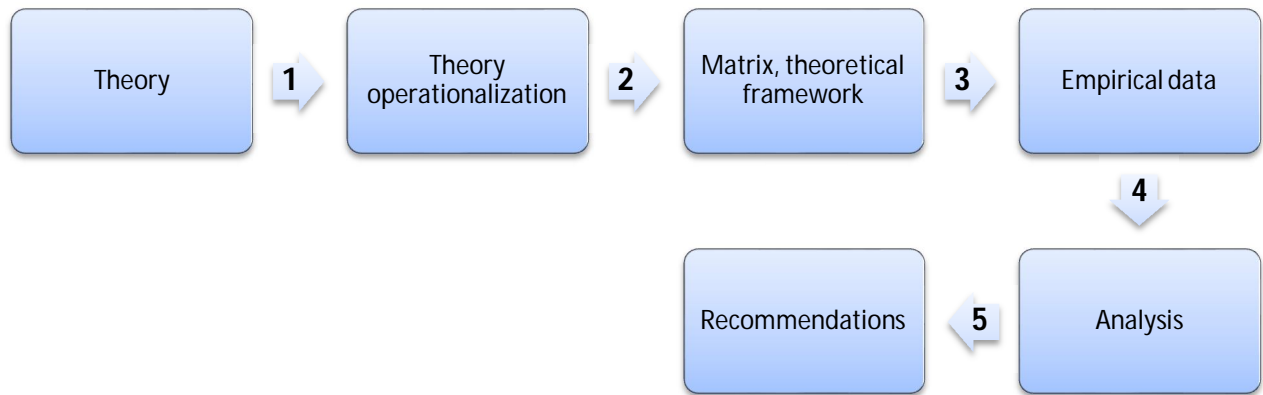
2. Methodology

Employed research strategy

In the theory section of this paper, a theory matrix consisting of an anthology of theorists and their respective arguments regarding selected areas of focus, will be presented.⁹ To illustrate the investigative enquiries and the cognitive processes preceding this matrix, we have set up a figure explaining the interrelationship between theory and empirical data and how this relatedness is formulated into our theory matrix. Furthermore, the figure seeks to illustrate how this matrix is applied to our empirical data and how this, in turn, forms the basis of our analysis.

⁹ See page 36. The matrix will be explained in further detail in same section.

Figure 1



Applying a deductive approach, this thesis departs from a theoretical foundation, which steers the collection of empirical data. By starting out uncovering a vast array of theories concerned with both M&A and change management in general, a body of theoretical material is compiled and hereafter operationalized and used to guide the empirical research. This process is illustrated by arrow 1.

The operationalized theory is then applied to a matrix structure with the authors along the x-axis and selected areas of relevance to the case along the y-axis. This construction gives the reader an overview of the selected subjects of relevance to post-merger integration and the selected authors' view on these subjects. The matrix constitutes what we choose to call the theoretical anthology of the thesis and this then acts as theoretical framework for our further investigation. The process is illustrated by arrow 2.

With the theory operationalization and the theoretical anthology in place, the empirical data collected through our empirical research is brought in and discussed in relation to the different theories. The application of the anthology to the empirical data constitutes the analysis of the thesis, where we seek to clarify what measures and initiatives are used by the management of the case company and to what extent these are similar to what our anthology prescribes. This part is illustrated by arrow 3 and 4 in figure 1.

Lastly, based on our analytical findings and theoretical anthology, the thesis will provide recommendations to how to potentially improve the integration process and what steps need to be taken to ensure this. This is illustrated by arrow 5.

Clearly, the approach chosen in this thesis is of a normative character. Choosing to construct a theoretical anthology based on what seems to be the subjects of highest relevance to post-merger integration and then applying this anthology to the empirical data with the intent to find similarities, we act normatively as we indirectly prescribe a norm or a standard for the case company to adhere to. The anthology itself is very normative as it comprises a series of normative, theoretical statements and act as guiding line for our assessments in the following discussions. The last section, where we give our recommendations to how to improve the integration process, as mentioned, is based on our analytical findings and the theoretical anthology and must also be regarded as highly normative.

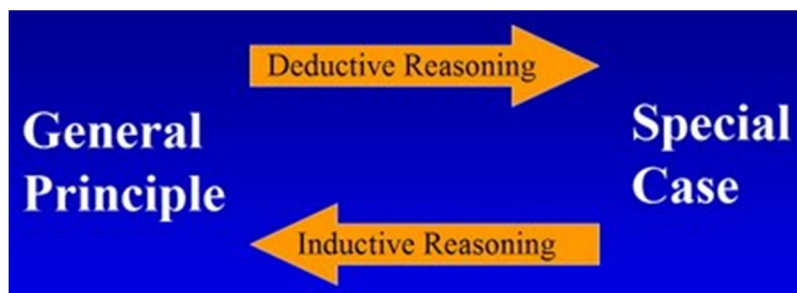
Methodological approach

As described in the section above, this thesis initially can be described as following the deductive logic as it starts out on a theoretical platform and then subsequently attempts to validate and confirm these theoretical findings through empirical evidence. However, as illustrated by figure 1, to construct the actual theoretical framework and then applying this on empirical data, it can to some extent be argued that the intermediate approach between induction and deduction i.e. ‘abduction’ is of a more appropriate character. Abduction is defined by exactly this continuous interaction between theory and empirical evidence and this systematic combination helps us comprehend and contextualize our findings, since we go from theory to empirical observations, and vice versa. Based on existing theories, the aim of the thesis is to locate key characteristics of post-merger integration processes in relation to M&A. Empirical evidence leads us to modify and select theory during the course of this thesis and, therefore, the purpose of our analysis is to identify relevant factors in relation to post-merger integration, using these modified theories.¹⁰ The case study that is used in this thesis is considered to be an appropriate method when the research question is explored by

¹⁰Saunders *et al.*,(2003)

examining a contemporary event, as case studies provide a strong relevance to problems in practice.¹¹ The case study also constitutes a way of exploring and challenging existing theories.¹² The contextual philosophy of the thesis owes more to interpretivism, due to the fact that we research unique management situations, which is not subject to generalization.¹³

Figure 2



Empirical foundation

In order to conduct a contemporary core analysis and to capture and interpret the experiences of the people involved in the change process in Friesland Foods Fresh (the Dutch SBU), our primary source of empirical data stems from four qualitative interviews. Three of these were conducted in Nijkerk, the Netherlands, September 2009. Semi-structured interview guides were used to interview the Managing Director, Marc Ligthart, the Sales Director, Carin Van Leuwen, and the Marketing Director, Louis Rippen, of the target company. The majority of the questions were open-ended in order to further facilitate the full appreciation of the interviewees' feelings attitudes and understanding of the subject.¹⁴

The last interview was conducted in Århus, February 2010. Also here, a semi-structured

¹¹Yin,(1998)

¹²Saunders *et al.*,(2003)

¹³Saunders *et al.*,(2003)

¹⁴Kvale, (1996)

interview guide with a number of open-ended questions was employed. The interviewees were Lothar Laufer, Head of the Integration Process, and Nina Bjerring, Head of the Strategy Process. These are the two key persons employed by Arla as responsible for the integration process following the acquisition of the Dutch dairy.

Qualitative research methods seek to uncover social environments and contexts of individuals, through for example interviews or cases. An assumption of these environments being construed and only subjectively observable, creates a necessity for interpretation and, thus, using interviews as research method has to be outlined in a series of method stages to ensure the validity of the empirical output. These stages are comprised of thematizing and conceptualization of the research topic, the analysis process, and, the verification of the empirical data gathered in the interviews.¹⁵

Although our qualitative research may not lead to any objective truth, Kvale states, that a linguistically constituted world legitimates the use of qualitative interviews.¹⁶ Furthermore, he argues that a certain degree of objectivity can be obtained by letting the investigated object speak freely by using less close-ended questions. Throughout the interviews we sought to let the interviewees tell their own stories and experiences, by operating as free of the interview guide as possible. This is manifested in the somewhat long monologues by the interviewees throughout the interviews. Hereby we took advantage of both the explanatory and the exploratory qualities of the research method.¹⁷ A dictaphone was used during the interviews and full notes were taken in order to ensure maximum transfer of information and to increase the validity of our interviews.¹⁸

The interpretational method of investigation can be described as hermeneutic as it departs from the assumption that the reality we perceive is socially constructed through interactions of individuals and therefore can only be interpreted as such. It is important to bear in mind that the investigation of these social constructs to some degree is influenced by the interaction between the interviewer and the interviewee, the latter being directed by a desire to manage his or her self-presentation according to various norms and social

¹⁵ Kvale, (1996)

¹⁶ Kvale, (1996)

¹⁷ Saunders et al., (2003)

¹⁸ Ibid

representations.¹⁹ The interviews were therefore conducted in a semi-structured manner, avoiding standardization and granting greater freedom to the interviewees.

The interviews with the employees in the Dutch SBU are meant to provide us with an understanding of what changes the organization has gone through after the acquisition and which individual and organizational implications this has had. Especially the implications for the members of the management team were of significant interest to our investigation. The interviews with Arla's strategy and integration project leaders served the purpose of clarifying the initiatives taken to facilitate the integration of the Dutch dairy into Arla. The objective of this sort of investigation strategy was, on one hand, to disclose what consequences the acquisition has had for the target company, its various departments, and the individual employees, and on the other hand, to relate the finding to the enterprise and strategic initiatives by Arla as acquirer.

From the home page of Arla A.M.B.A, we have found information about the company such as organizational charts, key dates for the acquisition etc. The classical inherent lack of resources to produce enough interviews, both qualitative and quantitative is, however, evident in our case. We are, thusly, limited from being able to triangulate our current data with quantitative interviews such as questionnaires to employees in the Dutch SBU. The limited time hinders us from describing the integration process over time and in its full length. As a result, the validity of the thesis is, to a large extent, highly dependent on the information available to us.²⁰

Theoretical positioning

In investigating factors central to the acquisition of the Dutch SBU in Arla, both theories from the field of change management and M&A will be used. Considering the complexity of

¹⁹Scherrer, (2002). Goffman claims that this occur in any given social interaction and that individuals are therefore not "(...) passively exposed to social impressions, but they control the anticipated influence that is exerted upon them by conveying a certain expressive quality of themselves (Goffman, 1959, 1967 in Steyrer 1998)

²⁰ Ibid

acquisitions in general it would be insufficient to study the process in relation to merely one of the two theoretical areas.

Our two change management theories are employed to provide a general approach to the concept of change. As change management covers all varieties of organizational change, it grants a holistic view on the change process, which allows us to consider the change in the Dutch SBU from a distance, identifying all relevant aspects of the process.

Firstly, the positivistic approach provided by John P. Kotter allows us to consider the steps taken by Arla and the Dutch executive team in the change process, and to some extent evaluate their performance.²¹ The process will be analyzed in relation to the eight steps applied by Kotter. Secondly, Michael Beer and Nitin Nohria add a slightly different perspective to the analysis as they offer an approach to the integration process, which strategically emphasizes the sequencing and design of the change strategy. Two very different archetypes of change are accounted for and the utilization hereof is advised and evaluated with a variety of pros and cons.

The M&A theories, on the other hand, are much more specific in explicitly addressing relevant topics, hereby enabling us to investigate and analyze each central area of focus distinctively and in greater detail.

In the pure sense of the term, a merger happens when two firms, often about the same size, agree to go forward as a single new company instead of remaining separately owned and operated. This kind of action is more precisely referred to as a "merger of equals" and both companies' stocks are surrendered and new company stocks are issued in its place. An acquisition, on the other hand, takes place when one corporation takes over controlling interest of another. The company that is being acquired is referred to as the target company and although the term acquisition usually refers to a larger company consuming a smaller one, the outcome of an acquisition is always a formation of a single business entity from assets and liabilities of two separate units. The latter is relevant in the case at hand and the specifics surrounding the case have been used to steer the selection of M&A theories.

The framework by Marie H. Kavanagh & Neal M. Ashkanasy will be engaged to endow an overview of the cultural and individual consequences of organizational leadership and

²¹ Kotter, (1996) & (2008)

change strategy.²² The contemplation supplied by Poul Thompson, Terry Wallace & Jôrg Flecker will be applied to account for the synergetic and cultural gains and implications in relation to M&As with a focus on human resources.²³ The study from Johannes Ullrich, Jan Wieseke & Rolf Van Dick will provide a conception of organizational identification in relation to the sense of continuity through the change strategy.²⁴ W. Warner Burke & Peter Jackson support the framework inferred by Kavanagh & Ashkanasy by concentrating on cultural and leadership aspects of M&As with specific focus on the human side of the matter.²⁵

Despite the fact that Kavanagh & Ashkanasy put up a very useful and relevant construction on the institutional leader's and the change strategy's impact on individuals in the organization, it lacks a perspective on the optimization of the change strategy, as well as an outcome focus on potential synergetic effects. Thompson, Wallace & Flecker's construction contains these premises but comes short on aspects of leadership and organizational identification as they focus on cultural and individual effects on synergy.

Ullrich, Weiseke & Dick present a very useful take on both continuity and organizational identification and where they seem to neglect the leaders' role in the change process, as well as synergetic effects and gains, Kavanagh & Ashkanasy fill out the gap with a strict focus on the leader.

All of the above mentioned constructions can be criticized to lack process orientation, thus failing to provide a process view on organizational change. To remedy this, we employ Kotter, who contributes with a positivistic and very hands-on approach to change management. He can, however, be criticized for being both somewhat superficial in his recommendations as well as too generalistic. His change management construction is supported by Beer & Nohria, whose strategic design and sequencing of the change strategy is central to our analysis. It could be criticized for lacking the above mentioned process emphasis, but its thorough multi-perspective foundation makes it highly relevant in the discussion of post-merger integration.

The fact that our final theoretical framework, the anthology, is based on a selected number of independent theoretical constructions, assembled from areas of both change management

²² Kavanagh & Ashkanasy, (2006)

²³ Thompson et al., (1992)

²⁴ Ullrich et al., (2005)

²⁵ Burke & Jackson, (1991)

and M&A theory, has certain weaknesses. It is probable that the perspectives are too similar and therefore let us consider the same object indifferently. This overlapping of focus will force us to dismiss some of the arguments in the theoretical construction. Related to our creation of the anthology, we have tried to select relevant areas of focus and thereby causing the different constructions to be convergent tools of observation instead of competitive ones. Naturally, when the theoretical constructions are based on case studies slightly different from the case at hand, some considerations are discarded as less relevant.

Considering the empirical data solely in relation to one theoretical area would be futile and would produce an inadequate and fairly one-sided conclusion. In consequence, by working with two generally different areas of theory, with numerous detailed scopes, we are able to analyze the processes undergone in the Dutch SBU through multiple defined areas of focus, which will provide us with a full picture of the whole integration process.

Thesis overview



Theoretical framework

The field of research of this thesis, the acquisition of the Dutch diary, can obviously be approached in numerous distinct and equally meaningful ways and our problem formulation represents merely one of these. Depending on the chosen approach, different theoretical frameworks will seem more or less relevant in seeking to elaborate on and answer the problem formulation and therefore the researcher is required to uncover a wide range of theoretical material to construct an appropriate foundation for the thesis. Having gone through this process, we have come to realize that our perspective on the issue brings into play two different, but at the same time somewhat overlapping areas of theory. The first one is change management in general. This area is concerned with all types of organizational change of significant importance and character. This could for example be a strategic shift from cost leadership strategy to differentiation strategy, something that arguably would require a significant restructuring of organizational assets. Other examples could be penetration of new export markets, changes in organizational structure or a major layoff. All these types of changes impact the organizational members and require some degree of management to be initiated and to proceed successfully. Theory regarding M&A shares a lot of the same characteristics as change management in general, but applies a specific focus on the type of organizational change that involves either a merger between two organizations or the acquisition of one organization by another. Although a distinction can be made between mergers and acquisitions, they both entail some kind of legal obligation and documentation, which have to be negotiated and agreed on by organizational managers. The changes brought on by the agreement often inflict a considerable portion of the individuals engaged by the organization and, thus, causes numerous processes and issues to arise.

Having scrutinized both theoretical areas described above and compared the material found, it becomes clear that the most fitting branch of theory is the one related to M&A. As our case revolves around an acquisition, change management in general tends to be too non-specific, including factors and dynamics simply without importance to the subject we wish to investigate, which is post-merger integration. Instead we have chosen to select our theoretical foundation predominantly from M&A publications, however, not entirely excluding material from the area of change management in general.

Areas of Focus

Through our research in both theoretical fields it became clear that certain factors and issues seemed to be of higher relevance than others as they kept reappearing in the material.

Although these topics sometimes were presented in different forms, there was a clear pattern suggesting that these were of central importance when analyzing a case within this theoretical sphere. The following paragraphs will account for a selection of the main areas within the theoretical field of M&As and change management.

1. In general all theoretical material acknowledges the relevance of a "human side" in the change process. Naturally, people constitute an important part in any organizational change as they, in almost any scenario, will be required to change behavior to fit the new situation. Without behavioral changes from the employees, organizational change will be impeded or even halted. The human side is therefore a factor managers cannot afford to ignore no matter what sort of change initiative they seek to implement.
2. Another central topic that is discussed in most of the material is the leaders' role in a organizational change, perhaps especially in M&As. Organizational change often demands some degree of orchestration although some authors suggest that it shall emerge internally and not be imposed by top leaders. In any modern company the change process would need to be supervised and evaluated during the process. Furthermore, an acquisition is simply not possible without intervention from leaders as they are the ones who initiate this type of organizational change. A merger or an acquisition cannot take place independently from company management and in many cases the acquisition will cause comprehensive transformation in the target company, which also begets leadership to avoid confusion, misunderstandings and uncertainty.
3. Depending on the scope and depth of the change initiative, the values and norms that constitute the foundation of the organization might be altered, either deliberately to facilitate the change initiative, or unintentionally as a result of for example structural or strategic changes. Some changes do not require alterations in the fundamental values of the organization, but changes brought about by M&As will often be of a character that entails

strategic and structural rethinking. This brings into play the organizational culture of the company, which we choose to define as follows:

*"(...) the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization."*²⁶

It is an important aspect of organizational culture that it also has to do with the way members of the organization interact with external stakeholders, as in the case of an acquisition , where members of the target company can be required to engage in collaboration with members of the acquiring company.

4. Besides offering suggestions to specific issues that need to be addressed in organizational change processes, much of the theoretical material propose an over-all strategy on how to approach and manage the change process using a variety of different tools and measures. Though they vary in composition, these suggestions all constitute coherent change strategies that try to give an overview of the central factors that should be included when seeking to successfully engage in organizational change. Again, M&As present managers with a distinctive set of challenges and issues to be addressed and a large part of these are related to the integration process following the merger or the acquisition. This over-all strategy is essential as it enables managers of the change process to plan ahead and foresee challenges that can arise, and because it allows for the formulation of a consistent strategy, capable of accommodating the particular characteristics of the change at hand.

Based on these findings, the theoretical framework of this thesis is comprised of four distinct categories. They are all derived from what we find are main areas within the body of literature on M&As and change management. Although these four categories may not be exhaustive, together they do represent a pivotal part of M&A theory and change management in general and as such provide us with an ample framework that is applicable to the case at hand. The four categories are; integration strategy, integration guidance, cultural integration and employee integration. These four categories, we find, constitute the most important and central issues debated in change management and M&A literature and

²⁶Hill& Jones, (2001)

can be considered applicable to a wide range of M&A situations and change situations in general. It is important to note that these categories contain sub-categories that relate to the overall subject, but applies slightly different approaches to it. These four categories and their respective sub-categories comprise the theoretical anthology of the thesis and this anthology is developed with the intention to create a theoretical framework that can be applied to our empirical data to assist in the analysis of the case at hand and to answer the problem formulation as thoroughly as possible. In the following section, all four categories will be accounted for, both explaining what relevance they bear in relation to the case, but also describing the selected theorists' arguments regarding the categories. As explained, each category contains sub-categories and because of the inherent convergence and interconnectedness between these, and to provide a better overview of the anthology as a whole, the section is divided into four overall categories integration strategy, integration guidance, cultural integration and employee integration.

Integration Strategy

The thesis has been theoretically structured around four categories, which are found to be of vital importance to post-merger integration processes such as that of the Dutch SBU into the Arla Cooperative. These areas will be accounted for in the following sections, Integration Guidance, Cultural Integration and Employee Integration. Acting as an umbrella category, Integration Strategy will seek to encompass the essential aspects of the three aforementioned categories and at the same time describe how the over-all change strategy must be crafted with attention to certain characteristics of the organization.

In order for any major change initiative to evolve smoothly, a series of processes and initiatives must be orchestrated and managed through some degree of deliberate strategizing and planning. Partly, this is the responsibility of top-management of both involved companies. Creating a vision of collaboration, integration of technology, implementing structures and networks, and establishing a participatory culture are just some of the challenges that managers are faced with. The general change strategy is an expression of the combined effort made in relation to any of these challenges and is, thusly, to some extent

improvised during the integration process. However, to ensure effective execution of the integration process, the change strategy and the factors influencing it, should be considered prior to the process. This section will go over the different theorists used in the thesis and describe their view on the formulation and content of the change strategy.

Marie H. Kavanagh and Neil M. Ashkanasy suggest that the general change strategy of any merger or acquisition must be formulated with special attention to four identifiable aspects of the organization:²⁷ (1) the behavior of institutional leaders; (2) the selection and execution of appropriate management strategies (particularly change management strategies); (3) an understanding of the organization's basic structure, systems and formal processes (culture); (4) actions taken by leaders affecting acceptance of change by individuals, who play key roles in both formal and informal systems. The importance of leadership and management is clearly at the center of attention in Kavanagh and Ashkanasy's theoretical work, but also a thorough understanding of the organization's cultural dimensions is considered paramount.

Much in line with the above described theory, Poul Thompson, Terry Wallace and Jörg Flecker, apply a very systematized approach to the change strategy, suggesting a trichotomy focusing on work organization, industrial relations and management systems.²⁸ Work organization has to do with the way the production process of the organization is organized and the authors mention teamwork, flexibility and quality as examples of this. These changes, they argue, are usually not planned ahead of the acquisition and often occur as an indirect result of, for instance, managerial shifts. Industrial relations are defined as alterations in trade union recognition, works council and job security and these are all areas affecting the post-merger integration process and the involved individuals. Lastly, management systems are specified as managerial functions, decision-making structures and control mechanisms. Changes in these systems are likely to cause derived changes in the two other main areas and the management system might rightfully be regarded as the area in which direct, intentional changes are most frequent and easiest to impose.

Johannes Ullrich, Jan Wieseke and Rolf Van Dick apply a somewhat different approach to the change strategy and choose to focus on social identity and how this is influenced by and influences organizational change. The change strategy, they argue, has to be constructed in a

²⁷ Kavanagh & Ashkanasy, (2006)

²⁸ Thompson et al., (1992)

way so that it preserves social identity which, in turn, is connected to organizational identification. When organizational change occurs, a strong focus on a sense of continuity among the involved individuals should be promoted and alterations in mission, strategy, structure and values should be kept at a minimum to avoid loss of organizational identification.

W. Warner Burke and Peter Jackson build their argumentation on a case study of two merging companies and the change strategy they recommend is derived from the CEO of one of the merged companies, Robert Bauman, who gives his guideline consisting of five principles to how to make a merger work.²⁹ First, the merger must be based on sound business reasoning, meaning that the basic motivation for the merger must be a managerial consideration of economic or strategic character forecasting short- or long-term financial benefits derived from the merger. Secondly, Bauman argues that it is of utmost importance that the involved companies and employees are brought together as quickly as possible and that steps are taken to develop a new culture and new daily operations different from the ones of the pre-merger companies. Thirdly, project teams including employees from both companies should be involved in the creation of the new organizational structure. Bauman insists that members of the organization themselves handle the integration process and identify redundancies in the post-merger company as this lays the foundation for future relationships and eliminate the “we” and “they” syndrome. As a fourth principle managers and project teams should be encouraged to think about the future of the company and how to maintain a competitive advantage with the resources at the post-merger company’s disposal. Lastly, continuous monitoring of the implementation of the mentioned initiatives is required, for example through employee surveys about corporate culture.

Michael Beer and Nitin Nohria operate with two dimensions of change, which they label Theory E and Theory O. In short, Theory O is concerned with change based on development of organizational capabilities. It aims at developing corporate culture and human capabilities through individual and organizational learning. Furthermore, a Theory O driven change initiative typically prioritizes long-held, commitment-based contracts with their employees. Theory E, on the other hand, strategies are driven by shareholder value and are considered the “hard” change strategies. Some of the instruments favored by this approach are

²⁹ Burke & Jackson, (1991)

economic incentives, downsizing and restructuring. The two authors propose that organizational change strategies should be construed through an enactment of Theory O and Theory E in sequence. For example, a company can first lay-off employees (Theory E) and then cut down organizational hierarchy and improve communication (Theory O). However, it is often too hard to manage this circumstance, because it takes years to fully implement. Additionally, if there is a change in senior management during the process, the program of sequencing may lose momentum and direction. This lack of speed and possible loss of direction can cause doubt and disillusionment about the process. So instead of using only one theory or sequencing the two theories, a company could choose to implement both theories at the same time. The simultaneous use of both theories is more likely to be the source of sustainable competitive advantage, Beer and Nohria argue. The company should explicitly confront the tension between E and O goals and embrace the paradox between the two theories. This should become a balancing act between initiating actions that follow one theory and then contradict that theory. The company should focus on simultaneous “hard” and “soft” changes. “Hard” changes such as corporate structure and systems should be changed while making “soft” changes to the dynamics of the corporate workplace and its culture. The two authors themselves recognize that this is a difficult balancing act to master, however, they still see the simultaneous use of both theories as most likely to be the source of sustainable competitive advantage.

John P. Kotter contributes to the discussion of change strategy with a contingent positivistic approach to organizational change processes.³⁰ He frames the change management through an eight-stage process. Firstly, stressing the importance of establishing a sense of urgency, he argues that the absence hereof and the presence of false urgency or complacency will undermine the change process and reduce the possibilities of a successful change process. The middle and lower management groups play a central role in the inducement of urgency. Secondly, creating a guiding coalition to manage and lead the transformation effort is essential for the process. The group of key individuals should be synthesized with attention to the individuals’ position, power, expertise and credibility. Also the relative combination of leadership and management with the individuals are important to the efficiency and impact of the coalition. Thirdly, the development of an appropriate vision and strategy for the change process is considered imperative. The effectiveness and feasibility hereof potentially determines the outcome of the process. Fourth, the communication of the

³⁰ Kotter (1996)

developed change vision must be simple and comprehensible in order to minimize the risk of communication failure. It is argued that the use of two-way communication and a variety of different forums advances realization of the change vision considerably. A fifth contributing factor is empowerment of employees, as this facilitates broad-based action and a swift integration of the target organization. This can happen by involving and motivating employees and by removing any potential barriers of change. In addition, structural and system alignment to the change vision are considered imperative. Sixth, to avoid feelings of despair among employees, Kotter suggests the generation of short-term wins. These help to uphold the motivation that is needed to continue the change process. The seventh point Kotter makes is that managers should build on the changes already made. Every step in the change process offers a chance to evaluate what has been a success and what has failed and managers should use this opportunity to keep building momentum for the coming steps of the process. Lastly, the importance of anchoring new approaches in the culture is highlighted. Appreciating the fact that cultural change is a very time consuming process, Kotter points to the fact that new approaches are to be anchored through key people in the organization. It is important to get the leaders of the organization to support the changes and to ensure that newly hired staff is educated on the change ideals and values.

Integration Guidance

The greater the magnitude of the change, the more important leadership becomes and being one of the key dimensions mentioned by Beer and Nohria in relation to change management, leadership is described as the glue that sticks the organization together in times of peril. Additionally, with the ability to act as a driver and perception instigator, leadership is a crucial ingredient in change management. In the following section, we will establish how the selected theories describe the influence and importance of leadership in relation to change management and post-merger integration.

According to Bass and Avolio, in Kavanagh and Ashkanasy, leaders must promote change by creating a vision.³¹ Consequently, emphasis is put on leadership and the leaders' impact on individuals' ability to accept change. Consequently organizational culture and individuals' reaction to change is argued to be formed by the conduct of the leader. Therefore, the

³¹Kavanagh & Ashkanasy, (2006)

general attitude towards change among employees is controllable through the behaviour of the institutional leader, as the leader's action affect key individuals' acceptance of change. The acceptance is controllable to a degree, which can determine the outcome of the acquisition and Kavanagh and Ashkanasy argue that the CEO and executive team must assume the role of chief architectures of the change process.³² The linear approach to leadership favours the executive team as change agents and adheres to the leader-centred perception of leadership.

In relation to leadership style, Kavanagh and Ashkanasy suggest that transformational leadership is essential to explaining how organizational cultures are shaped and preserved. Employees are prone to react affectively to transformational leadership behaviour such as developing a vision, and communicating and modelling appropriate behaviour. To motivate employees, leaders must communicate the core values of the change through vision and personal actions. According to the authors, leaders who display transformational attributes, such as inspiration, motivation and influence, are able to align or realign employees values and norms and promote organizational change. It is implied that the manner in which the change process is managed by the leaders is significant for the process outcome. Leaders will be perceived in a positive manner when consequences for individuals involved in the change process are positive. To precipitate the positive attitude towards a given change initiative, Kavanagh and Ashkanasy establish a three dimensional action plan for the leader in a change process. Firstly, it is vital to carefully select the method or approach to be used to manage the change process and to develop and integrate a new culture. Secondly, there must be established effective channels of communication, which involve individuals at all levels of the organization to inform individuals of the stages to be followed and to outline clearly the outcomes for them. Lastly, the leader should perform in a positive manner, recognizing that change is an emotive process and people need to be changed with dignity by acknowledging contributions and justifying the reason for them personally to move on and embrace the transformation.

Ullrich et al. point to middle managers and top leaders as the main characters in the creation of continuity. Middle managers should be included in decisions affecting the future of the

³² Ibid

company and leaders should act as representatives for the post-merger organization, and, thus, as symbolic agents of continuity.³³

As mentioned in the previous section, Burke & Jackson give their guideline, consisting of five principles, to how to make a merger work.³⁴ The third principle discusses project teams and the creation and usage hereof. Project teams including employees from both companies should be involved in the creation of the new organizational structure. They insist that members of the organization themselves handle the integration process and identify redundancies in the post-merger company as this lays the foundation for future relationships and eliminate the “we” and “they” syndrome, where either employees of the target or the acquirer (or both) distance themselves from the other party. This syndrome differentiates the two merging companies and can severely impede organizational integration.³⁵ This can be characterized as a very anti-hierarchical approach to how the change process should be managed, and as such, deviates from some of the other theorists take on what in this thesis is labeled Integration Guidance. However, as a last contributing factor to be recognized, Burke and Jackson put forward the role of leadership and leadership practices. Besides being important manipulators in regard to values and attitudes, leaders are often instigators of organizational change. That is, changes in the external environment incite company leaders to respond or react to these changes through organizational change. Here, Burke and Jackson distinguish between transformational and transactional change, the former causing the most comprehensive alterations including change in the mission and strategy, leadership, and culture of the organization. Transactional change often occurs as a result of transformational change and affects structures, systems, management practices, and climate. The authors conclude that for organizational change to be effective, the four transformational change factors are the ones that need to be addressed. Trying to bring about organizational change merely using transactional measures is insufficient as these bear far less “weight” compared to their transformational counterparts.³⁶ In relation to synergy realization, Burke and Jackson highlight local customization as the key factor. Accordingly, tight direction should be coupled with loose interpretation. This means that the overall strategy of the acquiring company should be understood, but customized to the target company. Customization is particularly important to ensure optimal synergy realization.

³³ Ullrich et al., (2005)

³⁴ Kavanagh & Ashkanasy (2006)

³⁵ Ibid

³⁶ Burke & Jackson (1992)

A sharp focus on culture and leadership as a participative process are the hallmarks of O-driven change strategies, described by Beer and Nohria.³⁷ In theory E-driven change initiatives, leadership is very top-driven, and goals are set based on the expectations on the financial market, and typically not in conjunction with neither management team nor lower-level employees. This top-down tendency is validated through the argument that only the CEO can make superior strategic decisions. Speed being of the essence, there is simply not enough time to reach a consensus with a given management team. As mentioned, Theory E leadership is imposed from the top and down and with scarce involvement from low-level management. Leadership aligned with Theory O, on the other hand, feature participation, commitment and dialogue and often originates from the bottom and up. Theory E orientated leaders emphasize rationalization and immediate financial results, with little time to, or aspirations of, improving organizational capabilities. By comparison, in O-type change processes, leaders focus on collectivity, trust and commitment, and the development of organizational culture, quality and productivity. Process-wise, E orientated leaders adhere to a stringent, comprehensive and programmatic plan for change, which dictates specific targets and specific dates for managers to follow. Much like a military battle plan, there is little room for change and no responsive negotiation between leader and follower. By contrast, O-driven process relations are more evolutionary emerged, without a single person as change driver, but instead numerous persons responsible of propelling the process.³⁸

Kotter's view on integration guidance is that middle and lower management play a central role in the inducement of urgency.³⁹ It is argued that the change process and the transformation effort can be optimized by letting it be lead by a guiding coalition. The coalition should be synthesized with special attention to the individuals' position power, expertise and credibility. Also, the relative composition of leadership and management has an impact on the coalition's efficiency and ability to affect the change process.

³⁷ Beer & Nohria, (2000)

³⁸ Beer & Nohria, (2000)

³⁹ Kotter, (1996)

Cultural Integration

When two firms merge, the target firm will often to some extent submit its autonomy and independence and adapt to the acquirer. A new and altered working environment will arise in the wake of this substantial organizational change, and in many cases this leads to a change in organizational culture. It is argued that acquisitions too can create a fragmented working environment due to differences between the two cultures of the merging firms and this, in turn, creates a risk of difficulties in the working process.⁴⁰ The following theory section will depict different authors view on how the issue of colliding cultures best is managed during a change process, such as an M&A.

According to Kavanagh & Ashkanasy, employee involvement and empowerment should be promoted for optimal and swift integration of any new culture in the acquired firm.⁴¹ It is important to make the employees feel that they influence the integration process and are not just passive bystanders. Often, M&As are associated with great uncertainty and insecurity and this potentially has immense negative effect on the individuals involved, both in the acquiring company as well as in the target company. However, it should be emphasized that any M&A activity will result in a cultural change over time, and that individuals' view on these changes is of central importance to a given integration process.⁴² According to the two authors, a change in corporate culture implies a change in measuring tools and consequently also in loyalty. This represents a threat to corporate values and potentially the entire organizational lifestyle. As a result hereof, an increased defensiveness and a growing lack of trust is likely to appear. Lack of trust can be a severe inhibitor for general acceptance of a given change process. Kananagh and Ashkanasy argue that when the consequences of organizational culture moves are greater constraint for individuals, individuals will be more negative about the change process.

Any absence of synergy can often be traced back to failure in the integration of people and culture, and for this reason Thomson et al. argue that a thorough investigation and

⁴⁰Hitt et al., (2001)

⁴¹Kavanagh and Ashkanasy, (2006)

⁴² Kavanagh and Ashkanasy, (2006)

evaluation of both is a critical success factor of any M&A.⁴³ Before the actual acquisition, it is essential that the acquiring company evaluates any possible divergence between the organizations within both culture and HR as well as the three core areas; work organization, industrial relations and management systems. The authors claim that the higher degree of relatedness between target and acquirer, the more successful the outcome of the change process.⁴⁴

Ullrich et al. approach the issue of organizational culture in relation to M&As in a somewhat distinctive manner compared to most other researchers in this field. Emphasis is on the role of continuity and organizational identification and it is examined how these two influence the underlying processes of the merger or acquisition. They postulate that in situations of organizational change, whatever uncertainty may arise regarding personal future, procedures and chain of command, a sense of continuity among the involved employees is of central importance to preserve the organizational identification and the benefits derived from it.⁴⁵ This regards both the everyday operations employee engages in, but also more intangible characteristics of the organization such as vision, mission and strategy. In this context the authors emphasize the division of the concept of continuity into observable continuity and projected continuity. These two archetypes of continuity determine the employee identification before and after the merger or acquisition and hence result in organizational identification if handled properly. Observable continuity is the type of continuity that has taken place from past to present and, consequently, is observable to the individual employee. Projected continuity, on the other hand, is defined as a vision with a clear and accepted process leading to the achievement hereof, thereby linking the present and the future. If for example a change process entails profound changes in process or strategy etc. the discontinuity hereby created can be offset by letting employees expect stability in the future through knowledge and insight into each forthcoming step of the change process.

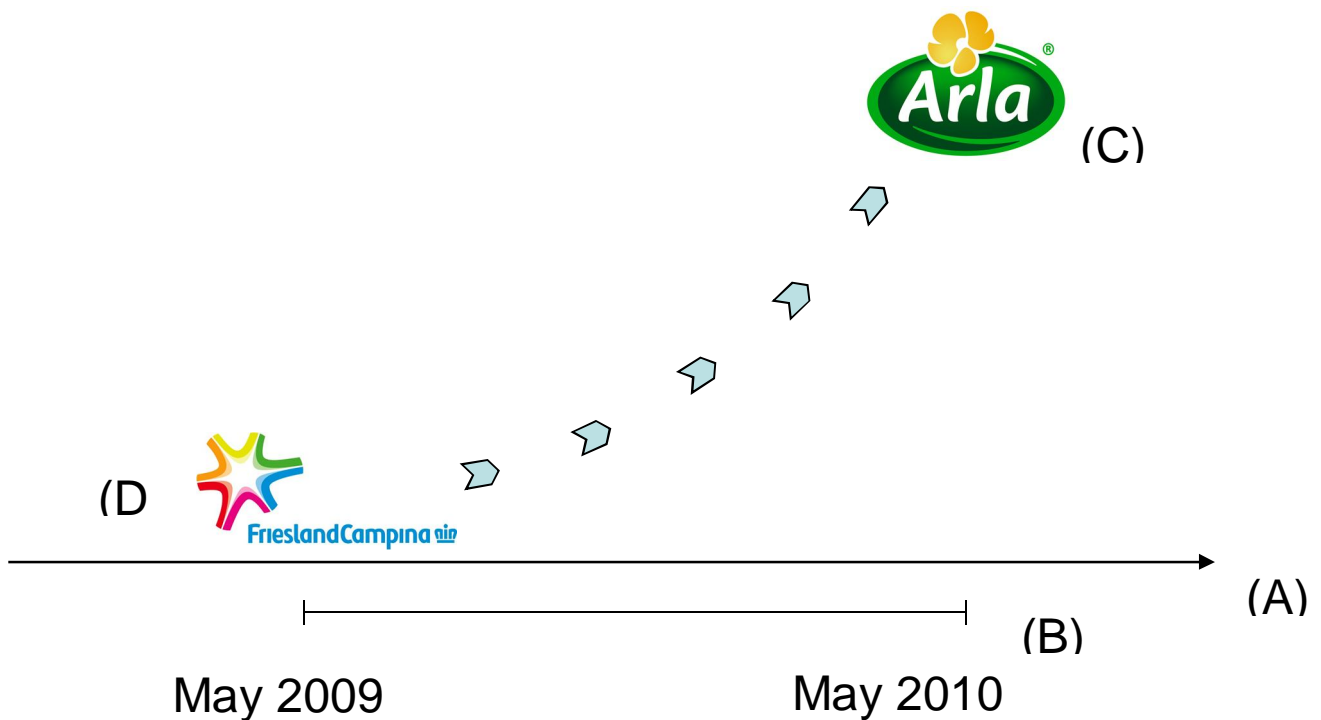
⁴³ Thompson et al., (1992)

⁴⁴ Ibid

⁴⁵ Ullrich et al., (2005)

Figure 3

Figure 3 shows projected continuity visually, where (A) is the time line, (B) is the integration process, planned to last from may 2009 to may 2010, (C) is the Dutch SBU in it's completely integrated form and (D) is Friesland Foods Fresh as Arla acquired it. The blue arrows represent each projected step towards the fully integrated company, thusly the projected continuity.



In mergers and acquisitions, one party is typically noticeably larger and more influential than the other, and, consequentially, the least dominant party will experience the least amount of

continuity after the merger. In such cases management of the post-merger organization should pay additional attention to the creation of projected continuity as this can potentially outweigh the lack of observable continuity.

With regards to the cultural aspect of M&As, Burke and Jackson are strong proponents of a speedy amalgamation of the companies. In their five-principle guideline on how to make a merger work, the second argues that it is of utmost importance that the involved companies and employees are brought together as quickly as possible and that steps are taken to develop a new culture and new daily operations different from ones of the pre-merger companies.⁴⁶ As it is argued by Baumann in Burke and Jackson:

“(...) the most important single factor in a successful merger is that from the first day a new company has begun. Everything should be geared to developing a new culture, including daily operation; the goal should be a new way to do business.”⁴⁷

It should be made clear that the authors consider culture as a phenomenon, which cannot be changed directly. However by identifying existing corporate values and emphasizing and incorporating the appropriate ones, culture can potentially be altered over time.⁴⁸

Beer & Nohria do not have one simple approach to organizational culture and cultural change. As with the rest of the issues, the authors seek to view this aspect of change management from multiple different angles to get a more nuanced picture of the object of investigation. However, there seem to be a clear tendency to subscribe enormous importance to culture and it is also continuously linked to other types of organizational change, i.e. structural and systemic changes.⁴⁹ Changing belief systems and values facilitates cultural change, which, in turn, facilitates changes in the structure of the organization.⁵⁰ Emotional engagements from members of the organization are argued to be the key to changing the culture. Through this engagement a new psychological contract between management and employees is built and commitment is developed.

⁴⁶ Burke & Jackson, (1992)

⁴⁷ Ibid

⁴⁸ Burke & Jackson, (1992)

⁴⁹ Beer & Nohria, (2000)

⁵⁰ Ibid

Kotter stresses the importance of a continuous effort in the area of culture. Managers and leaders should make every attempt to anchor new approaches in the culture and any shared values between the two merging companies should naturally be promoted, while incompatibilities should be eliminated. However, the difficulties in challenging cultural aspects are recognized by Kotter, who argues that cultural change is the last thing that changes in a change process, and that it at the same time is one of the most significant impediments to creating change in groups. Changing the culture of an organization necessarily implies a change in both norms and values of the organization, something that is very time consuming and difficult.⁵¹

Employee integration

A number of different aspects of the change process are of considerable relevance to employees, affecting them either positively or negatively in relation to the change process. One of the central components of the integration of the workforce is employee motivation and commitment and how this is achieved through for example compensation systems, empowerment, communication etc. Beer & Nohria argue that behavioral changes, on the part of the individual, are a prerequisite for organizational change, and that compensation systems is an effective way to affect behavior.⁵² These systems, along with other concepts affecting the employees involved in M&As, are accounted for in the following section as levers or initiatives to be considered in relation to employee integration. This is relevant to our case because it enables us to analyze and evaluate the change process at hand in relation to the human resources of the organization.

The communication flow, from the executive team down to the employees and vice versa, regarding the change process is of significant importance to the outcome. Leaving the employees uninformed during the change process may result in severe implications for the acquisition outcome. The communication aspect of the change process is something Kotter considers particularly relevant as he sees under-communication and inconsistency as some of the main sources of stalled transformations.⁵³ He suggests an approach to the communication of the change vision, where the executives make use of every effective

⁵¹ Kotter, (1996)

⁵² Beer & Nohria, (2000)

⁵³ Kotter, (1996)

communication channel at their disposal. Furthermore, he emphasizes the importance of a simple, vivid, repeatable and invitational vision, the latter meaning that employees are invited to participate in the communication process and give feedback during the process.

Likewise, Kavanagh and Ashkanasy mention communication as highly relevant to the employees.⁵⁴ They argue that there must be established effective channels of communication, which involve individuals at all levels of the organization to inform employees of the stages to be followed and to outline clearly the expected outcome. A frequent result of M&As is a decrease in autonomy for the target company, and in this context Kavanagh and Ashkanasy argue that the increased constraint on individuals, often seen in times of major change such as an acquisition, should be addressed and avoided. During times of organizational change, most organizations will try to tighten control by dictating course of action and depicting detailed job descriptions for employees to follow. One way to counter this, it is argued, is through the right kind of motivation. Two types of motivation are highlighted; extrinsic and intrinsic. The extrinsic motivation has to do with authority, dictation and regulation and will tighten control, as described above, and place a greater degree of constraint on the individuals involved in the change process. Intrinsic motivation, on the other hand, is associated with autonomy and curiosity, where the individual acts in a way most suitable to complete the task and is not forced to follow a certain path. Additionally, individuals use their own initiative and are supported by leaders, whose main task becomes to create an atmosphere of psychological safety and involvement for the employees.

As described in the theory section “Integration Strategy”, Thompson et al. suggest three areas of significant importance, one of them being industrial relations.⁵⁵ Changes in this area is often a very sensitive aspect of organizational change due to the direct affect such changes have on employees. Industrial relations play a central role in the change process and any alternations in trade union recognition, employee council or job security, brought about by the change process, is assumed to have major impact on how the employees view the organization. Industrial relations are, thusly, culturally and institutionally embedded and a possible consequence of changes in industrial relations is the loss of organizational identification among employees, in which case the psychological contracts between the individual and the organization is endangered.

⁵⁴Kavanagh & Ashkanasy, (2006)

⁵⁵See page 20.

Ullrich et al. try to promote a strong focus on a sense of continuity for the employees.⁵⁶ They do this in the context of organizational identification in relation to core values and drawing on the framework developed by Karl E. Weick and Robert E. Quinn in their 1999 article, “Organizational Change and Development”, they distinguish between two types of change; episodic and continuous. The assumption behind episodic change is that change is an occasional interruption or divergence from equilibrium that is linear, progressive and goal-oriented and is driven and initiated by external factors. Continuous change, on the other hand, is a pattern of endless modifications in work processes and social practice that takes place internally, cyclically, and without an end state and is fundamentally a result of organizational instability and reactions to contingencies that happens on a daily basis. Because of its interruptive nature, Ullrich et al. argue, episodic change is predominantly regarded as the most threatening of the two to organizational identification as it alters mission, strategy, structure and core values of the organization. To avoid uncertainty regarding personal future, operating procedures and chain of command, and to preserve the organizational identification and the benefits derived from it, in situations of organizational change, it is crucial that the involved employees get a sense of continuity in the work environment. This entails both the everyday operations the employee engages in, but also the more intangible characteristics of the organization such as vision, mission and strategy statements. In this context the authors find it relevant to divide the concept of continuity into observable continuity and projected continuity. Together, these two determine the employee identification pre- and post-merger and as such result in organizational identification if handled properly. Observable continuity is the type of continuity that has taken place from past to present and, thus, is observable to the individual employee, whereas projected continuity constitutes the extent to which there exists a viable collective vision with a clear and accepted process leading to the achievement of this, thereby linking the present and the future. In M&As, more often than not, one party is noticeably larger and more influential than the other and consequentially the least dominant party will experience the least amount of continuity after the merger. In such cases management of the post-merger organization should pay extra attention to the creation of projected continuity as this can potentially outweigh the lack of observable continuity. In this regard, Ullrich et al. point to middle managers and top leaders as the main characters.⁵⁷ Middle managers should be included in decisions affecting the future of the company and leaders should act as representatives for

⁵⁶ Ullrich et al. (2005)

⁵⁷ Ullrich et al., (2005)

the post-merger organization, as the glue that sticks the two pre-merger organizations together.

In both M&A and change management theory the employee is a central element. Regarded the most important resource in an organization, employee empowerment and involvement is highly relevant. The employees should be actively involved in the change process and Burke and Jackson argue that members of the organization themselves should handle parts of the integration process and identify redundancies in the post-merger company as this lays the foundation for future relationships.⁵⁸ Furthermore, empowering should facilitate the elimination of the “we” and “they” syndrome, where the target company fails to integrate employees properly leaving them with a strong affiliation to the company as it was pre-acquisition. Burke and Jackson highlight the importance of local customization of organizational vision, values and principles. To ensure ownership and promote creativity and initiative, a sufficient amount of directed autonomy is advised. Kavanagh and Ashkanasy argue that a swift and effective integration of the target company is facilitated through empowerment of employees from all levels.⁵⁹

Beer and Nohria advocate that true commitment and engagement does not leap from financial initiatives, but comes through employee empowerment and involvement.⁶⁰ When it comes to the human side of change management they use their theoretical dichotomy to combine components from Theory E and Theory O that are seemingly incompatible with each other in an attempt to embrace the inherent paradox between the two theories. Motivation, they argue, should be promoted both through traditional financial incentives, but also through empowerment and involvement. What they suggest is a synthesizing of the two theories where management should seek to motivate employees through commitment and empowerment in the change process and use financial incentives as a reinforcing tool instead of the driving force of change. Accordingly, incentives should lag the change process instead of leading it. Regarding psychological contracts, Beer & Nohria display no detailed, explicit view. However, they do emphasize the importance of appropriate sequencing of the two theories to avoid a sense of betrayal among the employees. When managers choose to sequence the two theories, the argument goes, Theory E should precede Theory O, partially due to the fact that resources otherwise will be spent on a work force not

⁵⁸ Burke & Jackson, (1991)

⁵⁹ Kavanagh & Ashkanasy (2006)

⁶⁰ Beer & Nohria (2000)

yet restructured, but perhaps even more central because this approach would destroy the trust and commitment accumulated during the Theory O phase. Also, in the synthesizing of the two theories, the creation and preservation of trust and commitment is heavily emphasized, as Theory O, in all its facets, preaches change based on corporate culture and human capability developed through individual and organizational learning, fundamentally based on commitment-based psychological contracts with their employees.

Anthology

To provide the reader with an orderly overview of the theoretical descriptions from the previous section, we have chosen to construct a matrix depicting the four categories; integration strategy, integration guidance, cultural integration and employee integration and the different authors' view on the issues they give rise to. In the anthology, the reader will find short reports on what the authors find relevant in relation to the selected category and how the issues should be addressed. The anthology does not present any new information or any new take on the relevant issues, but simply acts as an instrument to give a full picture of the theoretical foundation of the thesis and provides insight into how the different views are intertwined and in some cases complementary or contradictory. The anthology is found on the following page.

3. Background – Arla & the Dutch SBU

Arla

With the over-all theoretical structure accounted for, we now find it relevant to give a detailed view of both the target company and the acquirer. Accordingly, this section outlines and explains the background and general organizational structure of both the Arla Cooperative and the Dutch SBU in order to supply the reader with sufficient knowledge about the two companies to fully comprehend the following theoretical as well as empirical discussion and analysis.

As a cooperative, Arla is the result of the 2000 merger between Swedish Arla and Danish MD Foods. It is one of the largest cooperatives in Europe with 7.625 Danish and Swedish owners.⁶¹ These are all farmers supplying the milk that is being processed in the dairy plants. The cooperative's highest authority is the Board of Representatives as they appoint the majority of members of the Board of Directors. The Board of Representatives consists of 140 members of the owning farmers, and 10 employee elected members. They decide the overall strategy of the cooperative, but the actual day-to-day operations, strategies and planning is left to the Executive Management Board (CEO, Vice CEO etc.), appointed by the Board of Directors. The Board of Directors consists of 14 members and four employee representatives and all members of both boards are elected by the owners every second year.⁶²

Arla has production facilities in 12 countries and sales offices in another 20 countries.

Although the core markets are Denmark, Sweden, Great Britain, Finland, Germany and Poland⁶³, Arla produces and exports products around the world and many of these products are sold under private labels. With a mission stating to seek creation of greatest possible value in the market and maximizing the price paid to the owners for the milk, Arla pursues a value-added strategy. Arla's vision is to be the leading dairy company in Europe through considerable value creation and active market leadership to the highest milk price. There is a

⁶¹<http://www.arla.com/group/organisation/about-the-company/the-co-operative/>, lastly visited 25. October 2010

⁶²<http://www.arla.com/group/organisation/management/overview/>

⁶³<http://www.arla.com/group/organisation/about-the-company/the-co-operative/>

stringent focus on maximizing the price paid for the raw milk, as well as maintaining a high level of corporate social responsibility.

Arla prioritizes the markets it operates in, into three categories; home markets, tactical markets and growth markets.⁶⁴ The company's home markets, or core markets, which are defined as the countries where Arla sells liquid milk, are The UK, Sweden, Denmark, Finland, Germany, Holland and Poland. Tactical markets, as for example The Middle East, Spain and Canada, are markets where the company seeks to expand through organic growth and increase sales within the existing framework. Growth markets, Russia, USA and China, are places where Arla's presence is currently limited, but where there is a great potential to be realized through investments and new initiatives. Already being market dominator in The UK, Denmark and Sweden, the acquisition of the Dutch dairy Friesland Food Fresh in 2009 gave Arla a market share of 30% of the Dutch market, the second largest in Holland.

The Dutch SBU

The SBU was formerly known as Friesland Foods Fresh Nijkerk and functioned as the fresh dairy production plant for the Netherlands-based multinational cooperative Royal Friesland Foods. Arla acquired the plant in 2009 and integrated it into the Arla cooperative. Before the acquisition, the SBU had 500 employees of which 150 were temporary labor. The plant produced milk, buttermilk, natural and fruit-flavoured yogurt, quark yogurt, custard and porridge. Besides selling products under the Friesland brand, Friesche Vlag, the company operated with three Dutch brands; Milk&Fruit, Melkunie and Breaker. Fresh dairy products were produced under the brand Friesche Vlag and under different supermarket private labels.⁶⁵ The turnover in 2008 totaled EUR 240 million.⁶⁶

⁶⁴ www.arla.com

⁶⁵ Appendix #2

⁶⁶ <http://www.arla.com/press/authorities-approve-arla-foods-to-buy-fresh-nijkerk-from-frieslandcampina/>

The acquisition

As a result of the merger between Friesland Foods and Campina, approved December 17th, 2008⁶⁷, the new company Royal FrieslandCampina was conditionally imposed by the European Commission to sell the Dutch dairy Friesland Foods Fresh Nijkerk to prevent the creation of a monopoly in the Dutch fresh dairy market. The merger between the two companies had resulted in FrieslandCampina possessing an extensive market share, which could potentially deteriorate the competitive situation in the Dutch market and both the European Commission as well as the Dutch competition authorities intervened to prevent this from happening.

In fall 2008 Arla presented an ambitious strategy plan in which the company would seek to increase its revenue by 50% before the year 2013, among other things through collaborations and acquisitions in Northern Europe.⁶⁸ Following Arla's strategy to become the preferred dairy producer for consumers in Northern Europe and the company's growth strategy to make the Netherlands a new core market, Arla management therefore seizes the opportunity to acquire the Dutch dairy, Friesland Foods Fresh Nijkerk. Highlighting the strategic importance of the acquisition, CEO of Arla Foods, Peder Tuborgh states:

*"We are talking about an optimal agreement for Arla Foods. With it, we gain access to a lucrative market in the, for us, strategically important Northern European region."*⁶⁹

The European as well as the Dutch authorities approves the acquisition and the transaction is completed May 4th, 2009. It includes the Friesland Foods Fresh Nijkerk daily fresh dairy business, along with assets and the brands Milk&Fruit, Breaker, Kwark yoghurt and Melkunie. Additionally, the use of the Friesche Vlag brand is licensed for a 10-year period.

⁶⁷ Ibid

⁶⁸ Himmelstrup, (2009)

⁶⁹, Himmelstrup, (2009)

Not trying to conceal the fact that the acquisition has a clear long-term strategic motive, besides the more short-term economic gains that can be derived, Executive VP of Consumer International in Arla, Tim Ørting, expresses his satisfaction with the acquisition:

“This is a major step in fulfilling our strategic ambition to be the leading dairy supplier to consumers in Northern Europe.”⁷⁰

The carve-out process was set to last one year, until May 5th 2010, in order for the Dutch SBU to be completely stand-alone and independent of FrieslandCampina. The SBU is guaranteed a supply of raw milk until January 1st, 2017.⁷¹

An important benefit of the Dutch dairy lies in the relationship between Dutch milk prices and Danish milk prices. Because of rising milk prices in Denmark, in 2009 Arla got a better price on the Dutch market for the last 50 million kg. of milk from Danish farmers than the company would have on the Danish market. Furthermore, because of the deal made in connection with the acquisition, Arla gets a special discount when purchasing milk from FrieslandCampina. Therefore, Arla can use the acquisition not only to get better milk prices for its members' milk, but also to get cheaper milk for the company's own production.

For the target company the acquisition had a number of consequences. Having undergone an ownership shift in 2008 Friesland Foods Fresh had been operating somewhat autonomously from FrieslandCampina up until the acquisition, and the separation here from was thusly easier. Also the carve-out process, including supply of raw milk, the economic service center transfer, shift of trade union etc, was eased as a result hereof.

Throughout the preliminary actions taken towards the acquisition, information hereon was kept strictly within the management team, but from the date of the official signing with Arla, all staff was fully informed through information meetings, daily open hours with the HR department etc.

⁷⁰ Tim Ørting Jørgensen quoted on <http://www.arla.com/press/authorities-approve-arla-foods-to-buy-fresh-nijkerk-from-frieslandcampina/>

⁷¹ Appendix #2

There were two main changes qua the acquisition. One was the structural changes, which included the trade marketing department being moved to the sales department, and the R&D department being moved to the marketing department. The other was the strategic shift from being a cash cow to having a value added brand strategy. Both topics have had profound consequences for the organization and its employees, and will be dealt with later on in the thesis.

4. Analysis

Until now, we have described and outlined the methodological and theoretical foundation of this thesis and the combination of this had produced a theoretical anthology, which consists of different authors take on aspects, which we find are essential to the post-merger integration process of the Dutch SBU. In the following section we will analyze the empirical findings by applying our theoretical framework, as depicted in the anthology, to the data collected through interviews conducted with key personnel in both the acquirer company as well as the target company. It will serve as a tool to investigate the post-merger integration of the target company and the processes connected to this, and the idea is that the analysis will help establish to what extent the integration process has proceeded in accordance with the operationalized theory. The anthology will also assist the reader in keeping track of the different theories and authors while reading the analysis. Due to the comprehensive theoretical material, it is found necessary to re-introduce the reader to relevant aspects of the theories, when these are applied to the empirical findings. The analysis will be structured around our four main areas; Integration strategy, integration guidance, employee integration and cultural integration.

Integration Strategy

This section will analyze the integration process of the Dutch dairy into the Arla cooperation from an over-all integration strategy point of view. This means that the section will try to

provide a full picture of how the responsible managers have tackled the integration process in broad terms, and the section is therefore divided into four sub-sections: Structural change, strategic changes, implementation strategy and pace of change.

Structural changes

In any merger or acquisition the responsible managers will need to consider some kind of structural changes to assure alignment and/or promote synergy. Suppliers, IT-systems, R&D facilities and general organizational structure are examples of some of the more tangible and visible features that can be changed to increase efficiency in the wake of an acquisition. More intangible ones are management systems, management strategies, work organization and organizational culture. In relation to this, Kavanagh and Ashkanasy stress the prominence of an appropriate selection and execution of the change strategy and argues that it must be put together and formulated with special attention paid to four distinct aspects of the organization; the leaders, the management strategies, organizational culture consisting of structure, systems and formal processes, and leaders' effect on key individuals. From our interview with the Project Leader of the Strategy Process and the Project Leader of the Integration Process, it appears that some of these organizational features certainly have been considered prior to the integration process. The organizational structure of the Dutch SBU is relatively simple and due to the small size of the company the acquirer does not necessarily have to pay much attention to this feature. Looking at the organizational charts from before and after the acquisition, it is also evident that nothing has been done to change the overall structure of the target company.⁷² It remains the same after the acquisition with the exception of some adjustments in the number of people engaged in marketing and sales. Also the management system of the SBU has not been altered significantly. The two project leaders describe the management team as a winning formula and emphasize the experience they have together and how this cannot be imitated.⁷³ As they further explain, the managing director of the target company has a specific, very detailed way of conducting project management. First he describes in general terms what the company tries to achieve. He then identifies certain work streams that facilitate this achievement and attach specific KPI's to these work streams. Lastly, he establishes the financial implications of these work streams

⁷² Appendix #5 & #6

⁷³ Appendix #1

and compares them to the targets. This method is described as the corner stone and the hearth of the strategy for the Dutch SBU. Trying to change this is pointless and although this seems to be a rather top-down driven approach where top management simply dictates the course of action and appoints the designated employees to their areas of responsibility, it is an area that remains untouched by the two project managers. It seems that Arla deliberately refrains from imposing their way of conducting project management and instead, to some extent, lets local management handle the actual execution of the strategy. One could argue that this indicates an understanding of the specific organizational culture, formal processes and the leaders' effect on employees.

When considering mergers and acquisitions from the perspective of Thompson, Wallace and Flecker (1992), a general understanding of the profound internal transformation a given organization goes through during a change process is required in order to avoid failure. The three core areas of focus are work organization, industrial relations and management systems.⁷⁴ These are all, to some extent, structurally anchored and in a sense quite similar to Kavanagh and Ashkanasy's four focus areas. Management systems are defined as managerial functions, decision-making structures and control mechanisms. It is especially interesting as one of the main arguments made by Thompson et al. is that management systems is the area in which direct, intentional changes are easiest to impose. This is therefore an area the Project Leader of the Strategic Process cannot afford to disregard. However, when asked if the acquisition had made any alterations in the local management system, every interviewee from the target company answered that no changes had been made.⁷⁵ Choosing not to interfere in this aspect of the organization, according to Thompson et al., practically means that the Project Leader restricts herself from exerting any significant influence on the power structure of the Dutch SBU and to a large extent therefore also on the two other related core areas, work organization and industrial relations. Although this may seem to be a disadvantageous position to put oneself in, our interviews with key personnel in the SBU testify opposite. Arla's hands-off approach to management in the SBU is positively welcomed as this means that the Managing Director and his management team will be able to proceed with the same managerial functions and decision-making structure as before the acquisition.⁷⁶ The Marketing Director feels that Arla gives him full room to operate as a

⁷⁴ Thompson et al., (1992)

⁷⁵ Appendix #2, #3 & #4

⁷⁶ Appendix #2

manager, and as long as he delivers the required results, he has free hands and the opportunity to be an entrepreneur, which he values.⁷⁷

In our investigation of the change process, we found that there had been some structural changes in the work organization.⁷⁸ When talking to the Marketing Director about the consequences of these changes, he displayed a positive attitude towards the changes and explained how it was a big learning for him personally as well as for the management team.⁷⁹ After the change in the work organization, not only will his area of responsibility change markedly, but with the strategy of the new SBU being more brand focused, he will have to expand the marketing department and increase the number of marketers. Despite having an increased responsibility and a greater workload, the Marketing Director seemed very optimistic and aims to professionalize further by means of the recent changes in work organizations. According to The Managing Director, control over local management is kept to a minimum, allowing him and his managers to operate freely. Furthermore, the control Arla does exert is viewed as caring rather than control and Arla's approach to management in Nijkerk is perceived as very hands off.⁸⁰ The Managing Director also foresees further changes in work organization, bringing his managers additional tasks and responsibility.

Proponents of Beer & Nohria's Theory E suggest that the change process can be managed and controlled through managerial levers such as formal structures and systems.⁸¹ These in turn affect the power relations in the organization and this is viewed as a necessity for change in strategic direction. In the case at hand, it seems that only small changes have been made in the formal structure and system. However, as the Managing Director points out, the shift from a cash cow strategy to a value-added strategy will inevitably create an enhanced focus on the marketing department and product development.⁸² This strategic shift is therefore likely to bring about some form of structural change and has already resulted in the Marketing Director attaining responsibility of the R&D department and the Sales Director being in charge of trade marketing. It is important to note, however, that these changes are not choreographed or planned by Arla senior management. Instead the managers of the SBU

⁷⁷ Appendix #3

⁷⁸ Appendix #5 & #6

⁷⁹ Appendix #3

⁸⁰ Appendix #1

⁸¹ Beer & Nohria, (2000)

⁸² Appendix #2

are given room to operate more or less autonomously with Arla as a sparring partner more than as an instructor and as the Sales Director notes:

*"(...) the change of responsibility over trade marketing was my suggestion and did not come from Arla (...) It will be more helpful when I also have the trade marketing within my responsibility, because I can then improve my sales. This was my request."*⁸³

Thus, although some structural changes have been made, partially because of the major strategic shift the SBU has gone through, these changes have not been dictated by Arla superiors, but instead the local Dutch management team has been given free hands to make the adjustments they find necessary, using Arla merely as a sparring partner. This is a central element in the integration strategy applied by Arla and is very much in thread with the theoretical foundation of this thesis. This will be discussed further in the coming sections.

Strategic changes

Arla management apparently chooses not to interfere to a significant extend in the basic structure and systems of the Dutch SBU, apparently considering it unnecessary and potentially harmful to the situation in the SBU. Arla management instead seeks to address the strategy of the SBU and reevaluate this in relation to the changed circumstances. Before the acquisition, the SBU pursued a cash-cow strategy trying to get as much as possible out of the milk-production by focusing on increasing the volume without any significant investments. The “fresh product” business, which Friesland Foods Fresh was a part of was not one of Royal Friesland’s investment areas, but instead acted as a cash-cow, generating profit for development of the company’s export, which was the main priority.⁸⁴ However, after the acquisition, the new strategy for the SBU is one of investment and product development. Going from a cash-cow strategy to a value-added strategy, radical changes seem imminent. The Project Leader of the Integration Process says that the new strategy requires them to re-engage in their brand and product concepts, developing new concepts

⁸³ Appendix #4

⁸⁴ Appendix #1

such as an organic line and strengthen an already strong and unique brand through an intensified effort from the sales and marketing department.⁸⁵ Evidently, Arla management has a clear picture of what strategic changes need to be implemented and, to a certain extent, assumes the role of chief architect of the change process, at least strategically. Assumedly, this is a deliberate choice the management team in Arla makes to guarantee that the motive for the acquisition is not disregarded or overlooked by local management. In the initial phase of the strategy process, Arla created a steering committee consisting of a number of Arla people and the Managing Director as the only representative from the Dutch SBU. This committee had to know, discuss and approve everything in the strategy process, without any exception. According to one of the project leaders, at the start of the strategy process this caused a lot of frustration, as the Dutch management team had expected to act autonomously from the beginning. As the Managing Director points out, the SBU had just gone through a strategy process a year earlier with Royal Friesland Foods and created a long-term strategy for the company and the acquisition and the implementation of the new strategy changed all this.⁸⁶ Arguably, by choosing to completely alter the strategy of the target company and doing this with only a limited involvement of the target company, Arla risks jeopardizing the commitment and trust of the target company's employees. However, the Managing Director, Marc, seems quite pleased with the new strategy and sees it as a gateway to new opportunities because they can draw on the innovative power and R&D facilities in Arla and use this to empower their own brand.⁸⁷ The Sales Director supports this and says:

"(...) the challenge was the last few years to keep the people motivated - to retain the good people. That is changing. We are growing through Arla's ambition."⁸⁸

From the beginning Arla was determined to make significant strategic changes and they provided the local management team with a clear vision of what was expected of the SBU. In that sense, one could argue that the acquisition was based on what Burke & Jackson call sound business reasoning, meaning that there was a managerial consideration that forecasted financial benefits derived from the acquisition. According to the authors, this is one of the

⁸⁵ Ibid

⁸⁶ Appendix #2

⁸⁷ Ibid

⁸⁸ Appendix #4

primary prerequisites of any productive merger or acquisition. However, as will be discussed in the last section of this thesis, the reasoning behind the acquisition was presumably one of a more strategic character than purely economic. Nevertheless, instead of controlling how the SBU should achieve the goals set out by Arla HQ, as with the structural changes much of the authority was handed over to the local management team, allowing them to make whatever adjustments they found suitable.

Implementation strategy

Besides the importance of the managerial practices and strategies and the cultural setting of the organization, Kavanagh and Ashkanasy stress another feature that is very central to the integration process of the Dutch SBU – the leaders’ effect on key individuals. What is meant here is how leaders and managers seem to influence particular key individuals throughout the organization and how these key individuals, in turn, influence other employees down through the entire organization. Realizing this is essential as it allows top-leaders to implement a given strategy or vision without having to individually convince every single member of the organization that it is the right thing to do. In relation to the case, when asked how Arla had communicated the new strategic vision to the employees at the Dutch SBU, the Project Leader of the Strategy Process answers that the task deliberately was left to the Dutch management team.⁸⁹ The motivation behind this is not revealed, but evidently it has been an advantageous decision. According to the project leaders, the Managing Director, has fully embraced the Arla vision; “*Closer to Nature*” and is actively working to implement it as a company philosophy through the entire organization. His devotion to the new philosophy and concept has spurred a comprehensive engagement in the organization. It is a dominant theme in the Dutch management team, and their involvement in the strategy process has resulted in a feeling of ownership, on their part, of the new strategy and vision.⁹⁰ Exactly this feeling of ownership is expressed by the Sales Director as she is asked to what degree a vision has been created for the employees to follow. In her opinion, no specific vision has been given by Arla. Instead the SBU has created its own vision, admittedly distracted from Arla, but extensively localized. The two authors, Burke & Jackson, stress exactly this notion of localization when dealing with acquisitions. It is important, they argue,

⁸⁹ Appendix #1

⁹⁰ Ibid

that the acquiring company formulates a clear strategy for the target company and in that sense sets an unambiguous, “tight” direction to follow. However, the target company should be allowed to “loosely” interpret the direction set forth by the acquirer and make the necessary adjustments to ensure it is compatible with the local settings and circumstances. As described, this is exactly what has happened in the case at hand. From the beginning, Arla has had a clear vision and goal for the Dutch SBU, based on the “Closer to Nature” philosophy and a value-added strategy, and this has been explained to the Managing Director, who then, together with Arla representatives, has developed a clear strategy and formulated this into something that was compatible with the Dutch organization. Following this strategy and vision agreed on by the Managing Director and the Arla representatives, the actual changes in the organization have been made by the Dutch management team, or as the Managing Director formulates it, “... by ourselves”⁹¹. Thus, a significant degree of local interpretation has been accepted and is even promoted.

The attitude towards the way Arla management handles the integration is very positive and the Dutch interviewees seem very satisfied with the formulation and customization of the vision Arla has presented. When asked whether there has been created a vision or a goal for the employees to pursue, the Marketing Director answers that the Group Executive Director for International Markets, Tim Ørting, has been very clear in his perspective, expectations and plans with the SBU. The degree of control he exercises over the Dutch management team is viewed as a sign of interest and concern and not as a dictation of what the team should do:

“Im not used to having a boss that phones me every week sometimes twice a week, but it is more caring than controlling.”⁹²

Likewise, the interviewees express great satisfaction with how the acquiring company has chosen to involve the local management team in important aspects of the integration process. Regarding inclusion of members of the target company in the strategizing and integration process, the Sales Director expresses her sentiment in following terms:

⁹¹ Appendix #2

⁹² Ibid

“I was involved in everything, and Marc (the Managing Director) has been very open in his communication, so we knew everything. It was very pleasant.”⁹³

However, in the initial phases of the integration and strategy process, Arla was rather closed about their plans with SBU and the basis on which the company was acquired. Despite the fact that the Sales Director at every meeting in the initial phase of the acquisition asked about the purpose of the acquisition, she got no clear answer.⁹⁴ Although Arla’s discreteness arguably had to do with management’s attempt to avoid revealing too much to competitors, refraining from informing about the motive of the acquisition could very likely disturb the feeling of psychological safety, a theme that will be discussed in further detail later in the thesis.⁹⁵ She further describes how she and the rest of the executive team participated in meetings regarding the business plan with the SBU. Although the managers of the SBU attended the meetings, they became frustrated with the fact that Arla was very vague in their explanation of the purpose of the acquisition and the strategy for the SBU. Despite several requests, no clarification was given on the issue.⁹⁶

When it comes to implementation strategy, Beer & Nohria offer an interesting perspective that attempts to encompass two traditionally contradictory theoretical approaches to change management. Their Theory E/Theory O framework suggests that organizational leaders must attempt to find a balance between the “hard” and the “soft” way of managing the change process. The structural changes the SBU undergoes in the wake of the acquisition are examples of Theory E type of management. On the other hand, the inclusion and involvement of the Dutch employees is an example of a Theory O approach to change management. Although Beer & Nohria advocate some kind of balancing of the two approaches, what they fail to recognize in their Theory E/Theory O dichotomy, is a proper linkage between the chosen change approach and the corporation’s strategic characteristics. The balance between E and O must be fitted to the circumstances of the organization in question and, therefore, what works in one organization may turn out to be useless in

⁹³ Appendix #4

⁹⁴ Appendix #4

⁹⁵ Lothar Laufer express a similar discreteness in relation to the strategy process – see Appendix #1, p4

⁹⁶ Ibid

another. Judging from the way Arla's implementation strategy is perceived by the SBU, it seems that an appropriate mix of the two approaches has been applied.

Kotter's implementation strategy

A very relevant part of our theoretical anthology, especially in the context of the implementation strategy, is Kotter's eight-step approach to change management. Analyzing the process in relation to the eight steps will produce insight into how the two project leaders from Arla have tackled and taken precautionary measures against some of the most frequent pitfalls of change management. The eight steps address a variety of different issues in relation to change management, but a central theme throughout the approach is urgency and how this is essential to the entire change process. The project leaders from Arla evidently do not ascribe the same importance to urgency and they do not consider it crucial to induce a sense of urgency in the target company.⁹⁷ Instead it is assumed that the target company already has the necessary sense of urgency:

*"(...) it was not necessary to give them, from our side, a sense of urgency (...) because they were alone for I while, they are very self-motivated, we don't have to pressure them into anything."*⁹⁸

This assumption is based on the positive attitude the Dutch SBU displays toward Arla both during and immediately after the acquisition. Kotter's definition of the phenomenon, however, is a bit more elaborated and does not simply come as a result of a positive attitude. Although this is without doubt a good way to start, the sense of urgency must be built on cooperation, initiative and willingness to make sacrifices.⁹⁹ The importance of the project and the value of timely execution associated with it must be communicated to the members of the organization, to get them to amend their behaviour. Since no effort apparently has been made by the project leaders to create this sense of urgency, one could fear that the

⁹⁷ Appendix #1

⁹⁸ Ibid

⁹⁹ Kotter (1996)

employees in the Dutch SBU were not very committed to the new strategy and vision presented by Arla. On the contrary, every interviewee from the SBU expressed great enthusiasm about the new plan presented by Arla. The Sales Director is under the impression that these changes will increase the level of quality in the SBU. As a result of the new value-added strategy, attracting, motivating and retaining a good and competent workforce will be easier, she argues. She seems very pleased with the turnaround and says:

(...) the main difference is that we have a lot of new energy in our team. In the last few years, it was really boring here in sales (...) Now, with Arla, we are very excited about it."¹⁰⁰

Since the project leaders apparently acknowledge the importance of urgency and have considered whether or not this was an area they needed to interfere in, it is therefore interesting to see that all of our interviewees from the SBU emphasized Arla's own lack of urgency as an inhibitor of effective cooperation between the two companies. The Sales Director explains:

*"(...) communication is not running very smoothly between my department and Arla. Last two months I have had the impression that they are very slow in reacting. They do not have the same sense of urgency."*¹⁰¹

All interviewees from the target company mentioned urgency as a significant problem and it was even mentioned that, at a recent strategy meeting, Arla's lacking urgency was discussed.¹⁰² In Kotter's terminology, lack of urgency is synonymous to complacency and this is the most severe threat to effective organizational change. It seems that this is an area Arla should invest resources in, both to make sure the employees in the SBU stay committed, but also to improve cooperation between personnel in the SBU and Arla HQ. Especially considering that even the Managing Director highlighted one of the profound

¹⁰⁰ Appendix #4

¹⁰¹ Ibid

¹⁰² Ibid

differences between Arla HQ and the SBU as being centred on the respective sense of urgency.¹⁰³

The creation of the steering committee as guiding coalition for the change process and the integration of the target company into Arla, is theoretically very much in line with Kotter's recommendation. However, the composition of the steering committee should preferably be with key individuals from both target and acquirer. Unfortunately, the managing director of the SBU is the only representative from the SBU, which results in some frustration among employees in the target company.¹⁰⁴

The development and communication of a strategy and a vision for the change process was a dilemma for the team responsible for the integration and strategy development. Arla's overall philosophy, 'Closer to Nature'¹⁰⁵, constitutes a general sustainable and environmental attitude towards production and products, which is very common in Scandinavia. However, it is less ordinary in the Southern European countries. Therefore both product assortment and positioning has been debated thoroughly to bring the integration process and the entire target organization "closer to nature". The localization or customization was, according to all interviewees, left in the hands of local management in the Dutch SBU. Kotter argues that the communication of strategy and vision should happen through various different forums and preferably contain a degree of two-way communication. Through our interviews with employees at the target company it became clear that a lot of effort was put into communicating the change process, the vision and the strategy. They had several meetings and presentations, Q/A sessions, press releases, personal letters was sent to every employee and a special edition of the quarterly magazine was made. Furthermore, there was an open hour with the HR department every day, where people could come and get answers to questions regarding personal relations.¹⁰⁶

Kotter's fifth stage, the empowerment and involvement of employees, has been limited to keeping employees informed and updated on the changes of the organization. However, the structural and systems alignment and hereby the removal of barriers to change has been present. Increasing the marketing department as well as the sales department as a result of

¹⁰³ Appendix #2

¹⁰⁴ Appendix #1

¹⁰⁵ Appendix #1

¹⁰⁶ Appendix #2

the change to a value added brand focus and restructuring the two departments has helped the marketing director and the sales director to cope with the increased responsibility.¹⁰⁷

As a seventh stage, Kotter advocates that managers continuously evaluate changes already made and build hereon in order to establish momentum for the coming steps of the change. Considering this in relation to what the managing director of the Dutch SBU told us about evaluating meetings every second week as well as the development of 'flash report' to discuss action points and potential bottlenecks, one could argue that much is actually being done in this respect.

Kotter argues that it is vital to get the leaders to support the changes such as for example new strategic approaches. Throughout the interviews with the leaders and managers in the Dutch SBU, we find that the leaders and managers are generally very positive towards the change initiative and the increased responsibility. The change from a cash target to a branding positioning excites both the sales director and the marketing director. Despite being somewhat sceptic about being part of a very large organization due to recent communicative problems, the overall attitude towards the change process is positive and supportive.¹⁰⁸

Pace of change

As discussed earlier, organizational change is inevitable. It is a prerequisite for survival that organizations develop and adapt to changing environments and conditions. Choosing the right kind of changes is not an easy task, and managers must carefully consider the specific features and characteristics of the organization when initiating change programs. Trying to implement changes that the organization is not ready for or cannot adapt to may result in organizational inertia or even deteriorate organizational performance. However, making the correct choice with regard to type of change is not entirely enough. Another important aspect of organizational change is the pace of which the changes take place. Whereas most commentators can agree that factors such as culture, strategy, management systems and work organization are relevant and must be appropriately addressed, there seem to be a greater variation when it comes to determining the pace, order and extent of the relevant change initiatives.

¹⁰⁷ Appendix #5 & #6

¹⁰⁸ Appendix #3 & #4

Arguably, there has been made considerable changes in the Dutch SBU. Strategy and vision have been completely revised, forcing the organization to make both structural and systemic changes to accommodate the new requirements. Most of these changes have been received positively by local management, but they have, without doubt, had a significant impact on the SBU. Moreover, the pace of which these changes have been implemented, has been rather quick, considering the scope and depth of these changes. The Managing Director explained that they had to be completely separated from all Friesland Campina services such as IT-services, maintenance, server service and HR as of 4th of May 2010.¹⁰⁹ That gave them a total of 12 months to complete the carve-out process. The Managing Director expected it to be challenging to move all the services to Arla as it is a Danish company and not a Dutch, but at the same time saw it is a necessary and realistic process that had to be conducted quickly and efficiently.¹¹⁰

According to Burke & Jackson, bringing the two companies together as quickly as possible is crucial to the change process. Instead of promising members of the organization that things will stay the same, from the first day on, new daily operations should be developed and creation of a new culture commenced.¹¹¹ Burke and Jackson stress the importance of the change being implemented as quickly as possible and that the integration includes members of the organization. Redundancies are to be identified and organizational culture and strategy are to be aligned. Though it can be discussed, whether or not the entire integration process of the Dutch SBU, to this point, has been quick or slow relative to other M&As, the strategic changes that have been made are definitely profound and extensive. The vision and mission of the organization has been altered to an extent, where every single employee has been affected and has been encouraged to think differently about the strategizing, organizing and managing of work. Contrary to this, Ullrich et al. argue that organizational change has to happen incrementally with a strong focus on continuity, and that changes, to be effective, must be emergent and happen internally in the organization through collective sense-making. This is in sharp contrast to the approach suggested by Burke & Jackson, who advocate a fast paced change process. Emphasis is instead put on a slowly evolving change process with no transformations made to fundamental organizational attributes, i.e. vision, strategy, and core values. This is what Ullrich et al. label continuous change. The authors suggest that major organizational changes, such as M&As, should be emergent, instead of

¹⁰⁹Appendix #1

¹¹⁰Appendix #1

¹¹¹Burke & Jackson, (1992)

happening as a reaction to external changes. However, this is against the very nature of M&As, which in almost every case demand comprehensive and radical changes and are imposed on the organization based on external factors.

Summary

To sum up on the chapter, a number of things are of specific interest focusing on our problem. To begin with, no fundamental changes have been made in the local management system. By the project leader of the strategy process restricting herself from exercising any influence on the power structure of the Dutch SBU is very much in line with the recommendations of Thompson et al. In connection with this it is worth mentioning that merely slight changes have been made in industrial relations. The changes within work organizations are limited to internal structural reorganizations, where the Marketing Director attaining responsibility of the R&D department and the Sales Director being in charge of trade marketing.

When focusing on the strategic changes the company has undergone, the shift from a cash cow strategy to a value added brand strategy is likely to bring about a degree of structural change to a further extend than so far. As mentioned above, these changes were not directly choreographed by the Arla management, but a result of local management's room to operate to some degree autonomously.

The Dutch SBU assumedly fully embraced the Arla vision and was, at the time of our research, actively working on implementing the "Closer to Nature" concept in the company philosophy. The SBU managing director's devotion to the new philosophy and concept has allegedly spurred a comprehensive engagement in the organization, with a feeling of ownership of the new strategy and vision as a result.

Arla management has been very clear about the expectations to and plans for the SBU. Moreover the degree of control exercised over the Dutch management team was viewed as a sign of interest and concern and not as a dictation of what the team should do.

In relation to synergy realization, local customization is a key factor. Accordingly, tight direction should be coupled with loose interpretation, whereby the overall strategy of the acquiring company should be understood and customized to the target company. The

promotion and encouragement of the local interpretation of vision and strategy is a clear example of this, whereby synergy becomes likely to occur.

The extensive communication levers utilized in order to involve employees at all levels on the change process, vision and strategy is very much in thread with the proscribed approach to communication during change. Kotter, Ullrich et al., Kavanagh and Ashkanasy and Beer and Nohria all put great emphasis on this particular issue.

Also, the weekly flash reports constitute the continuous evaluation of the change process highly emphasized by Kotter in his seventh process stage in order to establish momentum for the forthcoming changes.

Employee Integration

In this section we will analyze the steps taken to introduce the employees of the Dutch SBU to the change process and the initiatives taken to integrate them into Arla. From a human resource management point of view, this section may very well be the imperative part of the integration process as its impact on the most valuable resource of the company, the employees, is considerable. In most M&A and change management literature resistance to change is one of the most severe stumbling blocks for any change process and numerous change initiatives have failed to meet the expectations due to the lack of focus on employees.

We have divided the section into five different parts, each representing fragments from our anthology relevant to employee integration. Through a thorough analysis of the employee integration initiatives taken by Arla and the Dutch SBU, we will disclose how individuals have been integrated and how the different aspects of employee integration have affected them.

Organizational Identification

Ullrich et al. put great emphasis on the employees' ability to identify with the organization. Organizational identification takes place when the organizational identity, i.e. beliefs

descriptive of an organization's distinctiveness, becomes self-defining for an organizational member.¹¹² In this respect, the empirical research shows that the general attitude towards Arla is that the company is very bureaucratic compared to the Dutch SBU.¹¹³ Despite expressing confidence in the strategic and cultural fit between Arla and the SBU, the Dutch interviewees describe their company as very hands-on, practical, respectful and down to earth, whereas Arla is described as relaxed, over promising and lacking a sense of urgency. According to the Dutch employees, their attempt to be proactive is hindered by Arla's inertia.¹¹⁴ The notion of Arla being very bureaucratic and lacking a sense of urgency is expressed throughout the empirical data and Arla is also perceived as having a high power distance.¹¹⁵ What troubles the employees is the fact that communication between Arla and the SBU is not running smoothly.¹¹⁶ To remedy this kind of troubled attitude toward the acquiring company, Ullrich et al suggest that by inducing a sense of continuity among the employees in the acquired company, organizational identification will be promoted.¹¹⁷ In this context, the notion of episodic and continuous change becomes relevant. Episodic change is the most threatening to organizational identification, and the focus should be on letting change take place internally and cyclically. The fact that employees inside the SBU perceive the acquiring company so radically different from the former Friesland Foods Fresh is a testament to the fragile situation the integration process is in. The fundamental differences between the target and the acquirer, disclosed in the interviews with the management team, could potentially impede organizational identification as some of the changes are perceived as episodic instead of continuous.¹¹⁸ As Ullrich et al. describes, personal future, chain of command and operating procedures are endangered by this type of change. Particularly operating procedures seems imperilled in the case at hand. Accordingly, these changes can potentially lead to a loss of organizational identification among employees due to their interruptive nature and the fact that they are goal-orientated and driven by external factors. When interviewing the Marketing Director in the Dutch SBU, the scale of the change process becomes evident:

¹¹²Ullrich et al., (2005)

¹¹³Appendix #1

¹¹⁴Appendix #1

¹¹⁵Appendix #4

¹¹⁶Ibid

¹¹⁷Ullrich et al., (2005)

¹¹⁸Ibid

“We changed the organization a bit (...) the working procedures changed (...) things will change for my department (...) my role will change (...) the chain of command has changed.”¹¹⁹

Despite the vast changes in the organization expressed by this member of the management team, all changes are described as happening gradually. They could therefore be argued to fit the notion of “...a pattern of endless modifications in work processes and social practice...”¹²⁰ and the demeanour of the change to resemble that described as continuous change. Likewise, there seems to be a general agreement that most change initiatives come from within the Dutch SBU and not as a result of dictation from Arla. Despite of the structural and procedural changes, the employees thus still have a sense of continuity because changes are being implemented very gradually and with the involvement of the target company. This could very well be deliberate from Arla, who through the hands-off approach to leadership let the management team in the Dutch SBU head all internal changes. As explained in the theoretical framework, the vast difference in size of the two companies combined with the fact that one is acquirer and one is target hinders the basis for observable continuity. Therefore, the importance of creating projected continuity to outweigh the lack of observable continuity becomes evident. While interviewing a member of the management team, it became evident that Arla did indeed make their overall company vision visible to the Dutch SBU, but made no attempts to create a viable and collective vision specifically for the SBU. To the question of whether Arla had created a vision in relation to the acquisition for all employees to follow, the answer was: “No, we created our own vision (...)”¹²¹ In this context there is no visionary bridge building linking the Dutch SBU’s past, present and future together.

Psychological contracts

When considering organizational identification in relation to Beer and Nohria, it is the Theory-O archetype of change that mentions and deals with psychological contracts and the maintenance hereof. All change initiatives, which include alternations in factors that

¹¹⁹ Appendix #3

¹²⁰ Ullrich et al., (2005)

¹²¹ Appendix #4

potentially affect corporate culture, will inevitably require emotional engagement from the employees. Peter Senge, in Beer & Nohria, refers to former Shell executive Arie De Geus describing how only companies with a sense of identity and core values that transcend what they do and which consider themselves as human communities rather than machines, will survive.¹²² One of the interviewees describes how many staff members were shocked when the acquisition announcement came. There were obviously concerns regarding the future of the company and thus the future of the employees. In order to minimize these concerns, the management team put a lot of effort into communication. As mentioned, they arranged meetings with all relevant announcements, had Q&A sessions, various press releases including a special edition of their quarterly magazine and had letters sent to everyone's home address.¹²³ Evidently, the management team was fully aware of the importance of being as open and communicative as possible regarding the change process and went to great length to counter the feeling of despair and insecurity often associated with acquisitions. Arla, on the other hand, seems less aware of the importance of communication and, as a company, is described as being generally over promising.¹²⁴ In the wake of the acquisition, job security and trade union recognition were both guaranteed by Arla, which, according to the Marketing Director, was a very important feature.¹²⁵ However, when interviewing the Managing Director, we disclose a very sensitive area of concern. Despite agreeing on terms of job security, union recognition, wage and pension, the Managing Director found that Arla has omitted to sign the papers regarding pension.¹²⁶ Despite several encouragements to sign the papers, nothing had happened. This evidently disturbed the Managing Director. At the time we conducted the interview, Arla still had not signed the contract regarding pension that they had agreed on and would not take responsibility for the finalization of the contract.¹²⁷ Similarly, Arla had not acted as promised in relation to an agreement on milk supply, which hindered the exploitation of an economic advantageous situation. Generally, it is perceived as a severe lack of willingness to cooperate and work together and a tendency to act against agreements. This may very well be a significant threat to the psychological contracts that have to be established between the employees of the SBU and Arla. Not only does it indicate a lack of interest in the SBU and an arrogant attitude

¹²² Beer&Nohria, (2000)

¹²³ Appendix #1

¹²⁴ Appendix #2

¹²⁵ Appendix #3

¹²⁶ Appendix #1

¹²⁷ Ibid

toward the negotiated contracts, but it also creates uncertainty and alienates Arla in the eyes of the Dutch employees. The impact of this neglect is expressed in this following statement:

*“Pensions, for example - it was agreed in a very good manner, but now we find out that they didn’t sign the contract. They don’t take responsibility for the finalization. So what we do is starting to push it a bit, but Arla is not doing anything and for us, that is strange.”*¹²⁸

As mentioned, psychological safety and employees’ personal future are very important issues when dealing with employee integration. Thompson et al. highlight industrial relations as a very sensitive aspect and argue that changes can be affiliated with severe implications if not managed correctly.¹²⁹ In any acquisition employees will feel a loss of job security and it is therefore management's task to counter this feeling through strong communication and attention to the wants and needs of the employees. The Dutch management team tried to get the employees to feel secure and safe by communicating what was happening and what was going to happen as the acquisition and the integration process evolved, and this has presumably been of great importance to many of the involved individuals. The quote above, however, shows how a neglect of this task can be rather counterproductive and lead to a loss of security and endanger the establishment of psychological contracts.

Motivation & empowerment

In any given change process motivation of the involved individuals is desirable. Whether the process is steered through a top-down or bottom-up approach, to mobilize the resources required to implement change initiatives requires motivation. According to Arla management, Arla did not play any active role in motivating the employees of the Dutch SBU.¹³⁰ Although perhaps not a deliberate choice, Arla management refrained from engaging in activities associated with the creation of motivation and thusly placed the entire responsibility on the shoulders of the Dutch management team. The perception of the situation was that the SBU’s management team, as a result of the company’s former

¹²⁸Ibid

¹²⁹Thompson, (1992)

¹³⁰Appendix #1

independency, was very self-motivated and that Arla management therefore did not have to pressure them into doing anything.

Considering Kavanagh and Ashkanasy in relation to the employees' acceptance of change, focus moves towards the potential constraints the change process possibly could inflict on employees. The constraints, which are created by the uncertainty and insecurity associated with changes within the organization can lead to a general negative attitude towards the change process as a whole. This could potentially severely hinder a productive outcome of the change. As a countermeasure, motivation of employees is suggested. Kavanagh and Ashkanasy propose the division of motivation in two factions; extrinsic and intrinsic.¹³¹ According to the authors, extrinsic motivation occurs when an individual's behavior is influenced by external factors such as power exercised by leaders, who seek to affect behavior with reference to role. This type of motivation often results in individuals feeling compelled to act in a certain way and follow a certain direction, and this, in turn, can often impose constraints on individuals. Intrinsic motivation on the other hand is associated with employees' active, voluntary engagement in tasks and with an individual's need for competence, autonomy and relatedness. Intrinsic motivation comes through some degree of autonomy or self-management and will be accompanied by a sense of satisfaction with performing the task. Choosing the right type of motivation is particularly important when dealing with environments undergoing substantial change.¹³² Acquisitions are frequently associated with great uncertainty and insecurity for employees and this potentially has a severe negative effect on the acquired organization. Additionally, the increased constraint on individuals often seen in M&As should be dealt with and avoided. Obviously, the intrinsic type of motivation is likely to remedy this problem, whereas the extrinsic approach is more likely to put greater constrain on the involved individuals. It seems that the motivation of the employees in the Dutch SBU happens primarily intrinsically. Arla management does not seek to impose or force initiatives on the acquired company, but instead engages in a dialogue with the management of the company about what their goals should be and then lets local management perform the following communication to the employees. Intrinsic motivation empowers the employees and let them participate in, or even manage, important aspects of the organizational change process. This gives the individuals a feeling of control and eliminates some of the uncertainty and insecurity. The Sales Director expressed some

¹³¹Kavanagh and Ashkanasy, (2006)

¹³²Kavanagh and Ashkanasy, (2006)

concern regarding the question of constraint in her department. She felt that new procedures had resulted in limitations of freedom in her daily operations and predicted it to continue as the SBU pursued Arla's strategy.¹³³ Despite feelings of constraint she displayed confidence in the new corporate strategy as it would enable her to easier attract and retain competent employees. During the last few years she struggled hard to keep her sales team motivated, but as the strategy changed and the sales department became a central part of the company, this was made much easier. After the acquisition, she felt more involved and was content with the expansion of her area of responsibility. So despite the feelings of constraint expressed initially, motivation seems to have risen and the atmosphere of autonomy, "curiosity" and involvement seems to be a reality. Supporting this view on the effects of the acquisition, the Marketing Director expresses his satisfaction of being involved in the strategic decision making process, the expansion of his responsibilities and the freedom he has to operate.¹³⁴

Leaders often make the mistake of thinking they can change individual behavior in an organization by changing the organizational culture. The reason such attempts are rarely successful is that leaders fail to comprehend what motivates followers to change their behavior.¹³⁵ As a result, M&As are often followed by a high turnover, especially in the target companies, and reductions in innovation.¹³⁶ In this context it is argued that the most efficient way to create motivation is through internalization.¹³⁷ Behavior motivated by goal internalization is characterized by the individual's acceptance of influence that is congruent with his/her personal value systems. In line with this, Kavanagh & Ashkanasy postulate:

*"Change that is executed by coercive power or for calculated expected gain in certain roles is not likely to be sustained."*¹³⁸

In Arla's case, what characterizes the acquired company is a strong culture and self-perception. They regard themselves as hands on, practical, respectful, down to earth and at

¹³³ Appendix #4

¹³⁴ Appendix #3

¹³⁵ Valikangas et al., (1997)

¹³⁶ Hitt et al., (1991)

¹³⁷ Kavanagh & Ashkanasy, (2006)

¹³⁸ Ibid

the same time direct and action driven.¹³⁹ Exactly such strong ideals and beliefs are paramount in goal internalization. Individuals motivated by goal internalization believe in the cause and develop a strong sense of commitment to their work and to the goal of the collective. As evidence of the employees' commitment to the new vision of the company, the illness level dropped from 10 percent in 2008 to 5 percent in 2009.¹⁴⁰ Furthermore, layoffs have been almost completely avoided with only a single exception and top management in the SBU generally perceive people as being enthusiastic about the changes that have been made. This indicates that people have adopted the new strategy and feel motivated to dedicate themselves to the collective goal. Burke and Jackson have a similar view as they argue that people are the most important resource of the organization, and that employee involvement and directed autonomy help eliminate the "we" and "they" syndrome often associated with M&As. Furthermore it helps promote ownership of organizational values.¹⁴¹ The Arla representatives explicitly say that it is up to local managers to motivate their people and evidence suggests that they have been somewhat successful in doing so. The feeling of ownership motivates employees to act according to organizational principles and will prompt them to realize organizational goals.

On the issue of motivation, Beer & Nohria argue that it should be promoted both through traditional financial incentives, but also through empowerment and involvement. They suggest a synthesizing of the two theories, where management seeks to motivate employees through commitment and empowerment in the change process and use financial incentives as a reinforcing tool instead of the driving force of change. The idea is that financial incentives should lag the change process instead of leading it.¹⁴² Apparently, neither Arla management nor the SBU management utilize financial incentives, but instead seek to motivate through empowerment and delegating of responsibility. The local Dutch management team expresses this in following terms:

*"(...) the thing is that we give responsibility and trust. And if they make mistakes, we do not punish them for that."*¹⁴³

¹³⁹ Appendix #2, #3 & #4

¹⁴⁰ Appendix #2

¹⁴¹ Burke & Jackson, (1992)

¹⁴² Beer & Nohria (2000)

¹⁴³ Appendix #2

It is the understanding of the local management that one of the primary strengths of the SBU is that it can make decisions and act quickly, and delegating responsibility and trust to the employees of the company is a way of promoting this. Furthermore, it seems from our empirical data that Arla lets local management handle much of the integration process independently and that the managers go to great length to inform and include employees throughout the organization. This inclusion and empowering of employees is widely recognized to promote and assist the change process and Kotter also shares this perception and mentions motivation and empowering of employees as a prerequisite for broad-based action and integration of the target organization.¹⁴⁴

According to Ullrich et al., creating a sense of continuity in everyday operations, as well as in vision and mission, is the best way to avoid the uncertainty that often arises in the wake of an acquisition and threatens organizational identification. They argue that one of the key components to create continuity is middle managers. They should be the prime agents that help promote continuity and this can only be achieved through inclusion in decision-making and general empowerment. In this particular case, middle managers have been involved only after the actual sale of the company. According to the Dutch management team they have been very informative and open regarding current and future steps of the change process.¹⁴⁵ This has perhaps been done deliberately to proactively counter the potential feelings of distress and uncertainty among employees. Feelings which Arla, according to one of the managers, has done very little to offset. The middle managers' involvement in the change process is mentioned and it is explained how they were informed on all steps taken in the process after the announcement of the sales.¹⁴⁶ However, the degree of middle managers' involvement is not clarified in detail. Despite the fact that the management team has been profoundly involved in the integration process, the inclusion and empowerment of all employees, which potentially could work as a driver for ownership of vision and values, has been somewhat neglected. Considering the organizational chart of the Dutch SBU, each member of the management team has a number of subordinate middle managers, who, despite being informed, was not included in any of the decision making processes

¹⁴⁴ Kotter, (1996)

¹⁴⁵ Appendix #3 & #4

¹⁴⁶ Appendix #2

throughout the initial integration process.¹⁴⁷ It is a possibility that this impedes the creation of continuity and, thus, increases the possibility of uncertainty and endangers the organizational identification. This is of course an indirect conclusion made solely on the theoretical proposition that involvement of middle managers is vital to continuity and that continuity is a prerequisite for organizational identification. Assuming that this is the case, it is however a fair statement as there exists only very limited evidence of a thorough inclusion of this layer of management.

Also Burke and Jackson regard employee involvement as a central element in the integration process. According to them, the conception of ‘we’ and ‘they’, which is one of the primary manifestations of the merger syndrome, should be shunned by forming project teams including employees from both the acquirer and the target company. By handling parts of the integration process on their own, the project teams lay the foundation for future cooperation and encourage ownership of the vision and values that underpin the integration process. This type of involvement has indeed been practiced in this case. The management team responsible for the integration process and the strategy process included managers from both the Dutch SBU and Arla.¹⁴⁸ Another example of this is the carve-out process, where 20 key employees from the SBU went to Arla in Århus to plan and define work streams, budgets and goals.¹⁴⁹ These are both excellent examples of how empowerment and bridge building can be used to optimize processes and to counter the ‘we’ and ‘they’ feeling common between target and acquirer.

As employees are considered an organization’s most valuable resource, further emphasis on promotion of ownership of organizational values is necessary. Accordingly, it is argued that a sufficient amount of autonomy is essential to ensure this. The direction set forth by management in relation to values should be “tight” in the sense that it depicts a “one best way” to act and operate. Local management should then be allowed a “loose” interpretation and implementation of any activities and practices that is found adequate and helpful in their particular business. This coupling of “tight” direction and “loose” interpretation and implementation creates the so-called directed autonomy, which according to Burke and Jackson is desirable for the organization. The fact that the SBU has become an autonomous, legal entity and not just a part of a large corporation helps induce a feeling of autonomy that

¹⁴⁷Appendix #6

¹⁴⁸Appendix #1

¹⁴⁹Appendix #2

is expressed by the interviewees' frequently emphasizing that they are stand alone and independent.¹⁵⁰ In this context, our empirical research furthermore points to the fact that the changes in the SBU for the most part are not dictated by Arla, but left in the hands of local management. According to one of the members of the management team, Arla has a very hands-off approach to management in the SBU and this allows him and the rest of the team to operate relatively autonomously. As an example of Arla's non-intervention, Tim Ørting Jørgensen, Group Executive Director of Consumer International, is perceived as being very interested in learning about the SBU and their ways of doing things, without limiting or constraining any of the members of the Dutch management team in their operations.¹⁵¹ As mentioned earlier, the Executive Director's weakly phone calls are perceived more as caring than as controlling.

Beer & Nohria claim that employee motivation should come through involvement and empowerment, not sheer financial initiatives, which they postulate only motivate people to change their jobs. Such initiatives should only be used to reinforce already existing commitment and engagement, which are created through empowerment. Considering leadership a participative process, mere involvement does not suffice. Empowering employees means including them in decision making processes as well as keeping them informed. In the discussion of empowerment of the workforce, an interesting analogy is found suitable. It accounts for two things outstanding military leaders do. Firstly, they build up their forces in advance of using them and secondly they work relentlessly to build the commitment of their forces, checking constantly to measure loyalty among the soldiers.¹⁵² Applying this to the case at hand, one of the members expresses her perception of the local MD in following terms:

*"I was involved in everything, and Marc (red. MD) has been very open in his communication, so we knew everything. It was very pleasant."*¹⁵³

¹⁵⁰ Ibid

¹⁵¹ Appendix #2

¹⁵² Beer & Nohria (2000)

¹⁵³ Appendix #4

Likewise a member of the management team describes the local MD:

“Marc is a very good manager, and he is good at communicating. He organized the whole integration very well. If I don’t like that we have all the strategy meetings and only want to do my business and not interfere in all the administrative things in the integration, I just go to Marc and say that I don’t like it, and he has no problem changing it (...)”¹⁵⁴

Evidently, the managing team seems very admiring and loyal towards the managing director as a leader. Loyalty is central in a leadership context, as it is closely associated with commitment, and the untapped talent that exists at all levels of an organization should be utilized.

Summary

Managing an acquisition requires attention to numerous different factors and aspects of the organizations involved, but arguably one of the most central components of any such process is the people, who are affected by the acquisition. Particularly the integration process is reliant on a cooperative and engaged staff and here organizational identification and creation and preservation of psychological contracts are thought to be pivotal. In this context, it might be argued that Arla is not paying sufficient attention to some important features of the psychological contract between employee and company. Arla generally is perceived as a company that differs greatly from the Dutch SBU, both with regard to work mentality and in the importance assigned to agreements between the companies. However, the change process proceeds very gradually and with the involvement of the target company and this allows for the creation of continuity. This combined with a thorough communication effort on the part of local management apparently help offset the negative consequences that might otherwise be resulting from Arla's neglect.

Regarding involvement of employees, middle managers have not been involved to the extent advocated by Ullrich et al. Although they have been informed about the ongoing processes after the acquisition, there exist no evidence that they have been included in any decision making. On the other hand, project teams consisting of employees from both companies have

¹⁵⁴Ibid

been formed and been granted great authority, which is very much in line with what Burke & Jackson propose. Additionally, it seems that local Dutch management has been allowed a great deal of autonomy when it comes to interpreting and implementing the directions provided by Arla and this reinforces the notion of directed autonomy, which is also considered fundamental for employee empowerment.

Beer and Nohria stress the importance of empowerment and loyalty among employees during a change process, and in this respect our empirical research suggests that at least the managers of the SBU are very loyal to the Managing Director and see him as person they can rely on to solve their problems.

Integration Guidance

In M&A and change management literature, leadership and the role of the leader is emphasized as an important tool to motivate and manipulate the behavior of employees to achieve whatever goals are set in connection with the change process. Furthermore, it is largely agreed that it is the leaders of the organization that are at least formal instigators of any major change process undertaken by the organization. The interrelation between leader and employees (followers), however, is described with some variation in the literature. While some authors argue that the leader's role must be one of authority and dictation others see leadership as a more participative process. The following section is divided into three sections: The first one tries to establish the role of the leader and how leadership is conducted in relation to the Arla case from the perspective of a variety of our selected theories. The second section applies a view based solely on Beer & Nohria, as they are found to have a rather elaborate approach to this particular aspect of change management. Likewise, we have chosen to apply Kotter's theory in a separate section, as his approach regarding the guiding coalition could be seen as a central element in the integration process of the Dutch SBU.

To appropriately discuss the issue of leadership in relation to the integration process of the Dutch SBU, we find it necessary to first establish the relationship between leaders and managers in both Arla as the acquiring company and in the Dutch SBU as the target

company. All members of the executive team are defined as leaders. Relevant to our case are the SBU MD Marc Ligthart, the SBU Sales Director Carin von Leeuwen, the SBU Marketing Director Louis Rippen and the two Arla representatives, the project leaders Lothar Laufer and Nina Bjerring. Considering the organizational chart of the post-acquisition SBU, the Sales Director will be considered a leader, and her Retail Manager, Trade Marketing Manager and OOH Manager will be considered middle managers.¹⁵⁵ Accordingly in the marketing department, the respective managers below the Marketing Director are considered middle managers.¹⁵⁶ While the SBU MD, Sales Director and Marketing Director are considered the leaders in the SBU, Mr. Laufer and Mrs. Bjerring are considered the leaders representing the acquiring company. The two latter can in some respects be considered leaders of the SBU MD, Sales Director and Marketing Director due to the fact that they are given the responsibility of the integration process of the SBU in Arla and thusly have authority over the SBU leaders. Likewise, the SBU MD can be considered leader of the entire SBU, but only when regarding the SBU independently.

With the roles established, Kavanagh and Ashkanasy argue that the leaders should be chief architects of the organizational change.¹⁵⁷ The individual acceptance of change is central to the outcome of the acquisition and additionally controllable through the behavior of the institutional leader. The linear approach to leadership places the responsibility of creating and leading the path with the CEO and the executive team. Involvement and empowerment is the key to optimal integration of any new culture in the target organization and it is, thus, the task of the leaders to create and nourish this.

As already discussed in previous section, the Sales Director was involved in every part of the acquisition and the MD was very open regarding the acquisition. Her employees, however, were not. They were informed, but not involved. According to Kavanagh and Ashkanasy the lack of empowerment is not a problem, as long as all levels of employees are kept thoroughly informed.¹⁵⁸ The creation of a vision for all employees to follow is, however, not to be neglected. Evidently, transformational leadership is a strong facilitator of vision, but none of our interviews directly disclose any notions of neither the SBU MD nor the Arla representatives displaying transformational leader traits. In relation hereto, Arla's ability to create a strong vision for the SBU to follow has been somewhat

¹⁵⁵ Appendix #6

¹⁵⁶ Ibid

¹⁵⁷ Kavanagh & Ashkanasy, (2006)

¹⁵⁸ Kavanagh & Ashkanasy, (2006)

ambiguous. Kotter recommends that the vision is to be as clear and compelling as possible and that it should be easily understood and repeated. Indeed, the SBU MD states that Arla has a clear strategy and vision - lead, sense and create - but that this has not been adapted to the SBU yet.¹⁵⁹ The Sales Director supports this, stating that the SBU's vision is not dependent on Arla's vision. The Marketing Director, however, states that Arla has been very clear about what goals the SBU should try to achieve. As he puts it, the expectation of Arla is:

“(...) that we keep up to our budgets, that we realize a positive financial contribution to the Arla company, and that we develop a plan to introduce the Arla brand in the Netherlands.”¹⁶⁰

Left to consider is whether this can be categorized as a vision or at least the attempt to create one. Needless to say, the absence of a clear vision for the Dutch SBU to follow has left all Dutch employees without a compelling and motivating path to pursue. In this context, the Sales Director describes Arla as somewhat secretive about the motivation for the acquisition. Despite the fact that the Arla representatives seemed very interested in the Dutch SBU in the preliminary meetings, no one answered her repetitive question about the motivation for the acquisition.¹⁶¹

According to Kavanagh and Ashkanasy the management of the change process is highly significant for the result of the process outcome.¹⁶² Additionally, when the individual consequences in the change process are positive, leaders will also be perceived in a positive manner. Both the Sales Director and the Marketing Director of the SBU claim that their areas of responsibility have increased, and that they have much more work now than before the acquisition, primarily due to the change of strategy. They perceive the SBU MD as well as the project leaders in an overall positive manner, indicating that the increased work load and responsibility is regarded as an improvement.¹⁶³ The Sales Director regards

¹⁵⁹Appendix #2

¹⁶⁰Appendix #2

¹⁶¹Appendix #4

¹⁶²Kavanagh & Ashkanasy, (2006)

¹⁶³Appendix #3 & #4

the MD as a very good leader, a good communicator and overall helpful.¹⁶⁴ Likewise, The Marketing Director expresses his satisfaction with the Arla representatives and highlights one of the project leaders as a particularly good bridge builder between Arla and the Dutch SBU.¹⁶⁵ The MD is very content with the Arla representatives as well, but explains that he could have used an even higher degree of collaboration with them during the early phases to further improve bridge building and increase urgency.¹⁶⁶ In this regard he points to the fact that the Arla representatives were too absent in the preliminary phase of the process. When asked what he would have wanted different retrospectively, he replies that he would have had more Arla representatives working even closer with the SBU executive team, and that he would have had them sooner.¹⁶⁷ He would have needed them for bridge building, developing strategy and so on. Hereby it becomes evident that the MD certainly does assume the chief architecture role, but that he stood somewhat alone in the prelude. This can be seen as a deliberate act from Arla, trying to encourage him to assume the role as the main responsible for the change process. This, however, seems not to be the case as both Arla representatives were assigned to lead the strategy development process as well as the integration process right from the beginning.¹⁶⁸

As mentioned earlier, the Sales Director says that her subordinates have not been involved, only informed of the steps taken in relation to the acquisition.¹⁶⁹ When the Marketing Director says that managers are given great autonomy and responsibility and are involved, he refers to the management team consisting entirely of what we in this section has chosen to label leaders.¹⁷⁰ The inclusion of middle managers in decision making processes, greatly emphasized by Ullrich et al., is obviously diminished to only consist of informing and updating. The consequence of the exclusion of the middle managers from the integration processes is a serious undermining of the creation of projected continuity, an issue that will be dealt with in further detail later in the thesis. The importance of including multiple levels of employees in the integration process is embraced by Burke and Jackson. Despite acknowledging the importance of leaders in the preliminary phase of a change process, they stress the need for employee involvement and project team based decision making.

¹⁶⁴ Appendix #4

¹⁶⁵ Appendix #3

¹⁶⁶ Appendix #2

¹⁶⁷ Appendix #2

¹⁶⁸ Appendix #1

¹⁶⁹ Appendix #4

¹⁷⁰ Appendix #3

This is done to create ownership among the employees and to facilitate the avoidance of the “we” and “they” syndrome. The perception that Arla and the Dutch SBU are two different organizations, and that “we” are SBU employees and “they” are Arla employees are dangerous to the integration process and should be avoided.

Burke and Jackson see leaders as instigators of organizational change and furthermore as essential manipulators of values and attitudes. This means that the management team in charge of the carve-out and acquisition process should be aware of the influence they exert on the employees perception of the changes the organization undergoes.

One could say that the leadership in the case at hand bears some resemblance to Burke & Jackson's "directed autonomy" leadership strategy. As Carin describes it, Arla is of course included in decisions about strategy and branding and so forth, but ultimately the SBU leaders have the authority to decide the direction to go in, as long as it does not conflict with the overall values of Arla:¹⁷¹

*“But arla did help us with the whole strategic reorientation. Lauder Laufer is helping us getting our strategy right again. Nina as well, are also helping us both analyzing externally and internally, and guiding the whole process of coming up with the new strategy”*¹⁷²

This way, Arla “top leaders” permits local management to make local adaptations of strategy and branding of Arla products, but at the same time they monitor that these strategies do not deviate excessively from what befits the over-all Arla brand and organization. In Burke & Jackson terminology this can indeed be labeled “directed autonomy”. The Marketing Director also touches upon this issue when he speaks about the different product portfolios. He notes that there are many Danish concepts that cannot be used in the Netherlands because of local taste preferences. Therefore, he says, local adaptations have to be made and here he thinks Arla lacks the proper expertise:

¹⁷¹ Appendix #4

¹⁷² Appendix #3

“We have local knowledge, and Arla has a corporate knowledge, and we will have to find each other. When talking about migrating systems and financial administration, we wonder whether Arla has ever thought about that. About migrating all the services. About how to cope with a subsidiary from another planet.”¹⁷³

In line with this, Tim Ørting Jørgensen, the Executive Director of Consumer International, has been quite clear in his formulation of a goal for the Dutch SBU to aim for, and this is simply that the SBU realize a positive financial contribution to the Arla company and that it comes up with a branding strategy for the Arla brand in the Netherlands.¹⁷⁴ Interestingly though, despite this goal being formulated from top leaders in Arla, the Marketing Director reports that the leaders in the SBU do not feel that they are forced in any particular direction.¹⁷⁵ On the contrary, they feel that they have to come up with solutions and deliver results independently. The Marketing Director describes this as a chance to be an entrepreneur and sees it as a positive thing. He goes on to say that the SBU leaders are given great autonomy and responsibility by Arla after the acquisition. During the carve-out and the following integration process, the respective SBU leaders got plenty of room to operate and exert influence on the changes made to fit the new strategy. Thus, there has been a flattening of the hierarchical structure, both in the formulation of the strategy and in the following organizational adaptations.

The Dichotomy

As mentioned, theory E induced leadership happens from the top down and with scarce involvement from the management team. Leadership aligned with theory O, on the other hand, feature participation, commitment and dialogue, and vegetates from the bottom up. Theory E orientated leaders emphasize on rationalization and immediate financial results, with little time or aspirations of improving organizational capabilities. By comparison, in O-type change processes, leaders focus on collectivity, trust and commitment, and the development of organizational culture, quality and productivity promotion.

¹⁷³ Ibid

¹⁷⁴ Appendix #3

¹⁷⁵ Ibid

Leadership in the Dutch SBU has characteristics of both theory E and theory O. At the beginning, top leaders of the integration process put emphasis on financial results and strategic branding achievements.¹⁷⁶ However, this focus is evidently applied with the intention to create and improve organizational capabilities. Also speaking in favor of a theory O type of leadership is the fact that management in the SBU have been greatly involved in the integration process and even in the acquisition.¹⁷⁷ However, looking at our research it does not seem as though management in Arla has made any significant attempt to promote collectivity, trust and commitment in the Dutch SBU or tried to develop the organizational culture, quality or productivity. According to Beer & Nohria, this is advisable perhaps in a later phase of a change process, whereas the type E leadership style is often more useful in the beginning of the process. The reason is that following theory O driven initiatives with theory E, potentially creates feelings of betrayal and disbelief among employees. Reversing the sequence would counter this. In our interview with the Managing Director it is apparent that Arla is interested in enhancing and improving the productivity of the Dutch SBU e.g. by changing the strategy.¹⁷⁸ In other words, Arla is not simply interested in making a quick profit without regard to the long-term performance of the SBU. The Sales Director confirms that Arla plays an active part in formulating the new strategies of the SBU, but still emphasizes that it is the leaders of the SBU that have the last word¹⁷⁹. This way, Arla does clearly not apply a theory E type of leadership in the preliminary phase of the integration process. Hence, Arla does not act in direct accordance with the theoretical frame set by Beer and Nohria, advising to lead with theory E and follow with theory O. This is not necessarily a bad thing as long as later development does not require a theory E intervention to prevent things from going off track.

Including the employees of the target company in the creation and formulation of the new strategy is a pivotal element in theory O, and regardless of what sequencing the leaders of the integration process choose, this is a point that should not be ignored. In relation to this, Beer & Nohria point to an important factor when dealing with this kind of major organizational change. A merger such as the one in the case at hand brings about change in a variety of different settings of the organization. The shift in ownership is merely a legal formality, which does not necessarily require the engagement of others than the top

¹⁷⁶Ibid

¹⁷⁷Appendix #2

¹⁷⁸Ibid

¹⁷⁹Appendix #4

management of the involved parties. More importantly, however, such a shift in ownership often entails more profound tangible as well as intangible reorganizations, e.g. change in strategy, responsibility and power of managers, HR systems, synergy realization, and adjustment of IT-systems and supply chains. All these changes require collaboration, and because of the inherent ambiguity of the information on which judgments and decisions about these reorganizations are made, a different kind of expertise and knowledge is an important resource in these situations. As put by Dunphy in Beer & Nohria:

*“... the more minds devoted to problems facing the organization as it changes, the better.”*¹⁸⁰

Arla can therefore benefit enormously from the expertise and know-how of the local leaders, perhaps especially in the strategizing process as they possess vital knowledge about the local market situation and the specific characteristics of the SBU, which are important features when crafting the strategy. Not least because the appropriate mix of theory E and theory O, to a large extent, is determined by the strategic specifications of the organization in question.

Proponents of theory E suggest that the change process can be managed and controlled through managerial levers such as formal structures and systems.¹⁸¹ These in turn affect the power relations in the organization, according to Beer & Nohria, a necessity for change in strategic direction. In the case at hand, it seems that only small changes have been made in the formal structure and system. However, as the managing director points out, the shift from a cash cow strategy to a value-added strategy will inevitably create an enhanced focus on the marketing department and product development.¹⁸² This strategic shift is therefore likely to bring about some form of structural change and has already resulted in the Marketing Director attaining responsibility of the R&D department and the Sales Director being in charge of trade marketing. It is important to note, however, that these changes are not choreographed or planned by Arla senior management. Instead the managers of the SBU are given room to operate more or less autonomously with Arla as a sparring partner

¹⁸⁰ Beer & Nohria, (2000)

¹⁸¹ Beer & Nohria, (2000)

¹⁸² Appendix #2

more than as an instructor. This is exactly the kind of responsive negotiation between leaders and followers that Beer & Nohria highlight as a typical theory O characteristic. As mentioned, another important component of theory O leadership is the leaders attempt to create and promote trust and commitment among the employees. In the Marketing Director's opinion, Arla has not done anything directly to counter feelings of despair and uncertainty.¹⁸³ One could argue that this has been attempted through the extensive informing of employees in the relation to the integration process and the various forums used to communicate the changes and generally updating all employees on the process. Understandable, this is not considered a direct attempt to counter feelings of despair, but nevertheless the effect could arguably be the same. The continuous and steady flow of information on the change process to the employees will help them understand the situation status and create a degree of security around their personal future.

The Guiding Coalition

Considering Kotter in relation to leadership, one of the key arguments in his construction is that that change management is about controlling, predicting and being proactive, and as such he applies a somewhat more positivistic approach than other theorists. A central point in his theory is that he wants the organization to create a guiding coalition to oversee and manage the integration process. The guiding coalition should be composed of key individuals from the organization, each capable of contributing to the process. In the SBU such initiatives were approached in two different shapes. Firstly, almost immediately after the acquisition, 20 key employees from the SBU were sent to Arla in Århus, Denmark, to meet with peer employees from HQ, and in cooperation with these plan elements of the upcoming integration process. Secondly, a steering committee was created, which was composed of a number of people from Arla HQ and the Managing Director of the Dutch SBU. This was initially very frustrating to the SBU employees and especially to the Managing Director, as he had to discuss and approve everything in the strategy process, which made the entire process become rigid and slow.¹⁸⁴ This is an issue mentioned by Kotter, who argues that a decision making process that at all times depends on one single individual, although an extraordinary and highly capable one, will work too slow and in no

¹⁸³Appendix #3

¹⁸⁴Appendix #1

way satisfying for neither parties. However, with the creation of what throughout the interviews is referred to as the management team, exactly the type of guiding coalition which Kotter talks about comes about. The management team is composed of the Managing Director, the Sales Director, the Marketing Director, HR director, IT responsible, and the Head of the Finance Department. This composition is well suited for decision streams, as the individuals live up to the characteristics prescribed by Kotter, which are position power, expertise, credibility and leadership. The involved individuals each manage different departments in the organization and they are all experienced directors with each their specific field of expertise. Every second week this coalition has a scheduled meeting where status is accounted for, potential bottleneck problems are discussed, goals are defined, and achievement hereof is decided.¹⁸⁵ Furthermore, the team focuses on getting the directors to do their normal jobs and to let the integration process disturb as little as possible the day to day operations. If the process affected the day to day operations, they would risk influencing the results negatively, the MD says.¹⁸⁶ In relation hereto, the MD argues that a relaxed management team with the freedom to operate is a focal point in the integration process.

This discourse about freedom to operate is verified in the interview with the two project leaders from Arla HQ. A rather hands-off leadership style in managing the integration process has indeed been applied, especially with regard to employee motivation and communication. Here the SBU acted very stand alone and autonomously and this could be argued to be a deliberate choice by the Project Leader in order for the SBU management team to assume ownership of the process. The idea would then be for the team to take the lead of the integration and for Arla to assume a supporting role on the issues mentioned.

Summary

Summing up on the above addressed, it becomes evident that Arla to some degree has acted in accordance with the theoretical framework developed earlier. Arla is described as very open and informative regarding the entire acquisition process. There was, however, no evidence of any sort of involvement of the employees in the process. The strategy and vision for the SBU was communicated very thoroughly, and the leadership in the Dutch

¹⁸⁵ Appendix #1

¹⁸⁶ Appendix #2

SBU has some resemblance to directed autonomy, as local management make local adaptation of both strategy and branding, while being monitored by Arla. This freedom to operate takes local management as far as to feeling free to be entrepreneurial and independent.

Both the integration process and Arla as organization were perceived in a positive manner, even though the Arla representatives were unluckily absent in the preliminary parts of the process.

There had been critically little involvement of the middle managers and no project team based decision making, which resulted in the absence of projected continuity and the potential creation of the 'we' and 'they' syndrome, described above.

More often than not leaders are instigators or catalysts of change processes and as such cannot be ignored when analyzing the successful management of organizational change. It is however questionable whether organizational change can be fully managed and controlled through traditional management tools. However, both theory E and theory O tools are in play in the integration process. Theory E because of the strict focus on financial results and strategic branding. Theory O because of the intentions to improve organizational capabilities by restructuring systems and moreover from Arlas side to attempt to be a responsive negotiator. Arla was clearly not merely interested solely in swift economic gains, but does not act in direct accordance with theoretical sequencing suggested by Beer and Nohria neither.¹⁸⁷

Although the leaders of the SBU generally seem satisfied with the project leaders and the way they have participated and assisted in the integration process so far, the MD says that he could have used an even higher degree of collaboration with them during the early phases to further improve bridge building and increase urgency.

Cultural Integration

The cultural aspect or setting of an organization is an essential element in both change management and M&A theory. Unfortunately it is often neglected in favor of more

¹⁸⁷ Beer & Nohria, (2000)

superficial organizational features when analyzing a potential target company, e.g. strategic relatedness and access to new technology, manufacturing capacity or supply chain synergies. Although these features are valuable to the acquirer and should by no means be excluded in the assessment, it seems that the cultural characteristics and possible compatibilities are just as important, or perhaps even more important as they are not as easily changes as the other organizational features. The next section will try to disclose to what extent the project leaders from Arla have considered the cultural setting of the Dutch SBU compared to that of Arla, if there exist any compatibility between the two companies, and how this all relate to the theoretical foundation in this specific area. As described in the method of the thesis, our empirical material consists of interviews with key personnel in the Dutch SBU and in Arla, and the insight into the culture of the two companies is, thus, based on statements made by interviewees, although these in some cases may be subject to a degree of interpretation.

We have chosen to divide the section into three parts: Continuity, values and compatibility, all, according to the anthology, representing different dimensions of significance to organizational culture.

Continuity

All M&As are inevitably associated with a degree of discontinuity. Managers must try to create a link between the present and the future through the creation of ‘projected continuity’.¹⁸⁸ By keeping employees on all levels fully informed about each step taken throughout the integration process and creating a clear and compelling vision to adhere to, the distance between the base line (A) and every dot on the expanding line (C) on figure 3 is reduced whereby the level of discontinuity is reduced.¹⁸⁹

¹⁸⁸ Ullrich et al., (2005)

¹⁸⁹ See Figure 3, p. 29

All interviewees from the Dutch management team seem satisfied with the level of information about the acquisition, however, not all information has been passed on to employees further down in the organization. The Marketing Director says:

“During the procedure of change we have always been open and informative and told the employees all what happens and is going to happen. So the combination of keeping the work related to the re-organization within the management team, but at the same time being very informative about what goes on in the process.”¹⁹⁰

This reveals that the management team is aware of the importance of informing all members of the organization of what is currently going on in the change process, but at the same time chooses to keep the decision-making processes and procedural details exclusive. Keeping employees informed should diminish the perception of discontinuity and promote the feeling of continuity hereby securing a gradual, emergent, cultural change process, according to Ullrich et al., a necessity to effective change. Likewise, when focusing on the employee aspect of the cultural integration, Kavanagh and Ashkanasy put great emphasis on the involvement and empowerment of the employees of the organization to make the integration process as smooth and swift as possible. Fundamentally, employees are the key to make the integration process meet the expectations set for the initiative. It is through the employees' ownership of the integration process the negative associations to change such as uncertainty and insecurity are avoided. When interviewing the management team in the Dutch SBU, it became evident that they were fully informed on the steps taken all through the acquisition and integration process. However, not all managers were empowered in the sense that they were actively participating in the decision making process.¹⁹¹ To promote continuity and ownership even further, management could therefore consider letting all employees from the target company participate actively in decision-making processes regarding the integration of the two companies. Although perhaps more time-consuming and laborious, it could prove worthwhile as it would create a more smooth transition from one organization culture to the other through full empowerment of the employees, as prescribed. One reason this has not

¹⁹⁰ Appendix #3

¹⁹¹ Ibid

happened is possibly because of the practical complications and delays this can cause in a time where a lot of decisions have to be made within a short period of time.

With regard to the time span of the cultural integration process, Burke and Jackson recommend that focus should be on integrating the culture of the acquirer and the culture of the target company into one common post-merger culture as rapidly as possible, disregarding the immense discontinuity affiliated with such drastic changes.¹⁹² It is important to bring the two companies together as quickly as possible to counter some of the most frequent pitfalls of the so-called 'merger syndrome', e.g. clash between dissimilar cultures and the "we vs. they" syndrome, both causing the post-merger integration process to proceed less effectively.¹⁹³ By emphasizing a strict sense of urgency in the integration process, Burke and Jackson seek to limit the time span of the integration process as much as possible, but at the same time recognize that the actual cultural facets of the organization are not easily changed or transformed, perhaps even less so in the wake of a merger, where focus on cultural divergence and discrepancies between the involved companies is enhanced greatly. Other more practical changes, such as organizational infrastructure and work practices, are easier to make and may pave the way for cultural change and management should therefore proceed with this, regardless of the lacking cultural change. The Managing Director of the Dutch SBU describes how the carve-out process from FrieslandCampina was scheduled to last one year from the transfer of the shares on May 4th, 2009. May 4th, 2010 The Dutch SBU should be completely separated from FrieslandCampina services and infrastructure and attached to Arla instead.¹⁹⁴ The separation included computer and server service and maintenance, salary systems, purchasing contracts of carton etc. By limiting the time span of the carve-out and the integration process, Arla may succeed to create the sense of urgency in the process, so strongly emphasized by Burke and Jackson.

At first glance the two theories presented by Ullrich et al. and Burke & Jackson appear incompatible at best and, to some extent, even contradictory. The emphasis on continuity and emergent cultural change seem in conflict with the swift integration process recommended by Burke & Jackson. However, one has to consider the special situation M&As constitute in this context. Acquisitions usually bring about radical changes in the target company and often these changes are implemented by executives with little regard to

¹⁹²Burke & Jackson, (1991)

¹⁹³ Burke & Jackson, (1991)

¹⁹⁴ Appendix #2

involvement and inclusion of subordinates. An acquisition will often have a strategic objective that requires some kind of restructuring and reorganizing of the target company, for example to achieve a synergetic effect between the two companies. Needless to say, such changes in the target company can result in cultural discontinuity, as the organization and its members are incited or even impelled to change fundamental aspects and values to fit the new circumstances. Ullrich et al. therefore offer a slightly modified version of the continuity idea:

*(...) if a merger brings about a new business strategy, introduces new clustering of activities or reorganizes communication channels, this may not all be so bad, as long as people can expect some stability after the change and are enabled to foresee exactly what is going to happen."*¹⁹⁵

In the case of Arla the integration process actually follows a combination where the two approaches are sequenced and a somewhat "softened" version of each approach is applied. The time span of the carve-out process is limited and strategic and structural changes are immediately implemented after the acquisition. These are indications that the organization experiences a high degree of discontinuity and because of this it is in danger of falling victim to the "merger syndrome". However, these changes happen with the highest possible degree of projected continuity promoted through thorough and systematic information to all employees on what the future holds for the organization in terms of vision, strategy and structural changes. As the Managing Director explains:

*"We put a lot of effort into communicating, so from a change management point of view, what we did was to have a meeting, a presentation, a Q/A, announcements, press releases, letters sent to everyone at home, so that everyone would understand what was going to happen."*¹⁹⁶

This means that, though the organization, as it currently appears for the employees, has undergone drastic changes, a clear vision of how things are going to be and a detailed plan outlining the path to reach the goal are given to the employees. This creates the projected continuity that is essential to avoid the uncertainty associated with episodic change and discontinuity. At the same time, limiting the accepted time span of the carve-out to a year

¹⁹⁵ Ullrich et al., (2005)

¹⁹⁶ Appendix #2

and introducing fundamental changes from day one of the acquisition, support the notion "(...) that from the first day a new company has begun". Developing a new corporate culture, including daily operations, should be a number one priority and though the aforementioned changes definitely have the potential to affect the culture of the Dutch SBU, perhaps an even more intensive and premeditated effort could be advisable.

Values

Directly changing corporate culture is not something that is easily done. Though he acknowledges the importance of culture, Kotter recognizes that it is often the last thing that changes in a change process. It is one of the most significant impediments to organizational change, but instead of trying to change the culture directly, management should try to look at the norms and values of the organization. The essential parts of organizational culture are namely these norms and values, and only via them can the culture be changed.

When interviewing the Managing Director of the Dutch SBU, it became evident that his attention was indeed on the common set of values and norms shared by Arla and the SBU.¹⁹⁷ He explained that despite sharing many values and norms, the acquisition had made him aware of the fact that Arla acts in a different way with the shared values and norms. One of the major clashes, he states, are the aforementioned sense of urgency. The managing director thinks that Arla has been very surprised with the culture of the Dutch SBU, as urgency here is a hallmark in the daily operations. Despite the fact that the larger share of the corporate values and norms are considered very much aligned, the Managing Director expressed understanding that it takes a long time to change and adapt culture.

When considering cultural change from an operational perspective, Burke and Jackson advise that organizational leaders should present a set of values that differs from the existing ones and then provide employees with ways for the values to be incorporated within their behaviour. The employees of the Dutch SBU are presented with a new strategy and vision for the company and both are very different from the previous ones. Strategically, the SBU changes from a cash-cow strategy to a value-added strategy and the vision of the company

¹⁹⁷Appendix #2

after the acquisition is to introduce and strengthen the Arla brand on the Dutch market. Moreover, Arla introduces the three core values of the organization, which are; lead, sense and create.¹⁹⁸ These values then act as guidance to the employees inside the SBU on how to change their behaviour. In this context it is crucial that key personnel in the company adopt these values and in this way inspire other employees to do the same.¹⁹⁹ The project leaders from Arla clearly were aware of the importance of getting the Dutch managers to support the integration process:

"Their whole culture just makes it easier to work with. But you do have to get the manager on board. We couldn't have done anything if Marc (red. the Managing Director) had opposed it."

Both the Managing Director and the Marketing Director seemed very pleased with the strategic changes that have been made in the SBU and did not see them as hard to incorporate into the existing culture and system.²⁰⁰ Conversely, the Managing Director feels that Arla's core corporate values are very much in line with what they in the SBU are working towards.²⁰¹ In this context, Kavanagh and Ashkanasy stress that although the executive team and the leader are chief architects of organizational change and a vital driving force in the actual implementation of the change initiative, employee involvement and empowerment are regarded as an equally important facet of the change process, especially in connection with cultural integration.²⁰² To ensure an as swift as possible cultural integration and create optimal grounds for the entire change process, an inclusion of employees in both formulation and execution of the change strategy is suggested.

¹⁹⁸ Appendix #2

¹⁹⁹ Kotter, (1996)

²⁰⁰ Appendix #2 & #3

²⁰¹ Appendix #2

²⁰² Kavanagh and Ashkanasy, (2006)

Compatibility

The alignment and compatibility of values, norms and culture is described as crucial for any change initiative to bear fruit.²⁰³ Therefore we have found it relevant to examine the core values of Arla, mentioned above, which at first glance do not appear very different from the values provided by Royal Friesland. One can argue that the shift in culture, consequently, is not very prominent either. Our empirical research definitely points in the direction that the values and norms of the two organizations are alike to a certain degree. The two companies both operate in the dairy industry and therefore in many ways are organized around the same tasks and routines generically.

As mentioned earlier, Thompson et al. put a great deal of emphasis on the issue of cultural relatedness. By arguing that any absence of synergy partially can be traced back to the failure of cultural integration, the authors highlight the importance of a pre-acquisition assessment of possible cultural divergence between the two organizations. Through our research and interviews with the responsible personnel in the acquiring firm we found no evidence of such an evaluation. Whether it is used to uncover possible divergence between the companies or just to get a clearer picture of the cultural settings in the target company, it always produces valuable knowledge to conduct some kind of cultural analysis when performing a merger or an acquisition. Our empirical data does indeed reveal differences between the acquirer and the target company. When interviewing the management team in the Dutch SBU, we discovered clashes in corporate culture between the SBU and Arla HQ. To try and comprehend these clashes, we probed around the area when collecting our empirical data from the Dutch SBU. When asked whether Arla had tried to understand the corporate culture of the Dutch SBU, a member of the management team answered:

“Arla is not used to work in that world (red. the Dutch market), so they look at us and see a different reality than we do.”²⁰⁴

²⁰³ Thompson et al., (1992)

²⁰⁴ Appendix #2

Naturally, when operating in different markets, different approaches and procedures exist within the company. It becomes clear, that what the interviewee refers to is the aforementioned lack of urgency on the part of his Arla colleagues, which evidently frustrates the Dutch employees. Throughout the interviews conducted in the SBU, we detected a clear dissatisfaction with the fact that some key persons within Arla did not appreciate the fact that the SBU operates in a completely different market and thusly under completely different circumstances. The market has a far higher degree of competition, and the selling of dairy products is a lot more challenging than in Scandinavia, where Arla has its primary activities. To the question of how to describe the culture in the Dutch SBU before the acquisition, another member of the management team answered:

“We try to be close to our business, to our clients, and to our customers, and get things going. What might change is that I have the feeling that within Arla, the speed might go a little bit down...”²⁰⁵

The ‘speed going down’ once again refers to the issue of urgency in daily business, as mentioned above. Overall, the interviewees in the Dutch SBU were troubled with the fact that they were now part of a very large corporation, which had no experience in the Dutch market and which had no way near the same sense of urgency as exists in the SBU. This, Thompson et al. argue, is a severe impediment to a successful merger outcome.²⁰⁶

Despite the dissatisfaction in the SBU, we did see indications that Arla tried to understand the situation of the Dutch SBU in relation to being integrated into Arla. One of the project leaders explained:

“(...) the point is that you need to understand the cultural differences, and that is not only a point that we have to do, it is also a point that Marcs’ (red. Marc Ligthart) team has to do.”²⁰⁷

²⁰⁵ Appendix #3

²⁰⁶ Thompson et al., (1992)

²⁰⁷ Appendix #1

Hereby it is evident that Arla is aware of the fact that understanding the culture of the Dutch SBU is an important issue of the integration process. However, when asked how urgency was induced in the SBU in the integration process, the Project Leader of the Integration Process answered: *“I think they just did”*.²⁰⁸

Considering the question of relatedness of culture, the set of values within the company becomes highly relevant. As described above, for the change process to yield successful results, it is vital to evaluate and consider all cultural divergences or mismatches before the actual change process is set in motion. Overlooking this factor can potentially have a severe negative effect on the creation of synergy and the overall outcome of the process. During the interviews we saw no such attempts to evaluate or investigate neither the corporate culture nor the culture within HR in general of the Dutch SBU. It was very clear, however, that the expectations of the interviewees in the Dutch SBU had not been met by the acquiring company. As mentioned above, particularly the gap between the sense of urgency in the SBU and in the acquiring company resulted in a great deal of disappointment.

*“Arla is from a market where you have branded products, and you have an 80% market share, high prices, good margins and a lot of people. Here the market is all about price. We have 40-50% private label, we have low cost producers, who are very competitive and we have one main competitor, who is larger than we are, and that is a completely different world. Arla is not used to work in that world. So they look at us and see a different reality than we do.”*²⁰⁹

The frustrations were explicit throughout the interviews in the Dutch SBU, and as the quote exemplifies, it was the lack of understanding for the difference in conditions as well as the sense of urgency, which was often mentioned as a problem.

²⁰⁸ Ibid

²⁰⁹ Appendix #2

Summary

To sum up on what can be deducted from this section, we see that the management team is aware of the importance of informing all members of the organization of each step of the change process, but that the decision-making processes and procedural details remain in the hands of the team. By keeping employees informed the perception of discontinuity is moderated and continuity is promoted. In doing so, a steady and emergent cultural change process is promoted, which is essential to effective change and smooth integration of people.

Though the organization, as it is perceived by the employees, has undergone drastic changes, a clear vision of how things are going to be as well as a detailed plan outlining the path to reach the goal are given to the employees. By doing so, the projected continuity that is essential to avoid the uncertainty associated with episodic change and discontinuity is created.

Meanwhile, by limiting the accepted time span of the carve-out to a year and introducing fundamental changes from day one of the acquisition, the notion "(...) that from the first day a new company has begun" is endorsed.

However, relative clashes in culture between the Dutch SBU and Arla are disclosed.

Naturally, operations on two different markets generate different approaches, procedures and conditions. Unfortunately there has been initiated significantly limited measures to counteract the negative consequences hereof, which has resulted in a certain degree of mismatch in expectations between target and acquirer. Particularly the lack of sense of urgency has been relevant in the case at hand, as it has been subject of substantial frustrations among the employees in the Dutch SBU. The lack of understanding for the markedly different conditions asserting themselves in the Dutch market regarding competition and marketing has contributed to a great clash between the corporate culture in Arla and the Dutch SBU.

We do not find that the responsible people from Arla have had adequately focus hereon, and that the measures to counter clashes between corporate culture have sufficed. For example, Arla has not conducted any analysis on possible divergence in culture.

Conclusion

The following section will conclude on the above analysis and draw all four summaries together in a direct and complete answer to our problem statement. The question of how Arla has managed the post-merger integration of the Dutch SBU is answered by considering each of the four areas of focus in depth. However, we are fully aware of the fact that they are very closely related and should not be dealt with as isolated aspects.

In conclusion, the overall integration strategy has been characterized by profound local customization and involvement of local management. Little changes have been made in the power structure and work organization of the SBU and the structural changes following as a result of the strategic shift from a cash-cow strategy to a value-added strategy have been initiated primarily by local management itself. At the same time, however, Arla has been very clear about the expectations to, and plans for the SBU, but this has been interpreted more as a sign of interest and concern than as dictation of what the local managers should do. This hands-off approach has evidently proved worthwhile as it, according to our research, has resulted in a comprehensive engagement and feeling of ownership toward the new strategy and vision of the organization that has manifested itself all the way down through the organization. An important tool in the integration process is communication, and here local management has used a wide variety of measures to provide the employees of the SBU with information about the forthcoming steps of the change process. This significantly increases employees feeling of security and also promotes ownership, engagement and commitment towards the changes that are being implemented.

Particularly the focus on employees is emphasized as a crucial element of any integration process. In order for the target company to function as an integrated part of the acquiring company, the employees of the target company must be cooperative and engaged, and in this context the creation and preservation of psychological contracts are pivotal. Although Arla seems to neglect some important aspects in this regard, the thorough involvement of local management combined with the extensive communication effort displayed by local managers might help offset some of the negative consequences resulting from this neglect. Theory, however, suggests an even higher level of involvement with middle managers included in the actual decision making process instead of merely being passive recipients. On the other hand, project teams consisting of employees from both companies have been formed and been granted great authority and when it comes to interpreting and implementing the directions

provided by Arla HQ, local management has been allowed significant autonomy.

Furthermore, our research suggests that the managers of the SBU are very loyal to the Managing Director and regard him as a person they can rely on to solve their problems.

Clear indications point to the fact that Arla to some degree has acted in accordance with the part of the theoretical framework addressing management of the integration process. Arla is described as being open and informative regarding the entire acquisition process. Despite the very limited involvement of the Dutch employees in the process, the strategy and vision for the SBU was indeed communicated both thoroughly and comprehensively. Leadership in the Dutch SBU has some resemblance to the concept of directed autonomy, explained in the analysis section called Integration Guidance, as local management formulated a local adaptation of both strategy and branding, while being thoroughly monitored by Arla. This 'dictated' freedom to operate results in local management feeling free to be entrepreneurial and independent, something that is highly valued by the employees.

The integration process was to some extent perceived in a positive manner, despite the Arla representatives predominantly being absent in the preliminary parts of the process.

Regarding the involvement of middle managers, critically little initiative was taken to empower this specific group of employees. Additionally, only limited project team based decision making has taken place and this is an aspect highly emphasized by several of our theories.

Managers are generally a vital asset in the integration of people. More often than not they are instigators or catalysts of change, and as such their role must not be ignored when analyzing the successful management of organizational change. It is however questionable whether organizational change can be fully managed and controlled through traditional management tools. However, both Theory E and Theory O tools are in play in the integration process. Arla has a strict focus on financial results and strategic branding, but on the other hand there is an intention to improve organizational capabilities by restructuring systems. Arla was clearly not interested merely in swift economic gains, but does not act in direct accordance with theoretical sequencing suggested by Beer and Nohria neither. Unfortunately, no indications of a simultaneous employment of Theory E and Theory O have been discovered. The consequences hereof have been described above and can severely impact the course of the integration process.

Considering the change process in relation to organizational culture, the management team seems fully aware of the importance of informing all employees in the organization of each step of the change process. However, the decision-making processes and procedural details remain solely in the hands of the management team. By keeping employees updated and fully informed, the perception of discontinuity is moderated and continuity is promoted. In doing so, a steady and emergent cultural change process is made possible, which, as described above, is essential to effective change and smooth integration of people. Though the organization, as it is perceived by the employees, has undergone drastic changes, a clear vision of how things are going to be, as well as a detailed plan outlining the path to reach the goal are available to all employees. By allowing access hereto, the projected continuity, which is essential to avoid the uncertainty, especially associated with episodic change and discontinuity, is created. Meanwhile, by limiting the accepted time span of the carve-out to a year and introducing fundamental changes from day one of the acquisition, the notion that from the first day a new company has begun is endorsed.

However, relative clashes in culture between the Dutch SBU and Arla are disclosed.

Operating on two distinctly different markets generate different approaches, procedures, and conditions. Unfortunately, significantly limited measures to counteract the negative consequences hereof has been initiated, which resulted in a considerable degree of mismatch in expectations between target and acquirer. Particularly the lack of sense of urgency has been a relevant issue. It has been subject to substantial frustrations among the employees in the Dutch SBU, disclosed in the interviews. An overall and general lack of understanding for the markedly different conditions asserting themselves in the Dutch market regarding both competition and marketing, has contributed to a substantial clash between the corporate culture of Arla and that of the Dutch SBU. We find that the responsible people from Arla have not managed to draw adequate focus hereon, and that the measures to counter these cultural clashes have not sufficed.

Implications and recommendations

The initial areas of interest of this thesis are M&As and change management associated herewith. It is postulated that a major success factor for any given organization is the extent to which it manages and reacts to changes brought about by external as well as internal factors. A case study has been chosen to exemplify and shed light on the circumstances surrounding the issue, and in this relation four working imperatives have been set forth. The first three help to establish both a theoretical foundation for which the case company can be analyzed and an analysis of how the change process has proceeded. This last section of the thesis will apply a more prospective view and, based on the findings in the analysis, come up with suggestions for further action.

First and foremost we will take a look on the strategy used by the relevant managers during the integration process. Choosing the right way to approach the target company and initiate integration of formal and informal systems and structures is pivotal for a productive outcome of any acquisition. The opinions on this matter of the authors included in the theoretical anthology differentiate considerably. Some common denominators are the creation and dissemination of strategy and vision, the importance of proper leadership and appropriate pace of the implementation. It is, however, not agreed upon how much the integration process can be steered and controlled through managerial levers, and some authors argue that change processes need to evolve slowly and from within, instead of being imposed by external pressure.

Strategic approach

Arla's approach to the integration process bears resemblance to both the "steering and control" strategy, and the "hands-off" strategy. Apparently, Arla has been very explicit in communicating the expectations and plans for the SBU and a clear vision and strategy has been conveyed. At the same time the SBU has been allowed a great deal of operating space to adapt the strategic and visionary concepts of Arla to the local circumstances. It seems this has a very positive effect on the integration process as the employees of the SBU get a feeling of

ownership and of being in control of the changes that are being made. All interviewees from the target company express this quite clearly. However, if an acquired company has much autonomy it can potentially affect the integration process negatively as the gap between the two companies in terms of strategy and vision, but also in mere operating procedures, work organization, IT-systems etc. might get too profound. This is why the "tight" direction suggested by Burke & Jackson is so central, and the dedication of the Managing Director to the new company philosophy and the engagement from employees reported by our interviewees indicates that Arla succeeds in this respect. A continuous focus on autonomy and direction should be prioritized in the future, for example when it comes to communicating new initiatives to the employees, where local management has proved to be effective. In this context it is also important to maintain a strong focus on the Arla vision "Closer to nature" as this provides employees and management with the necessary direction to which more concrete action can be aligned. As a concluding remark, it should perhaps be considered to include lower levels of employees from the SBU in the planning of the integration process. From our research it seems that only the top managers have participated in, and had direct influence on the initial phases of the integration process. A more extensive use of project teams, or in Kotter's terminology "guiding coalitions", could be productive and help establish an even more profound feeling of ownership and involvement.

Although it did not cause any negative consequences in this case, choosing to make such deep rooted changes in the strategy of the company, going from a cash-cow to a brand strategy, could be considered risky. It requires a fundamental change in the way employees view the organization and perform their everyday work tasks, and if it is not executed correctly this kind of change can cause major resistance among the members of the organization. If the strategy change had been reversed, so the SBU had gone from a brand strategy to a cash-cow, the effect would probably have been less positive. The fact that Arla has restrained from imposing any changes in the management systems and work organization, has contributed to the acceptance of the new strategy. It is essential that Arla continue to consult and include local management in important decisions, but also that the SBU is provided with sufficient directional guidelines, vision and so forth to assure some degree of alignment between the two companies.

Reasoning behind the acquisition

When drawing specific attention to Burke & Jackson's five principles, it becomes evident that Arla does not fulfill the first and the last of the five principles. The first one is that the acquisition should be based on sound business reasoning, and the last principle is a thorough monitoring of the integration process.

Firstly, the fact that the acquisition should be based on sound business reasoning is seriously hampered by the fact that the acquisition was strategic on a very parent level. The acquisition of the dairy plant makes good sense in Arla's overall corporate strategy by granting the company a 'foot in the enemy's backyard' so to speak and is thusly not chosen because of any expected economic gains.²¹⁰ FrieslandCampina is a serious competitor to Arla globally and controls the dairy market in The Netherlands. Arla had no business on the market whatsoever and the opportunity to acquire a large fresh dairy production company, previously owned by FrieslandCampina, was naturally interesting for Arla. However, the actual business reasoning behind the acquisition of the Dutch dairy, isolated from the overall strategy of Arla, could arguably be limited. If the employees of the target company realize or perhaps merely surmise about the possibility that the acquisition has been strategic on an overall corporate level, it could seriously impede the integration due to potential propensity to the creation of the aforementioned "we" and "them" syndrome. This evidently comprises difficulties in recommending alternatives, but it is an advisably subject to consideration prospectively. If Arla is able to formulate and communicate further reasoning behind the acquisition, other than the possible creation of procurement and product portfolio synergy, as mentioned by the Arla project leaders, future integration would potentially be more prone to succeed.²¹¹

Secondly, the focus on monitoring the integration process, which is emphasized by Burke & Jackson, should henceforth be more thorough. The reason is that there was a general dissatisfaction among the employees in the Dutch SBU with Arla's performance in relation to the SBU. All the Dutch interviewees expressed how they detected a profound lack of sense of urgency in Arla and that this was a serious barrier in all communication and cooperation matters with the Arla HQ. It is therefore advisable that Arla invest more resources in this particular area and perhaps start monitoring communication between Arla HQ and the SBU very closely.

²¹⁰ Appendix #7 (Audio file)

²¹¹ Appendix #1

General perception

Another implication, deducted from the source of data collected in our qualitative interviews, is the key employees' dissatisfaction with Arla in regards to living up to what has been agreed. As discussed in the previous sections, we got the clear impression that the employees perceived Arla as somewhat over-promising and under-delivering. This was mentioned in relation to signing a contract regarding pension, a very sensible area for all employees. This is a considerable draw-back for the perception of the acquirer and potentially can create severe obstructions if the problem is not sorted out. It is highly recommended that Arla takes action towards meeting the expectations and living up to the agreements made between the two companies.

Employment of the Dichotomy

Considering the integration of the SBU into Arla in relation to Beer and Nohria, it is recommended that Arla in the future consider employing Theory O and Theory E inspired strategies simultaneously. As concluded above, Arla has only done very few Theory E inspired actions, but a number of Theory O inspired actions. This means that Arla is in a situation where, should it be necessary, employing Theory E inspired strategies would result in great difficulties in integrating employees further into the organization, due to lack of commitment and loss of loyalty. Massive layoffs or other kinds of rationalization would destroy the psychological contracts, which the "soft" approach to the integration has helped build.

Additionally, it is strongly recommended that Arla conducts a thorough analysis of the cultural differences between the companies involved, in order to obtain a more concrete picture of how the target company differentiates from the rest of Arla. As the Managing Director puts it "Frustrations come from differences in expectations".²¹² By understanding differences and aligning expectations, disappointments and potential frustrations can be avoided, as for example in the pension-, and in the urgency-case.

²¹² Appendix #2

It should be underlined that the above points are recommendations with regard to further integration of the Dutch SBU into Arla and, thusly, suggestions to what could be done partially to counter some of the pitfalls we have come across in the analysis and partially to meet expectations from the SBU employees. By proactively engaging the implications and recommendations, it can be argued that the integration process would be more productive for Arla.

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Appendix (on cd)

#1: Interview with Nina Bjerring and Lothar Laufer

#2: Interview with Managing Director, Marc Ligthart

#3: Interview with Marketing Director, Louis Rippen

#4: Interview with Sales Director, Carin van Leeuwen

#5: Organizational chart before acquisition

#6: Organizational chart after acquisition

#7: Audio file of radio broadcast – “Arla køber stor hollandsk mejerivirksomhed”

Interview Transcript

Nina Bjerring and Lothar Laufer, Viby J., 24.02.10

Morten:

We are going to start with a broad open question, so please describe for us any strategic steps you were involved in, in relation to the acquisition of the dairy plant in Nijkerk.

Nina:

Well, we can explain what our roles were; I was only involved in the strategy work. There was an integration process where they had to define the new strategy, for the Nijkerk business, and in that, I was project manager for the strategic process. Meanwhile, there was of course the integration process, which Lothar headed off.

Lothar:

Exactly, that was my role, and we acquired in the beginning of last year. Friesland Campina, due to their merger, they had to release part of their business, otherwise they would have a too competitive and strong position on the market. That was the entity we acquired. So I, together with Marc, the GM in the dairy, we headed a process, with a strategy process on the one hand side, where Nina was part of, and we worked very close on that, and the other thing was an integration part where we basically had 10 areas to look at, and there has to be an integration process, and an out carve process as well out of the system from Campina and Friesland.

Morten:

Can you describe for us, the ten steps you worked on?

Lothar:

Well, one part was basically milk sourcing, because we have a contract where Friesland Campina is obliged to deliver milk to us for a certain period of time, I think it is 10 or 12 years, while at the same time we had looked at the opportunity to supply with milk from Denmark. At that time we had a milk surplus, so we did supply milk from Denmark.

Another part was the whole IT integration. They were together with the network of Friesland Campina, and naturally we didn't want that, because we don't want to run via their servers, so there is a carve-out effect.

Another one related to strategy was immediately looking at their product assortment, and looking at our, and if we can drive synergy effect by doing cross selling importing/exporting. Another one was looking at the whole purchasing area, because what you do is that you acquire another company, and you compare your own purchase prices on packaging and raw materials and so on, to see if you can drive synergy out of that.

Another was communication, and brand alignment, where we had to communicate into the Dutch market what we wanted to do and that had to be in line with the communication we do here in DK. (50:00) but that was a smaller part.

Nina:

Yes, those were probably the most important ones, because they took up most of your time.

Lothar:

Yes, correct, but it has been a total of ten, and how we did it, we basically for each of these areas, you had one responsible person who was in Holland and it was usually the department manager, like say the head of purchase or the head of marketing or the head of production, and on our Danish side we appointed a person on a higher level, who knew the organization and the ways how it goes here, and then we created a direct line between them and us, and there was nobody staying in between. Like me for example, I was just overlooking the communication and I am not a product manager or an IT manager so it is better that the right people got to it.

Morten:

That sort of has to do with one of our other questions which has to do with managing the transformation effort, have you put together a group of key individuals or a guiding coalition?

Lothar:

Yes, correspondingly, we have built a group on our side and on their side and there was always one responsible person, who led the communication.

Morten:

What key characteristics have you based your selection of these individuals on?

Lothar:

Normally, on the Dutch side, it was the line responsible person. Here in DK we are much bigger so we have defined persons, who didn't need to be the line manager of our organization, but just below, who was competent enough and knowledgeable enough to drive such a process from our side, and who can make the link into other people in the organization, which are attached to this process.

Nina:

And in coordinating that, you can say that you (Lothar) was on top of it, but also the management team in the Netherlands.

Lothar:

Yes, well for the Dutch team you can say that it was the second carve-out effect within two years, so they were a quite experienced team, and they had very often taken the lead in things, and they exactly knew what to do in these circumstances. So Marc's role in that was that he headed the management team in Holland, and it was on the agenda of every management team, where are we in these 10 sub projects that were done, and there was a project description, so everybody knew what to do and what are the time lines. Marc had the control from their side, where I was more for being contacted if there were problems, and if we needed to have a decision or if I had to step up higher and say we have to do now that and that. That was my role in the integration process.

Morten:

So, has the overall strategy and vision for Nijkerk been changed?

Nina:

Very much so, because within the Friesland, the unit (Nijkerk) was a cash cow. They had a milking strategy, so it was just to get the much out of something you thought would deteriorate over time, or at least become so much more private label over time so much that it would not be value added in itself. So there was optimization effort to be made when it comes to costing and product managing and everything. And when it comes to production, you can put dairy in cartons, in tetra tops and in a lot of different packaging forms, but they wanted to align that so they could have their synergies from that. And now, after being taken over by Arla, it is much more an investment area, and we want it to grow, and there is also a clear ambition to add value to the position down there. It's a whole different approach now. We want to also export some of their products from the Netherlands, and to import some Arla products to the Netherlands. So it is a much more interesting strategy. When asking 'has it changed anything in the organization', well absolutely. In the carve out process they had cut the marketing department to only 5 people, of course that's also trimming before sales, I know, but now they are adding people again because they will need brand managers, and they will need bigger sales efforts, and they will need a lot more people to do this strategy than doing the other. So therefore it has definitely had an effect. We have also approved some investments in the production area, to upgrade some of their production facilities, and also include some organic production lines down there. So it is a very different strategy.

Lothar:

Yes, before it was just volume growth and strategy was limited to the amount of product forms. Focus was on volume and to deliver a bit of profit, and it was not an investment area of Friesland, because they were staying in the fresh products, they were still in competition with Campina, and Campina was stronger on that, whereas Friesland had a strategy on export of cheese and so on.

Nina:

Yes, they had devoted their business areas into those that would generate money for investment in other areas, so there was a very clear division of roles, and now, our plan for the Nijkerk business is very different.

Lothar:

So what we basically added to their volume strategy was a value strategy, which goes on product concepts. We are going to launch now a line of organic products, down there and brand building and re-engaging in their brand and product concepts, which have a strong and unique character.

Morten:

How have you communicated the new vision to the employees in Nijkerk?

Nina:

That was not done by us, we left it to the management team.

Lothar:

Well, there are two things to communicate in that. When we started down there, there wasn't really a company philosophy (42:00) and you may know that we have a company philosophy, which is 'Closer to Nature', which basically is to deliver products to consumers which are as close as possible to nature. You can never do things 100% natural, but you can come close. But you go backwards as well, where you go through the value chain, where you say to have a sustainable production and to have an environment and

nature and you must have in mind what can you do to improve that, and that's almost in every Scandinavian country, not so much in southern European countries. But that is our position, so when we came there, we not just a discussion we had about which products and which brands, but how we can make this entity closer to nature as a whole company philosophy. The advantage we have in relation to Campina is that we are just one company, and Marc Lighthart, the Nijkerk GM, has really picked it up, and is making that into a theme in the whole organization. It is thusly not only a marketing gig, but it goes through the whole organization and it is very much part of their management team, because they have to execute it.

Nina:

Yes, Marc really embraced that and he is trying to think it through the entire organization, and he is even thinking of putting a wind mill right next to the factory, so he is really thinking it full out, and then Campina cannot come a claim that they are closer to nature, because they cannot do it as thorough as he does it because he only has one factory to do it on, so that's his philosophy. (40:00) And I think that you could have feared that we would have come down and had had to persuade them to do a lot of things, but it has really not been very necessary. First of all, in the strategy process, we drove it, of course, but with the management team, they pretty much dictated every word we wrote down. Of course we challenged them, as much as we could, but it is their strategy. And now they feel the ownership of that strategy. They like that strategy better than they previous one.

Lothar:

They had a strategy process, where this volume driven strategy came out. Having a carve out process and an integrating process, we all started to enjoy this more and more, because we saw opportunities instead of limitations.

Nina:

Then when Marc embraced this company philosophy, it triggered a very big engagement from their side. And that was wonderful working with.

So our task in communicating isn't big, because they just took it, and it's theirs.

Morten:

But it's your impression that the management team in Nijkerk has communicated the strategy to the employees?

Nina:

They have, definitely.

Lothar:

Yes, I think they had a kick off meeting after we had finished the strategy process, to talk about the process and what are the major points. (38:00) But the trick is always not to let our competitor know what we are doing, so we only talk in headlines, so in this kick off meeting he only talked about the overall philosophy. But that was just a kick off meeting, but it is a continuous process, where you have newsletters and so on and you need to execute through the whole organization. People have to work with that, so it is a journey.

Nina:

Process wise they were a bit frustrated in the beginning, that we had a steering committee here mostly of Arla people, that is, only Arla people and then Marc, who had to know and discuss and approve everything in the strategy process, and that frustrated them, because they had just been carved out so they were standing alone, and they thought they had that right to do it on their own, but then they said ok now we have done the Arla way in the process and we have a result, now lets translate that into something we know, and they have a word based strategy document that they use to describe what is the background, what do we want to achieve, how do we achieve it exactly what work streams lie within that, what are the KPIs for that work stream, what are the financial implications hereon and what are the targets, and so on and so on. That is something they are used to work with and that they can follow up with, and it is easily communicated, because they were a little bit frustrated they 'Arla Strategy' and what might come out of it, so they just translated it into something they knew and that they are capable of working with.

Lothar:

They have a project management(...) that is different from ours. To every relevant project, there is a description. There is a flow and a description of how people are responsible and we do not have that in Arla foods, we are not so paper driven in that, but that is how culture is, and if they are and we are not, when we take over we shouldn't take it away, because that is the way people are used to work and that has good and strong and weak sides. What Arc did was to develop a sheet that is like a family tree, where it starts on the top with top management and is broken down to several departments of responsibility, where he described and sub described all the projects. How do we come closer to nature. (34:45)

Nina:

That is his corner stone and the heart of the strategy for him. For the rest of us, its powerpoints and overall directions but for him that's a way of making strategy come to life. So I think we try to have room for all purposes to be served.

Morten:

Do the new strategy and vision require any alteration in work organization and management systems?

Nina:

Yes, they do need more people in marketing for instance and in sales. But in the management systems, I don't think so.

Lothar:

So far it hasn't changed but they need a product manager looking for the organic line, and we are working together on product development, but nothing changed structurally. The management team worked since years together, they have a very good and experienced work together. Therefore there was no idea for us to try and change anything.

Nina:

You don't wanna change a winning formula. People that work well together and in a good structure, they understand, you don't wanna change that. Not for the purpose of being like everyone else here. Might come later.

Lothar:

No its more for them, they are living now in a bigger family. Lets take a marketing person like Luis, he suddenly has not only his own environment but has to participate in all meetings that happens around the Arla brand and product development processes. So their scale of what they have to look at, at least on a managerial level is getting broader on some of these levels. But we have our groups and we have our teams where we sit and meet and discuss.

Nina:

So he has now entered into one of these groups.

Lothar:

Yes, and on the export case we worked together on product development, and as an example we put R&D from the UK into their organization to share information and knowledge. So we work together with them on these matters.

Morten:

In the wake of the acquisition, how have you managed to induce a sense of urgency with the employees in Arla, Nijkerk?

Nina:

I think they just did.

Lothar:

Well, I think we have to say that in the acquisition process, it was not only Arla bitting on Nijkerk, and when it was announced that it was Arla acquiring them, spontaneously we got applause. So you can say there was a positive spirit around it. (31:00)

Nina:

And they sent us all flowers.

Lothar:

So it was not necessary to give them, from our side a sense of urgency, because they knew already there would come an integration and that Arla food want to look together with them at the strategy process. I think Marc was very understandable. They were full of work and that came on top.

Nina:

It took a bit of persuasion to say we do a strategy process and not just take what we have.

Lothar:

I think after the first and second meeting when we started discussions and questions came on the table how do you do that in Arla and how can we benefit and vice versa and how can we integrate I think it was very quick in the start.

Nina:

The good thing about the management team is because they were alone for I while, they are very self-motivated, we don't have to pressure them into anything. We do discuss, or we did, how do we approach this and how thoroughly do we need to do this and how much do we need to scope, that's of course a discussion, but they are very self-motivated. They want their business to succeed and they have pride in that.

Lothar:

It was definitely when we were in the workshops, the strategy process was done via workshops and interviews from our side and we put the things together and then we had the workshops, discussed the findings, the outcome and then just discussed the options it was not so that we had a lot of people sitting around the table not talking, it was actually the opposite, there was a real need for discussion.

Nina:

Sometimes hard to control, it was one of challenges.

Morten:

In relation hereto has there been formulated any short-term wins or goals as opposed to the long term strategy and vision?

Lothar:

In short term, the discussions have been on for instance the requirements of investments in production, because some of the packaging forms were outdated in a way that they were no more competitive, those things have been very early picked up and we had to bring it up to our management to ask for investments and I think most of them have been agreed on and are on the way to be established. Another one together with the "closer to nature" positioning, it was key for us to actually decide on where should organic products come from. Should they come from Scandinavian markets? Should we produce them down there? On both sides it would have been necessary to do investments. We decided now to put it down there. Because we believe its better to produce organic products fitting to the market down at the place where its happening. And there have been investments and they are now at the end of an execution. Short term tasks, most of them are already done. And then there will be long term goals, three or four years, the whole brand move from Frische Flaq, which is an established brand in Holland, you can compare with the strength of Coca-cola, then you don't switch from one movement to another movement to Arla Foods or to an Arla branch, but carefully step by step.

Nina:

And then product launch plan has been laid out and has some quick introductions and some that come later, of course there are some short terms plan but there is always a rolling, sequence plans.

Morten:

What incentives do Nijkerk use to motivate employees?

Lothar:

I don't know if there is any bonuses.

Nina:

I suppose the management team has one.

Morten:

Have you taken into consideration the preservation and maintenance of the psychological contracts?

Nina:

I think its intact in the way that they still see the same management team and they still see the same plant and of course there are things that are changing, brand and that its under Arla, but they still come to work at the same place with the same management team, so I actually don't expect it to be a big stress factor to them, I don't know.. you have to ask the Dutch people.

Lothar:

We all run through a financial crises, not only Arla, and we have to work with our cost structure and some changes have been made and people have been sent to pension, but that is just a normal process in the company. So other than that for the normal employees there have not been changes.

Nina:

We don't know, we haven't spoken to them, so.. The management team made their own strategy, and those who are below them they just see the same people.

Morten:

During and after the acquisition, how has employee involvement and engagement been managed?

Lothar:

Via the management team, so Arla has not been very much involved in doing motivation, this is the role of the national management team, it is always like that. But of course, what they see is that now suddenly they get people from Arla Food to the production, to the factory and suddenly they experience they are in a bigger family. This means there is more influence and exchange, its positive. Because they get new ideas and they get new colleagues, that comes slowly. Tim, our consumer international director, he goes down from time to time, he goes down there and he is visible and he is discussing with the management team and as far as I know, every second day Marc Li ghthart and Tim have a phone call and discuss what is going on, so there is a close relation from top management. We have contact persons like the head of marketing and the head of communication. Its up to the local management to take care of the motivation of their people.

Nina:

Management team was the first to really have contact to other people, and then of course gradually it spreads down through the organization. Management director will then put some of his people in contact with some people here in our part of the organization, but it is a gradual process I think. But you have to ask them.

Morten:

From your perspective, how are the most important stakeholders prioritized in Nijkerk and how are the needs and requirements of these fulfilled?

Nina:

For us, since we had contact with the management team primarily, that was....

Lothar:

The most important stakeholder on their side is Marc Lighthart. That is the GM. Then you have persons that not have lot to do with Arla International, like sales management etc. Marc is naturally the key stakeholder because he has to make sure that both sides are working.

Nina:

In the strategy process itself we were making a commercial strategy which means we make the sales and marketing strategy, so of course after Marc, it was Louis and after that Karin and the later on as it turned out rather well, strategy has implications on production, then Bart is important, and of course Jarv is also important because if you can't talk to him then you can't get any numbers, so in a strategy process that part is important too. But after that I just think we have to get the full management team on board, because they are so well established with each other, they work as a unit.

Lothar:

Everybody of the management team was important to the strategy process, everybody was on the meetings, and it was a team.

Nina:

The thing about the brand issues, they really had to get Louis on board, and Karin. Going beyond that, we really don't know, because it happened through them. But in the integration process, I don't know if you have come across other people?

Lothar:

Well, for instance the IT manager, and then there was a bit of PR. But here it goes via their management team.

Nina:

But it seems to me that the Dutch are not really difficult to work with. I mean if you work with Swedes, for instance, you have to get everybody on board, and then you discuss things 100 times and everybody has to agree or go home to think about whether they want to agree, if you work with the Dutch people, it is much more: Lets go straight to it. And if this is what we agree, we agree as a team. If one person is against, he will fold. And if that's what the team agrees, everyone will work for it. It is a whole lot easier. Their whole culture just makes it easier to work with. But you do have to get the manager on board. We couldn't have done anything if Marc had opposed it.

Lothar:

And he did.

Nina:

Well in the beginning he was a little bit like: Why do we need this. He was a bit tired because it had been a long process for them the carve-out. He had had consultants there for 2,5 years and I think he was just sick of consultants, but that's fine, I understand that. I can sympathize with that but when we explained to him this is what we need to do and we made it as simple as possible, we will not try to do everything again, we will re-use what we can, and then also do something new, because otherwise we don't have a fresh view on it. He moved gradually.

Lothar:

In such a process you quite often have first ideas and you discuss them. There have been situations where one of Marc's, like Louis or Karin say we can't do that or Marc says we can't do that but during discussions we have seen as well that in the management team there are very individuals. As an example, when we discuss sometimes marketing we had an opinion on something even if Marc was in the initial phase not further then in the team they have as well convinced Marc, but at the end Marc has to say yes to it. I would say it is actually a sparring process in that.

Nina:

They use each other well. They make good use of each others' strengths and knowledge. But the thing about following the direction that has been said, and go do, that a sweat heart to work with.

Mikkel:

Marc and Louis were very keen on the fact that Arla should have a stronger sense of urgency.

Nina:

Yes, well in our organization I can definitely agree on that, because they have not been embraced everywhere. It is not easy to work with an Arla organization if you are sort of a costumer in it. That I have heard before.

Mikkel:

But they have the understanding that Arla is a very big company and very big wheels are turning, obviously, slower than small wheels.

Nina:

I agree with that.

Lothar:

If there was a frustration point it was because there was an expectation on to areas that we act faster.

Nina:

So what we spoke about was a sense of urgency with them, but with ourselves...

Lothar:

On the product portfolio side we would have more innovation for the Dutch market, which we didn't had. We have a very broad assortment, but so they had expected to find more in our assortment for their market, and so they expected us to act faster. But they need to understand as well that they are an entity on their own. And this is a big organization.

Nina:

And we also have a manager here from the strategy department, he now heads Cocio in Esbjerg. He has the same frustrations. He says that most of his time and most of his frustrations happen or is take because he has to deal with the other organization just for working together and have the processes flow, and that's something we need to work with, and we need to do that better.

Lothar:

We say that in Germany and in Poland for that matter, you put requests into the organization; it takes more time than you expect. We have people as well coming from Unilever saying that, at least you get feed-back. It is a consequence of a big organization...

Nina:

Organizational inertia

Mikkel:

You talked about earlier, I think it was Louis, who had a contact person here in Arla.

Nina:

Was that from the marketing integration that he had that?

Lothar:

Yes, he is working on the communication together with Amy Damgaard, Jes Thorp Christensen

Nina:

He is now in a team, a communication team of marketing managers from the most important countries or markets, where they work on Arla brand and the implementation on that.

Mikkel:

It has been like the whole time?

Nina:

No, that was not until September he got into that. A bit late.

Mikkel:

When speaking with them earlier than September and they said that it would be very nice to have a contact person and meetings, because Marc told me about a scheduled a meeting I Billund and...

Nina:

Yes, and then she didn't show up. That was... I got so mad. But the German marketing manager came and he is a very, very talented manager, the thing is that "closer to nature" is very much like "it's in our nature", that Campina uses, so they wanted to be able to claim that our products are 100% natural. It wouldn't be headlined but it would be the claim. So it would say "Closer to nature – 100% natural products". But from our corporate strategy department they say, you cannot do that because there is no such thing as 100% natural products, then they came with commercials from the Netherlands and somebody else had said 100% natural and it turns out that there are different views on what defines 100% natural in different countries due to different legislations. Even though there is a common EU legislation.

So I arranged for our corporate marketing head of department and Mathias Bruun from Germany, German marketing manager and Louis and Karin to come to meet in Billund, have a full day session on how we could position the Dutch products in the Dutch market, so that it would be unique and not overlap with Campina. And then in the morning the head of department from here called that she would not be able to

come. And I could tell that she had known for several days that she would not be able to come. And Mathias came, I came and they came from the Netherlands and we had a productive meeting and we managed to move on, in the sense that Mathias knows her very well, and has been at the full process. So we agreed that we would have a legal evaluation. So it turned out all right, but it was very disappointing for me as well that she did not turn up. I still haven't forgiven her for that. And I'm sure that Louis has neither. At the end of the strategy process Mathias made sure that Louis was also put into that group of people who worked with the "Closer to nature brand". The biggest issue has actually been their frustration with our organization, because we have not been frustrated with them. No more than you can expect.

Lothar:

The Dutch as well as the German culture is very strict, you need to stick to dates and quality of work and if you have a meeting you go to the meeting, you are not five minutes late, you are five minutes early, that is very much the culture, which we have in common. And that is different here, for some units, in general I think the culture here is different, you discuss things more, therefore I understand their culture, if you have taken a decision you go for it. In Denmark, if you have a decision you discuss it and re-discuss it, every culture is different, the point is that you need to understand these cultural differences and that is not only a point that we have to do, it is also a point that Marcs' team has to do. The it is a little a bit of a journey for Marcs' team to understand how we work, because it cannot be only that we adapt to a Dutch culture, or the other way around. I think, if you look at an integration process in any other company, you can see that their problems are much than ours. I would say it was a very smooth strategy and integration process. Even though we had cultural differences, it still worked rather well I would say. I just think it is very important to have people who can play the part of mediator in the process, like Mathias..

Nina: We did not have an agenda on our own, we were just trying to find an agenda that could be a strategy and we knew people here and we got to know people there, it's good to have mediators.

Morten:

In relation to the stakeholder aspect, would you characterize the approach to stakeholders as being mostly value maximization or more broadly based stakeholder approach?

Nina:

Well, they don't have any farmers down there, and up here, we always have to tell the farmers a story. It is a very big group of stakeholders, but they don't have that because they don't have their own farmers, so they don't have to think about that. Of course they have had to think about their employees, but I'm not sure how they handled that, to be honest.

For MD

I can make a little bit clear that from our history then maybe it makes a little bit easier to come to the point where you are looking at that's actually one part only of a change process because we were this company is a production company producing fresh dairy and we are the number 2 company in the Netherlands we have app. 30 % market share of the Dutch market of fresh dairy products, so that's yogurt, milk, custards and we have both private labels as well as branded products. And in the Netherlands there is campina with a market share of 40% and then you have the remaining 30% which are smaller private label producers or branded producers like allhouse mulle, you have danone etc. So that's actually the landscape. In 2007 we were part of the dutch entity of friesland foods, the dutch entity was responsible for fresh dairy, long life dairy, but also juices, sport drinks, chocolate drinks, most of it branded and with quite a lot of factories. Then based on the new strategy of the former company friesland foods, it was decided that the strategy of the fresh business should be separated from the branded business, the true branded business, different strategies. One is investing in the brands, the other is cash cow strategy. And they also said that they wanted us to focus on the fresh dairies because it was losing money for a while, and they wanted to change that into a profitable company so based on these two reasons, in 2007 it was decided that one of our two factories in the north would close to reduce the cost of the production. This was all decided in 2007, so since november 2007 we were actually here in nijkerk, and then the commercial department, the finance department and the sales and marketing department as well as the QA(quality assurance), and those kinds of services that were concentrated in the dutch headquarters was split up so from that moment on, we were a separate operating company. In December 2007, friesland and campina, the two main corporative in the dutch market together having 80% of all the farms, decided that they wanted to go for a merger. This was announced in December 2007 a few months after we were split up. In spring 2008 the factory in the north was closed, and 70 people were laid off, and we invested a lot of money in transferring the remaining volume of the factory to here, it was a huge project, and at that moment, we started to investigate the market situation in the dutch market, to make clear to the European committee that we together with campina had 70% of the market share. That is not a problem in denmark with arla, but it was really a problem here. So it meant that we tried to make clear together with people from arla and friesland and lawyers that we defied the market and that the market share was high and in a small market like Holland, so we were told that it was possible for Danish, German or whoever to serve

the dutch retail. The committee accepted that, and it was also the competitors said that this was a problem, which needed a solution and it was not acceptable. 1.27.15.

In summer 2008 we already saw that this was going to happen. That we should have to split up parts of these 70% market share. And then during this summer, we did a lot of research of how to solve this problem. We could sell parts of campina, or we could sell this company or that company or brands and factories. After summer it was decided that we should sell of the total friesland food fresh part. That is us.

Mikkel:

That split decision, was it your own or was it an outside committee?

Marc:

No no, we were very much involved in it, campina people, consultants etc, of course with a lot of confidentiality. The consultants did all the calculations, and there were many ideas to do it in different ways, that we should sell some factories of campina together with our brand, but it was a nightmare scenario from a production and logistic point of view. It would take at least 2 years to do everything, and it wasn't acceptable. No one would buy, and wait for delivery for 2 years. My personal opinion was that the European committee would never accept that scenario. But friesland didn't want to sell us, and campina didn't want to sell part of their company, and actually there was a kind of compromise that this was the less worst thing to do. But then it was not offered to the European committee until November, but at that moment we already knew that this were going to be sold. I went to my boss and I said if we are going to be sold, then lets start immediately, because the worst thing that could happen is that we could wait, and the sales process would take a long time, and will be postponed in time and it will be very intensive and it means that if it takes too long, and if we start too late, then the energy will be gone in my organization, the risk will be that people will move, and the costumers do not like this, so if it takes too long time, then it is going to be confusing for our costumers so they will go to other parties. So after this discussion with my boss we concluded that we should start immediately, start the process and do it together with deloitte transactional services. And from that day off, 3 members of my management team, together with the consultants, we actually prepared the sales process, so what we did was that we made a fended due diligence, which is an audit of our own organization, what is the value of the organization.

So you bring in auditors from deloitte, and they do a complete audit so whats the value and so on of your company, and it is a few hundred pages, and it is actually giving the potential buyers what they

need. Of course they want more, but that is sufficient. What we did this whole year was that we tried to think of not affecting everyone in the organization, so we had a management team of at that moment 6 people, sales, marketing, finance, hr, operational director and myself, and we said during this year, we try to concentrate all this information gathering for the European committee and all this calculating and scenarios to mention it only within the management team, and tried to get the directors to do their normal jobs, and to get all this kind of disturbing processes away from the day to day operations, for that would risk to affect the results. Of course they were informed, but we did the most, I think. Then in September we started this process and in November we had a long list of potential buyers, and in December we had first meetings with them. And also there was the process with the European committee, where they forced us to have a remedy, a solution for when the market share is too high, so we were offered as a remedy by friesland and campina. So we knew this was going to happen, we prepared for sales, we at the moment they accepted us as a remedy, we were already at the face of potential buyers. 16 or 17th of December 2008 we had a gathering here with all the staff, and we announced that we were going to be sold.

Mikkel:

So it was first in December that you included all off the staff.

Marc:

Yes, from December on all of the staff. And we had 500 people here in the cantina, where we told them that the European committee decided that a merger was allowed, but a restriction was that we were going to be sold. And that was for many a shock, but not in the commercial and finance centre because they saw me in the offices with the bosses discussing. Seeing us everyday with lawyers and accountants, they were very much aware that we were doing something. Not only the normal financial audit. And they were so polite not to ask, and I thank them for that.

Mikkel:

So they knew something was happening, but not what?

Marc:

Yes, but we were not able to say anything about it, it was very confidential. It was a common secret. Then it was announced that we were going to be sold, we told them during several meetings, that we had to be sold, and only to a company that was able to remain competition - a solid, powerfull, experienced company, and not a private equity. That was what they (the employees) were afraid of, that someone came here just for the cash flow, and goes to rough cost cutting, and then just closes the plant after a few years. That would be the nightmare for the people here, but that was not

allowed by the European committee. In the end of the day, the committee had to give a permit to the buyer, that he can buy this company, and I told them, besides from that, that the company buying us, is going to be a company that wants to buy us, not one that is forced to do it. And if someone is willing to buy us, they have a plan. So not to worry, because I knew that there was 3 potential buyers and all good companies. We put a lot of effort into communicating, so from a change management point of view, what we did was to have a meeting, a presentation, a Q/A, announcements, press releases, letters sent to everyone at home, so that everyone would understand what was going to happen. There were 6-8 initiatives in total, including an open hour every day with HR so that everyone with questions could come there. We had a special edition of our quarterly magazine, with peoples' reactions and worries and so on. Both positive and negative. We were on the floor, so at the end of the day, people were pretty positive, so they said that its like it is, but we hope it will be a good buyer from then on. At the end of the day, we were sold at the 12th of march, but at the end of January, there were still 3 potential buyers. After having meetings and presentations with these buyers, 1000 of Qs were answered. They also came with their lawyers, and their financial specialists, and at the end of January, it was decided to continue with one buyer, and that buyer had the opportunity to, during one month, do a confirmatory due diligence, so you get all the info, and you go through everything in details. And this process collects risks, in order to calculate price. This process was finalized at the 12th of march, where all the contracts were signed. In august or september when I went to my boss, we made a very ambitious time schedule of 5 months, and we managed that. The 14th of april we announced in the cantina that we were going to be sold to arla. There was arla and friesland staff here. We did the same as before, with the meetings, newsletters, and so on. Again we put a lot of effort into the communication. Then we were sold. 1.12.27, under the restriction that the European committee, the dutch competition committee and the work council would approve this decision. The remedy was actually forced by the European committee, and then they had to check if the buyer had a plan to remain competitive, so arla had to show to the committees that it fitted into their strategy, and that they in the future could remain competitive. They had to check if the market share of arla would then become too high, but since arla had no activities in the dutch market, it was not a problem. The works council had to give their approval. Sor the 4th of may, the shares were transferred, and from that moment on, officially we were part of arla foods. 6th of may we had an introduction where the chairman of the arla board come here to meet the company. People were very, very enthusiastic about everything with the way it happened and with arla. When looking back on that process, it all went exactly

according to the plan. And we had the best buyer. Personally I worked here for 10 years, and in the factory, we have people that have been here for 40 years, so they didn't like to be split up, but being part of arla, a large solid company.... And also the culture fits very well, we think. And also the strategy arla has with us fits very well, so people were pretty enthusiastic and the fact that this is done, we had to define since October, the European committee said that we should do that, the 20 key employees from different departments - people that was not expendable. So we made that list, and no one was left. Only one, but I would have laid him off anyway. What I also saw that our illness level was last year 10% and now its 5%, so if you see it as a measurement that people are more satisfied.

I think it is important for you to know everything we changed the last years, because the integration in arla is only one part of what we are going through.

We are still connected to friesland foods, because we have a contract that says that we can still make use of some of their services of the HQ and the shared services centres. For example the 4th of may where the shares were transferred, you cannot immediately cut everything loose, because then you cannot survive. Here are a couple of examples; we agreed that we could make use of some services up to a year after the sales process, so on the 4th of may 2010, we should be completely separated from them. So you have one year time to get disconnected. Then you have to look if you are going to be stand alone. Are you organized here in the Netherlands, or are you going to integrate some services from the arla company. Let me give you some examples; for instance ITC, shared services, computers, so we make use of the same servers that is all done by HQ in friesland foods. And also the desk top servers and maintenance, so we have one year to get our info off the servers and the shared services in place. Then you have for instance HR, we have centred salary systems, from a shared services centre of friesland foods, so if you want your own salary, you need systems for it as well as people who process it. So we need to integrate that in our organizations. We have parts of our purchasing as a contract with friesland, so when we buy carton, that's a central contract with friesland. Arla has the same kind of contract, so we have to get out of friesland contract and into the arla contract.

Mikkel:

Arla should offer more or less the same services as friesland, right?

Marc:

But Arla is Danish and friesland is dutch.

Mikkel:

So the compatibility is difficult?

Marc:

Exactly, for instance your HR systems, arla uses SEP, we have other systems. If you wanna go into SEP, it's a very intensive process, and we do not have the sufficient time or manpower to do so now. We want to do it in a practical and hands on manner, so that we can continue to focus on the business, and later on in the coming years, we will transfer to arla systems. To have so much to do, in regards to the integration process to migrate to SEP is very demanding, and is going to take 1½ to 2 years, so you are not going to do that just like that. What you do is, you cut your self loose, organize yourself and later on, you integrate when it adds value to our business. We are not in dk, or in Sweden, so we have different laws, so when it is adding to our business we will do it, when not, we will not. Salary systems here are completely different from the rest of the world, so it is no use to make use of the salary system of arla. ICT systems, we want to go for our own system the first years, and later on, we will integrate with arla. It is a very expensive process and at the moment we do not have the money for it. In purchasing, for instance, we buy packing material in a contract with friesland, but migrate within a year to arlas contract. Then you have foods safety and quality assurance and control there you have specialists in the company. Here we have local people, but if you have a European law of foods safety, you do not have that here, you have that at HQ, so that's the kind of things we have to organize together with arla. F/A you have your reporting systems, which we also have to migrate the coming year, then we are looking at supply chain synergies, you can imagine that we have an overcapacity or under capacity, as well as other plants have it. So maybe we can produce products for denmark or the other way around.

Mikkel:

I read that you had one year supply of raw milk from friesland

Marc:

Yes, we do and we have the consumer services, which is central, we have to split that up and get our own, because you cannot integrate that with denmark. Denmark knows nothing about us and our consumers as we stand alone, and then we have the raw milk, where we have a contract until January, 2017. We are very busy now, because we are no longer forced to buy the milk from friesland now, for the friesland price, so we have opportunities to find better prices on the market. There are a lot of rules around it, so we can not come immediately with all our volume to the market, and we don't want that, but step by step, we can make use of the lower prices on the

market, and that's where we put the most energy right now. What we did was to make everyone in arla aware that we have to do this, and then a few weeks later, in april, we went with 20 key employees, to Århus and met with all the piers of arla, so for instance with milk supply, we defined 10 work streams and did projects that defined what we wanted to reach, with whom, what time do we need, what is the budget and so on, and in these projects teams, both people arla as well as people from us, because we have to do it together. Now we source our milk supply from denmark, and we can only do that when we work together with Danish people. If we go for ICT, we also work closely with arla people in order to stand alone, because we have some ideas and arla have some ideas, and can we find a way to combine it best for both. So we went there and had a kick off, and we made project plans, and Lothar Laufer, he is a german working for arla, and together with me we made a plan so every two weeks, we have a management team meeting and all projects are reported in a 'flash report', which is what they have done in the last 2 week, what are the action points for the coming two weeks, and what kind of meetings do they have, and what kind of bottlenecks do they have. And we discuss with the steering committee what to solve and how. So far, there hasn't been much because things are going smoothly. So we do not expect problems, but we expect to be ready long time before the 1st of may next year. 54.50. Then another thing is that we started a strategy project because we had a 3 month project last year to draw up our long term strategy for this company, and it was based on the friesland situation and the friesland strategy. And now we are part of arla, and that gives us more opportunities. Arla has another strategy, an added value growth business strategy, for example our main brand, friese flaag, we have licence for 10 years, so after that, we have to transfer it to another brand. So there is no hurry, but we also have a lot of opportunities with the arla brand, so we are now in the midst of process together with the people from arla to evaluate our present strategy, and added the strategy of arla, and we look at the market and how are the opportunities, and we try to find the solution to how we will have a long term strategy to become close to arla. We want to finalize this process at the end of august, so that we know for the trade. We are therefore in a hurry also because we want to have the first arla introductions in 2010. so that we can remain the momentum because the threat at this moment in crises we are doing one year in the merge process, and our costumers thoughted that we were going to be one company, and they didn't like that so they went to other smaller companies, and they stimulated their growth, so the new situation is that we now have 3 competitors more on the market, and we lost a lot of market shares. And again we are in the process of reorganizing, so we should as soon as possible show to the world that we are still there, ambitious and that we will

grow, and actually that's what we are in the midst of, so we are in the midst of crisis, in the midst of a migration process, and in a strategy process.

Mikkel:

Talking about strategy, how far is the strategy you made last year as a part of friesland, in relation to arla's strategy?

Marc:

Well, we were a part of a business group with a cash cow strategy, meaning that we had a brand, and we should maintain it, without ambitions of growth with innovative concepts like A&P and we wanted to become a private label producer, with different private label concepts. But with arla, we want to grow with the brand, as an added value brand, and arla also has the innovative power, the R&D that we can use to load the arla brand. That, we can use, because if you have nothing new to load in the category, nor the consumers nor the retailers will be enthusiastic, so you have to bring something new, something that was not there before. You should differentiate from the others and be 'the new kid on the block' in a way that everyone get enthusiastic. That is a tough transfer or migration, because this is a real price market. All about price price price. Low margins etc. and we face our main competitor campina, is almost in the same strategy as arla, in dk and Sweden. Arlas has a strategy of 'Closer to nature' and campinas is 'It's in our nature'.

They are also green, and have the same image.

Mikkel:

What **consequences** has the acquisition had for the Sales dep. and the marketing dep. so far?

Marc:

Salesdep so far not too much, but what we did so far is that we go there now and then, and tell them what they can expect from us and at this moment, the changes are not that big but what we did was that we transferred the trade marketing department to the sales department, so that the sales director will be responsible for trade marketing from December on. And our marketing director will be responsible for product development, and that has to do with the fact that we think that we become more and more a brand company again, and we have a lot of work to be done in the coming 2 years. We have the friese flaq brand, we have the private labels, we will develop the arla brand, and we also will have a retro brand to be introduced. So we have to introduce all these brands, in a way that we can remain focus, balance and not mix up between all the different concepts. That is my main worry. That means that if you go to the market, and have to tell them what we are all about in regard to the different brands, there is going to be a lot of work on the shoulders of the sales

department. So in sales we did not extend the sales force so far, but we will increase the trade marketing force with 2 persons, because of the cash cow strategy, we are a very lean company, we have very few product developers, we have only 4 marketers, we have few sales people, and now there is a lot of work on their shoulders. And we decided to hire 2-3 product developers. If you don't have marketers, and want to go with arlas strategy of organic dairy, without marketers to develop it, you cannot do anything. If you want to introduce new brands and you don't have marketers around to develop packaging, you have nothing. 45.00.

If we want to import some products from denmark, you have to adapt some of the recopies and the declarations, and if we want to export to germany, you need product developers.

You need trade marketers because to introduce products, you need marketing and promotion plans. So we are very ambitious, and the impact the coming years will be huge for these departments. That is why we, proactively, so far have gone for an extra 6 people all together, it will take some time before they will be able to function here, but we need theses people to work on these concepts.

Mikkel:

Have the sales dep. and the marketing dep. made any actions that might **constrain the individuals** in the organization?

Marc:

No, the fact that we are such a small company and that the teams are working so closely together, is one of the powers of this organization, that we can immediately decide and take action and we have very short lines. We are not very bureaucratic... Not bureaucratic at all, very pragmatic, and daring to give people responsibility. I don't thing it was a problem nor is it now. But we do not have the time to do that, the thing is that we give responsibility, and trust. And if they make mistakes, we do not punish the for that.

Mikkel:

Have there been any **structural changes** as a result of the acquisition?

Marc:

Not yet, but as I said we will follow a new strategy and not the cash cow, where the process and product developers (R&D) was related to operations, because they are to increase efficiency. Now we transferred it to the marketing department, because we think that the actions will be more and more related to the introduction of new products, and the same thing with the trade marketing, which is now transferred to the sales dep. that's what we decided a few months before we started it. And those are the main changes.

Mikkel:

Do you consider the changes **emergent** or **choreographed**?

Marc:

We are very stand alone, so theses changes are made by ourselves.

Mikkel:

To what degree is it your impression that all **employees** in the respective dep. have been **involved** in the process?

Marc:

Very much. I could not tell them before the actual sales, so only 6 persons in the management team knew, and about 5-10 others, mainly from finance and purchasing. So only key employees were involved before the actual sales. Hereafter all were involved, right down to the managers and middle managers. I don't think the floor employees have seen much difference yet. But they have been informed and updated on everything, through magazines etc.

Mikkel:

The communication between you and arla has been running smoothly?

Marc:

It has been a disaster... No, it has been pretty well. It depends on you expectations, there are of course differences in culture, language and countries, but if you look at what we have and what we could have had... I mean I have been here for 10 years, and I know exactly to whom I have to go if I have to solve something.

In arla you don't know. You just phone somebody and they make life more complicated instead of solving it, and instead of solving problems they start asking questions and then you have something like: "We are in a hurry, so please don't start asking new questions." That's just a learning process you go through. Its not criticism, its just how it is.

So we also saw that we have some people that work as pin pointers so if we have problems or questions within finance, you go to Stine or you go to Per, so we can find our way in arla.

Mikkel:

So was these pin pointers arranged by you or by arla?

Marc:

Actually im very active in this and arla is very helpful in this. We face the problems, and we solve them, but arla is very helpful in solving them. But we find our way, and when we don't, we go to somebody who say don't do that, we will do it for you, because arla is very big and complicated.

Very bureaucratic and like everywhere, if you go there you don't find your way. Even for arla people, its sometimes hard for them as well. But we manage.

Mikkel:

How different is arlas culture from yours?

Marc:

What I like are the similarities, for example we are hands on, practical, respectful, down to earth. Different is that they are more relaxed than we are, and sometimes overpromising, so first saying yes and then later on it seems to be harder so they maybe cant.

We are very direct, action driven, and we are in a hurry, so we really on top of everything. If I send you a mail today, I expect an answer today, and we finalize tomorrow. One week is too long for us, it is not long, but for us it is.

I think there are a lot of similarities, but the main difference is that we are a lot more pushy.

And that has to do with the fact that we really have to move on. It is the common perception down here that it takes a little bit longer than we are used to. I think we are very proactive, so we don't wait for things to happen, we see it and arrange it. Therefore it can be frustrating finding ourselves in an organization that is very relaxed in this. So we se that something is occurring, we try to solve it before it occurs, and then somebody is not working together with us, and then it occurs, and that's very frustrating.

Pensions, for example. It was agreed in a very good manner, but now we find out that they didn't sign the contract. They don't take responsibility for the finalization. So what we do is starting to push it a bit, but arla is not doing anything, and for us that I strange.

Or with milk supply. We agree on something, and how we are going to do it, and then I find out that at the end of the day, it is done quite differently. And the advantage I saw is then gone. Then I have to go to another solution, and lose time by that. I prefer to have a direct answer. I accept reality and I go for it.

Mikkel:

So there has been no changes in your freedom to operate?

Marc:

No, we were very stand alone the last two years, and I had 3-4 bosses before arla bought us, so I had no boss at all, so I did what I had to do. So as long as were profitable, I have free hands.

I think my boss Tim is very interested in learning about us but never limits me in my actions.

Mikkel:

So arla's control over local management hasn't been too excessive or too limited?

Marc:

No. it has been fine so far. Im not used to having a boss that phones me every week sometimes twice a week, but it's is more caring than controlling.

Mikkel:

Has there been any change in **trade union** recognition and overall **job security**?

Marc:

No. we had a 20% turnover loss, so we had to lay off a lot of temporary labour, but that has nothing to do with arla, but Arla recognized both labour agreement and pension schemes and benefits.

27.00.

Mikkel:

Is there any new **national institutional conditions** (reporting system e.g.)?

Marc:

No, not any new ones I can think of.

We have become more stand alone now, I regards to milk intake and taxes etc, so we are a legal entity now. Instead of being a small part of a large legal entity, we are now our own legal entity. More responsibility comes with that in all departments.

So instead of being an operating part of another company, we are now responsible for all the aspects that you have as a company. That means that we have our hands full with tasks.

Mikkel:

Has there been a **power-shift** in the managerial functions / decision-making and how has management related to this shift?

Marc:

Yes, the trade marketing went from marketing to sales, but besides from that, we only have more responsibility and more tasks.

Mikkel:

To what extend has there in relation to the acquisition been **created a vision** or a goal for all employees to pursue?

Marc:

Arla has a vision about: Lead, sense and create. They have an idea of how much we have to do right now, so they do not force us to join any programmes at this moment. They accept that it will be one

year before we can go through these programmes. The fact that the sales process was very fast was good for us, but did not leave arla with much time to make a complete strategy for us to fit into their strategy. So they knew what they were going to do, they knew they wanted to enter this market, but how exactly it is going to happen, we will see in the future. We are now working on that.

Mikkel:

To what extend would you say that Arla has managed to understand the **organizational structure and its culture**?

Marc:

Well, the structure is the same in almost all diary companies, so yes. Regarding the culture, arla made an effort, but I think they were sometimes surprised by our culture, as were we by theirs, but at the end of the day culture is the common values of an organization, and I think that arla has the same values as us, so there is not much difference there, but if you look at how we act with these values it has more to do with things like sense of urgency. We are in a completely different market. Arla is from a market where you have branded products, and you have an 80% market share, high prices, good margins and a lot of people. Here the market is all about price price price, we have 40-50% private label, we have low cost producers, who are very competitive, we have one main competitor, who is larger than we are, and that is a completely different world. Arla is not used to work in that world. So they look at us and see a different reality than we do. We are both right. In dutch we have a saying that is: First understand before you understand. That's what we are trying very much to do, but the other way around, it is a little bit annoying, because some people are not trying to understand.

Arla's problem is that it is not just one person. Some don't seem to care for understanding, but for example my boss, Tim, or Asger, they are trying very much to understand, and do understand. But people who is in denmark and runs through the booklet of the dutch market, and thinks the world is about milk, doesn't get why these crazy dutch guys doesn't want to sell milk, because that's what he does. But if you do not look through every aspect carefully, you don't understand. And that is the other way around as well. That has to do with respect and that you understand both sides and that you understand and make use of the differences, instead of getting frustrated with it.

Mikkel:

Do you feel that there is this mutual respect?

Marc:

Yes, there is. And sometimes the frustration as well from both sides. I see frustrations as differences in expectations. If we expect to move on quickly with something, and it takes a month, and at the end of the day I have to do it myself, I get frustrated.

12.20.

Mikkel:

Has there been a change of culture from before the acquisition?

Marc:

Culture takes a long time to change, but the fact that we, before the acquisition were split up 2 years ago had a huge impact on the culture, so we are very stand alone. The values of arla absolutely not contra what we do, actually they are completely aligned. It is lead, sense and create, so leading, taking action, sensing is being sensitive for your environment, for people. But if you see at friesland, there are different words, but the meaning is the same.

Mikkel:

Is it your impression that your **employees do the same job** as before the acquisition?

Marc:

Yes, job descriptions never change people. As long as the management team is relaxed and gives people the freedom to operate, and the opportunity to develop, they will go for you.

I think that us here working as a team is more important than what arla says. And if arla doesn't like that, they have to replace us.

Mikkel:

Are the **chain of command and the operating procedures** unaltered after the acquisition?

Marc:

Yes, nothing has changed. Not yet.

Mikkel:

What are your **expectations** for the ideal organizational development over the next 12 months and how will you **influence** this development?

Marc:

The main thing is that lots of people get an extra task on their hands and most people like that, because it is challenging. We are going to face very big problems in the market, because still we will be in the crisis, still the competition will be tough, and we will be very busy with implementing the arla brand and remain the focus at the same time. We will have 6-7 people more, and the year 2009-2010 will be a year of transition, where we renovate without having the immediate changes to

see. So it will be a hard year for us because first you plow, then you seed, then you nurture and then you harvest. Now we are plowing and seeding, and we will have the low hanging fruit next year, but really to see it grow, we have to be patient, and we will see the results in 2011-2012.

You will have to be patient.

My role will be hammering the nail. No, my main role will be to maintain the way we work, to be proactive so we have a plow when we start plowing, that we have seeds when we are to seed, I have to manage my environment during the growing phase, where everybody expects low hanging fruits, but there is none yet. Internally, my role is to keep focus, step by step. Externally, I have to keep informative, to manage expectations, and to make clear that we are also human and in the process of change, and to make them understand that if you start seeding today, you will not have apples tomorrow. That is going to be hard but I hope I'll survive.

Mikkel:

What would you **have done differently** had you been in charge of the integration of Nijkerk in Arla?

Marc:

I would have had Laufer and a few more arla people earlier and more days. If we had them here more often, we could have arla people here to understand us and to explain to arla, that we are different due to our situation. Maybe a little bit stronger bridge building, but at the same time we do not need to talk with them about things that are not key to our business.

Mikkel:

What would you have used the bridging people from arla for?

Marc:

I would have used them for developing strategy. If we for example go for prices, we want to know prices from the Danish market, and it takes a week, but we need it the same day, so we could use someone who could just phone to this guy and tell him in Danish why we are so much in a hurry. I could have used someone like Laufer, but he was in the beginning so far away, so that he seemed as an external guy to us. If we had arla people here that understood us, and represented us to arla, it would have made life a lot easier for us. But we are 2 months off now, so it is not a big problem, but so far so good.

For Louis Rippen

Mikkel:

What **consequences** has the acquisition had for the marketing dep. so far?

Louis:

We changed the org a bit, which means that I will hand over trade marketing to the sales department. I will then get the responsibility for the R/D department. We will increase the number of marketing people, because we will be more brand focused. We have to do a lot of things to introduce and implement the arla brand in the Netherlands, and for that we need personnel.

Mikkel:

Have the sales dep. and the marketing dep. made any actions that might **constrain the individuals** in the organization?

Louis:

Well, no not really. I think one of the big learnings of this procedure, being my forth big change process, is that as management team that all the things we have to do related to the change, we do as a team, while having all the departments do what they did before. During the procedure of change we have always been open and informative and told the employees all what happens and is going to happen. So the combination of keeping the work related to the reorgainzation within the management team, but at the same time being very informative about what goes on in the process.

Mikkel:

Has Arla made any actions to **counter** feelings of despair or **uncertainty** and **constraint** among employees?

Louis:

No. We just have to keep up to our budgets. I think most of the work is done by ourselves.

Mikkel:

How has the marketing dep. perceived **MD** and arla throughout the acquisition?

Louis:

Well, the constraint I felt has been having to put a lot of time and effort into everything related to the European committee and after that the whole process of selling our own company, because that was what we did. There was a time constraint for me in the sense that I had to put much time into

this process. Time, which I couldn't give to my people or which I couldn't give to the other tasks I have. So yes, there has been a constraint. But we have managed.

But arla did help us with the whole strategic reorientation. Lauder Laufer is helping us getting our strategy right again. Nina as well, are also helping us both analyzing externally and internally, and guiding the whole process of coming up with the new strategy. 31.05.

They have a lot of experience with that, and we have the knowledge of our market, our plans, our costumers and that's what we bring in. They then shape the circumstances, and facilitate the workshops with which we make our steps. Especially Lauder is helping us, because he knows arla as an organization, and he knows what is necessary for getting the money for an investment. It is good to get to know that from a person that knows arla, because then you can make quicker steps in the integration, and build up your new way of doing business, instead of finding it out yourself. Their presence here was suggested by arla, and told mark that lauder would work as a projeck manager, getting things right.

Mikkel:

To what degree have all **employees** in the respective dep. been **involved** in the acquisition?

Louis:

We have informed them all through the process. What we do at the moment, what will happen in the future, and what is our feeling as a management team about that future. The people in my department did not work on the process, but were fully informed by letters, and other measures.

Mikkel:

On an organizational chart, where do things **not run smoothly** in terms of; leadership, power, inter-group relations, and communication between Nijkerk and Arla?

Louis:

Well, for example the central marketing department, we have some quarrel. But it is very common with local marketing vs corporate marketing. But we have a big discussion regarding the systems we use. 26.58.

Probably you always have lots of discussions when migrating systems as well as brands, as do we. We have local knowledge,, and arla has a corporate knowledge, and we will have to find each other. When talking about migrating systems and financial adm, we wonder whether arla has ever thought about that. About migrating all the services. About how to cope with a subsidiary from another planet.

Mikkel:

Can you tell me a little bit more about the quarrel you had with the central marketing department?

Louis:

Yes, well we are in an important part of the strategy process, as to how to introduce the arla brand in the Netherlands, and we have our vision about that, and we also have our vision about how to start with the arla brand and how to build it to a power brand in the Netherlands. That is not really aligned with how the central marketing would like it to happen.

Mikkel:

And how is the communication between the two departments?

Louis:

Mostly via videoconference, and I do not like that. We have been in billund, where we had an appointment, and the lady from the central marketing department didn't show up, that didn't really work. Maybe if we had had one person from the central marketing department down here a month or two to assist, it would be helpful.

The point is that in marketing, you have to know the market before you can think of how to deal with brand strategies. And I think they could invest a little bit more time in getting to know the dutch market.

Lothar is a marketer as well, but he is not from the central department, but from the consumer international group, and he knows our market very well now, and he is bridging very well.

Arla is very good at networking. Together with Carin, I went to denmark, Sweden and the uk to meet the marketers and salespeople, and we discussed the portfolios, so we know what they have and vice versa. Now we are looking for synergies between portfolios.

I see very good potential synergies. There are not many Danish concepts we can introduce here in the Netherlands, due to local taste preferences. But in the other hand, there are things that can be used. For example, arlas brand positioning in the Scandinavian market. We have to make a few adaptations to the local situation. But overall marketing strategy is not complementary. There can be in the future talking about R/D.

Mikkel:

Have there been any changes in the following features: **team-working**, **flexibility** (flexible working e.g.) and **quality**?

Louis:

19.30.

No, not really any changes. We are hiring people, and that's what my department knows. They know we are working on the arla brand, and that might give chances for them as well. To do other projects as well. So for them it is a chance. The bigger the department gets, the bigger the chances for marketers.

Mikkel:

So quality has changed also?

Louis:

It's a difficult question. We are part of arla from may only, and changes do not go that fast in my department, but we are changing the organization, and that will have an impact on my department. People like to have the feeling of working for a big international company. Before we were a big dutch company with subsidiaries abroad, and now we are a subsidiary abroad of a big Scandinavian company.

Mikkel:

Has there been any change in the **control** over **local management**?

Louis:

No.

Mikkel:

Have there been any changes in **trade union** recognition and overall **job security**?

Louis:

Yes. That's also guaranteed by arla in the takeover, and very important.

Mikkel:

Has there been a **power-shift** in the managerial functions / decision-making?

Louis:

No, because my department was before brand focused on the friese flaag, and now we are going to add new brands, and in the future we will migrate.

Mikkel:

To what degree has there in relation to the acquisition been **created a vision** or a goal for all employees to pursue?

Louis:

What I liked about arla is that Tim's perspective is quite clear. He is clear in his expectations, which, in a nut shell are, that we keep up to our budgets, that we realize a positive financial contribution to the arla company and that we develop a plan to introduce the arla brand in the Netherlands.

Mikkel:

When arla came here the 5th of may and told your staff that they were taking over, did they put up for instance a number of values saying that you had to follow this and that and we are going in this direction?

Louis:

Maybe it is so close to what we are already doing, so it doesn't feel like we are forced to go in another direction or anything.

What I like about arla is that as a manager I get the feeling that we really have to deliver the results ourselves, you know. We have to do our work, we have to inform them, we have to discuss with them, we have to prove whatever to them, but that is normal in the way that they are the owner of our company, but I do it in a way that I feel responsible and involved and I have the opportunity to be an entrepreneur, and I like that.

Mikkel:

So would you say that the control is more organic than it is dictated?

Louis:

Yes. At least so far.

Mikkel:

Can you try to describe the culture before the acquisition?

Louis:

Well, the culture is hands on. We are quite lean and mean over here. We try to be close to our business, to our clients, and to our costumers, and get things going. What might change is that I have the feeling that within arla, the speed might go a little bit down, because of all the interrelations and all the things you have to discuss. Sometimes we have to find our way, and both Lauder and Tim are facilitating well, but in the future when it comes to deliver say product set, we like to have the organic assortment from Denmark, I have the feeling that it is more difficult than you could expect. You have to rely on people, they don't know you. You have to rely on the factories

in Denmark, and that all things necessary are arranged. But I will see. I have the feeling that unexpected things will pop up, but now we will see.

Over here I can walk into the factory and talk to them, or I can go to the management team and propose something, and if we agree, it will be done. That I think will might change.

Mikkel:

Is it your impression that your **employees do the same job** as before the acquisition?

Louis:

At this moment, yes. I have the friese flaq group working o that brand. And I am hiring people to work on the arla brand, and I think that some from the friese flaq would like to go and work on the arla brand, so things will get mixed a bit. Things will change for my department. We are going to do much more use of the birth to line communication than we did the last two years, so in that perspective, things will change. We are more internationally related also, because brand management has to discuss with brand managers in Denmark or in Sweden or in UK, and that is a change also, because before, we didn't discuss with marketers in other countries. But it will be exciting.

Mikkel:

Will your role be the same as before?

Louis:

The international perspective is also new to me. 07.50. My role will change, as my department is growing. I will get more distance to the floor. I don't hope so, but I think it will happen.

Mikkel:

Are the **chain of command and the operating procedures** unaltered after the acquisition?

Louis:

The chain of command changed. We have to do our things now in corporation with arla, and before we did it with a HQ in the Netherlands. The working procedures changed as we have to do a lot of things in English. But the shift changes gradually. For example we have to develop a way to work together with th UK or Denmark. Related to that all ways of working will have to work.

Mikkel:

What are your **expectations** for the ideal organizational development over the next 12 months and how will you **influence** this development?

Louis:

Within my department, my aim is to professionalize further, and because of that I am looking for experienced marketers to upgrade the level of marketing skills, and that goes for R/D too. In the past we were lean and mean, and repeated the things we were good at, and now we have to develop new capabilities to be ready for the future. To make the org ready for the future.

Mikkel:

What would you **have done differently** had you been in charge of the integration of Nijkerk in Arla?

Louis:

I would have one person from the central marketing department working here for a few months as bridge building. I am quite ok with the way the corporation goes so far. I think it would be good with a Danish marketer who is an expert, to work here for two or three years, who can help our marketers explaining the way arla is working. There are 60 marketers in Denmark, and they can tell us about their best practice and help our marketers to improve their corporation with the central department. That might help. But it could also be done the other way around, so the Dutch marketers here could go to Denmark or to Sweden. We are still in the strategic discussion, so the real impact of the decision will be incorporated within the coming 2 years. Now the group is working on the friese flag, but over time it will shift to work on the whole arla brand. Marketers most times like to take the short run.

Carin van Leeuwen

Mikkel:

What **consequences** has the acquisition had for the sales dep. so far?

Carin:

First of all, during the process of negotiating with potential buyers, my customers were very insecure about the future. Therefore they changed their strategy in sourcing. For instance, we had a certain volume at one of our larger costumers, and they wanted too decrease the volume because they were very insecure about the future. When it became clear that it would be arla, now they are very secure about the future, because they know that arla is a very good diary company. So we do not expect the same attitude in the future.

Another side of the consequences is that there will be a change in strategy. If we look at the postiton we had within friesland food fresh and the position we have in arla, there will be a change. That is the main thing that will change for my department.

Mikkel:

And what about structural changes?

Carin:

Yes, that also, because we have to invest, we aare going to grow. We have the target within arla To grow again. With friesland, we just had a cash target. Now we have to do branding positioning, but also a change of focus.

Mikkel:

Have the sales dep. and the marketing dep. made any actions that might **constrain the individuals** in the organization?

Carin:

Yes, I think that we are a part of another company with a different strategy, so the limitations might change. We have new procedures, which are challenging. Within friesland, we knew what to do and what to avoid, so in that matter, it might limit us in our freedom.

Mikkel:

Has Arla made any actions to **counter** feelings of **constraint** or **uncertainty** among employees?

Carin:

No, not yet. The first goal for us is to build a sustainable business and I think we have to follow the arla strategy. That might result in a little less freedom.

But arla has not done anything to resolve that.

Mikkel:

How have you perceived **MD and executive group** throughout the acquisition?

Carin:

I was involved in everything, and marc has been very open in his communication, so we knew everything. It was very pleasant

Mikkel:

How have you perceived **Arla's strategy group** throughout the acquisition?

Carin:

Well, we have had several meetings about business plans and so on. They were very curious about us, and I perceived them as very professional. They were not very open about their strategy or the purpose of buying us. We asked them why they wanted to buy us, and I understood that it was not easy for them to give an answer at that moment. In every meeting I asked them what their plan was with us. So their strategy was less open.

Mikkel:

Do you consider the recent changes in the organization the changes **emergent** or **choreographed**?

Carin:

More emergent, I would say. We take the lead and we always do that. We have to lead and we want to, so every change is because we want to change. Sometimes we discuss with arla, of course, about strategy and branding etc. but they understand that it is our own responsibility, and of course they try to influence it but they always say that it is not how they see it, and we argue some. But if we are not convinced that that's how we do it, we don't do it.

Mikkel:

So as long as you keep your budget, you are free to operate?

Carin:

Yes, but naturally, we can not make the logo red, but within the department, we can operate freely more or less.

Mikkel:

To what degree have all **employees** in the respective dep. been **involved** in the acquisition?

Carin:

26.25.

Not my employees, but I was. So we kept the total acquisition process within the management team. After the acquisition and also during we kept them informed.

Mikkel:

On an organizational chart, where do things **not run smoothly** in terms of; leadership, power, inter-group relations, and communication between Nijkerk and Arla?

Carin:

Well, I don't know. Maybe communication is not very smoothly between my department and arla. Last two months I have had the impression that they are very slow in reacting. They do not have the same sense of urgency. We judged it from the market share point of view. If you are the market leader and are very dominant in a market, you don't need to be very fast. Because the rest of the market will follow you. Here we have a very active market leader, so being nr. 2 we have a very high sense of urgency. But if there is really a need, arla can move. But if you want them to move, you have to start at the highest employee, and that's what we need. But because of their size they have a hard time moving as fast as us. They have a marketing department of 60 people. We only have 4-5. that means that it is very slowly and bureaucratic.

We just got a pin point person that can help us, like marc has. He is in the commercial field, and that might work. I hope it will in the future. We just started to contact him. We are now in the process of finding Danish product to introduce in Holland, so there we need both marketing and production people, and there we use him. It is not fast enough for me, so we had a strategy meeting last week, and the big question was; how can we increase the sense of urgency within arla. We really want to have new products ready the first of January, and now everyone in arla is on holyday, and for two months nothing happened. We discussed this with tim, and he suggested that we should contact the pin point person and he should arrange things for us.

Mikkel:

Have there been any changes in the following features: **team-working**, **flexibility** (flexible working e.g.) and **quality**?

Carin:

No, everything is still the same.

Mikkel:

Has there been any change in the **control over local management**?

Carin:

No, nothing so far.

Mikkel:

Have there been any changes in **trade union** recognition and overall **job security**?

Carin:

No.

Mikkel:

Has there been a **power-shift** in the managerial functions / decision-making?

Carin:

When the positioning and the strategy changes, it is very good for us in the sales department, so the main difference is that we have a lot of new energy in our team. In the last few years, it was really boring here in sales. We had no budget to grow, and there were hardly any new products. The customer always asked us what we wanted in this category, because there was no position for us.

Now, with arla, we are very excited about it. Due to the changes we will add some people.

There will be a change because due to my initiative, I will be responsible for the trade marketing.

Because we will grow and be more important, it is important that we have a closer contact to our retailers, and that is why trade marketing will be part of sales. My first responsibility is still the sales to our customers, and that will not change. It will be more helpful when I also have the trade marketing within my responsibility, because I can then improve my sales. This was my request.

Mikkel:

Do you perceive management in the organization as **strategic** or **organic**?

Carin:

Organic, as the change of responsibility over trade marketing was my suggestion and did not come from arla. This is just more practical and fits better. We want to grow and have stronger relations with the retailer. Besides that, Louis will have the responsibility of the R/D department, so it is a better fit now.

Mikkel:

To what degree has there in relation to the acquisition been **created a vision** or a goal for all employees to pursue?

Carin:

No, we create our own vision, but we will distract it from arla, but it will be localized. So no, nothing specific.

How has Arla **motivated** acceptance of the acquisition? (extrinsic-authority / dictated or intrinsic-autonomy)

Mikkel:

Can you briefly try to describe the **culture before** the acquisition?

Carin:

We were very open and down to earth. Very loose. We have a culture of open communication and consensus. There are no visible changes to this. I feel that arla is very open minded, but maybe a bit more political. Within the company, I see no changes, but perhaps as a manager, within the management team, we have to be a little bit more political.

Mikkel:

Do you find arla as complementary to your culture?

Carin:

Yes, it is very aligned. In most areas. 13.20.

But im not very sure if there really is an issue, because right now, only one area we are interactive with arla. In all other areas we do more or less the same as before. In our approach to the market, we don't want to change. Our role as a challenger will not change significantly.

Mikkel:

Is it your impression that your **employees do the same job** as before the acquisition?

Carin:

Yes, more or less. I think we have more challenges and opportunities, but I think that I have a quite professional team, and along with the different scope, I will need that. But the challenge was the last few years to keep the people motivated. To retain the good people. That is changing. We are growing through arlas ambition.

Mikkel:

Do you feel that **you do the same job** as before?

Carin:

Well, I see that I am now involved in the strategy process, and that is a huge part of my job. This is due to the fact that we are building a new strategy.

Mikkel:

Are the **chain of command and the operating procedures** unaltered after the acquisition?

Carin:

No, it hasn't changed in my department. We have the same levels and same structure. We have the structure of targeting. How the target is organized. That is important to know what is expected of you. I am not that involved with the other departments, so mostly strategy affects my department.

Mikkel:

What are your **expectations** for the ideal organizational development over the next 12 months and how will you **influence** this development?

Carin:

Our plan is to add people in trade marketing. We will improve quality in sales dep. because we want to be a more professional partner to our costumers in the future.

I will try to attract the good people, and to make clear what our strategy is, both to employees and to costumers.

Mikkel:

What would you **have done differently** had you been in charge of the integration of Nijkerk in Arla?

Carin:

I don't want to be in charge of it. No, I think it is good that we didn't have any sales people representing arla down here. I would like them to stay in Denmark. We do our thing down here, and that's the main thing for us. And also, Marc is a very good manager, he is good at communicating. He organized the whole integration very well. If I don't like that we have all the strategy meeting, and only want to do my business and not interfere in all the administrative things in the integration, I just go to Marc and say that I don't like it, and he has no problem changing it if he can. We are very open in the communication.

So the process of integration I think is very well organized.

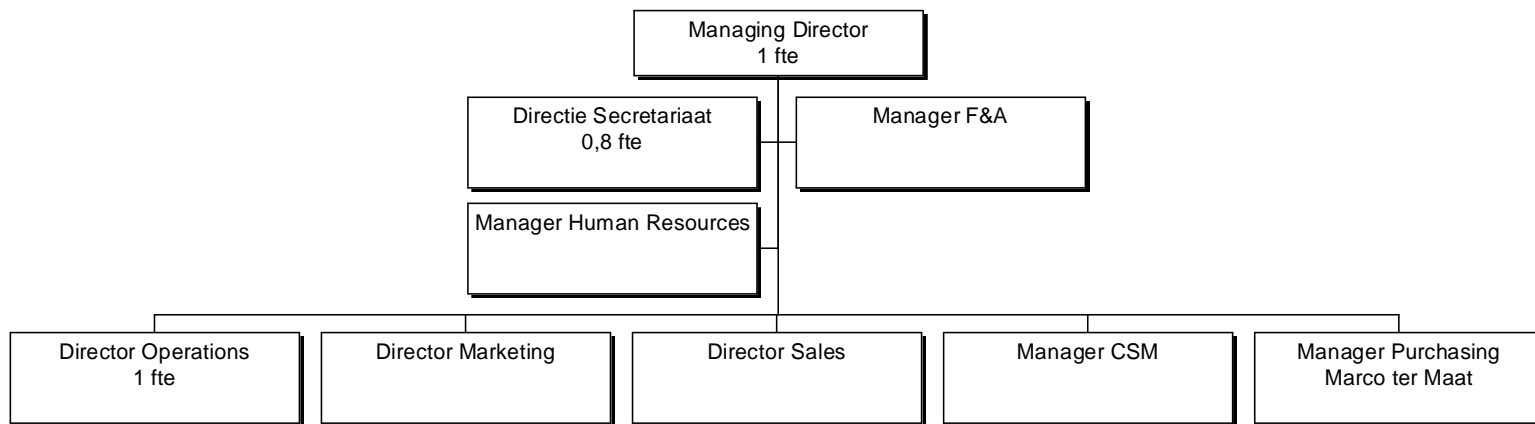
The discussions are mainly about the arla brand.

For instance we have the local brand and there are discussions about where to put the arla brand. And we want to make our own decisions, and we have had to, so far. For the main business, we have free hands to do our work.

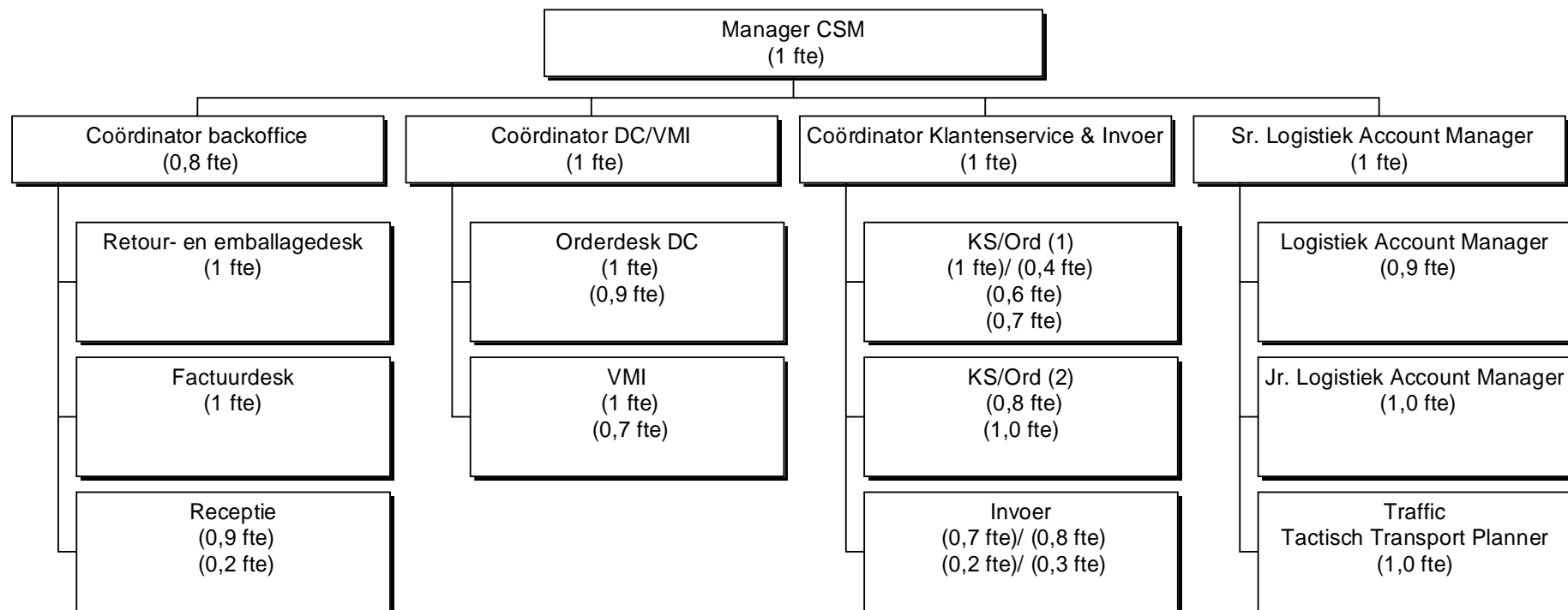
Thank you for your time.

Friesland Foods Fresh (367,0 fte)

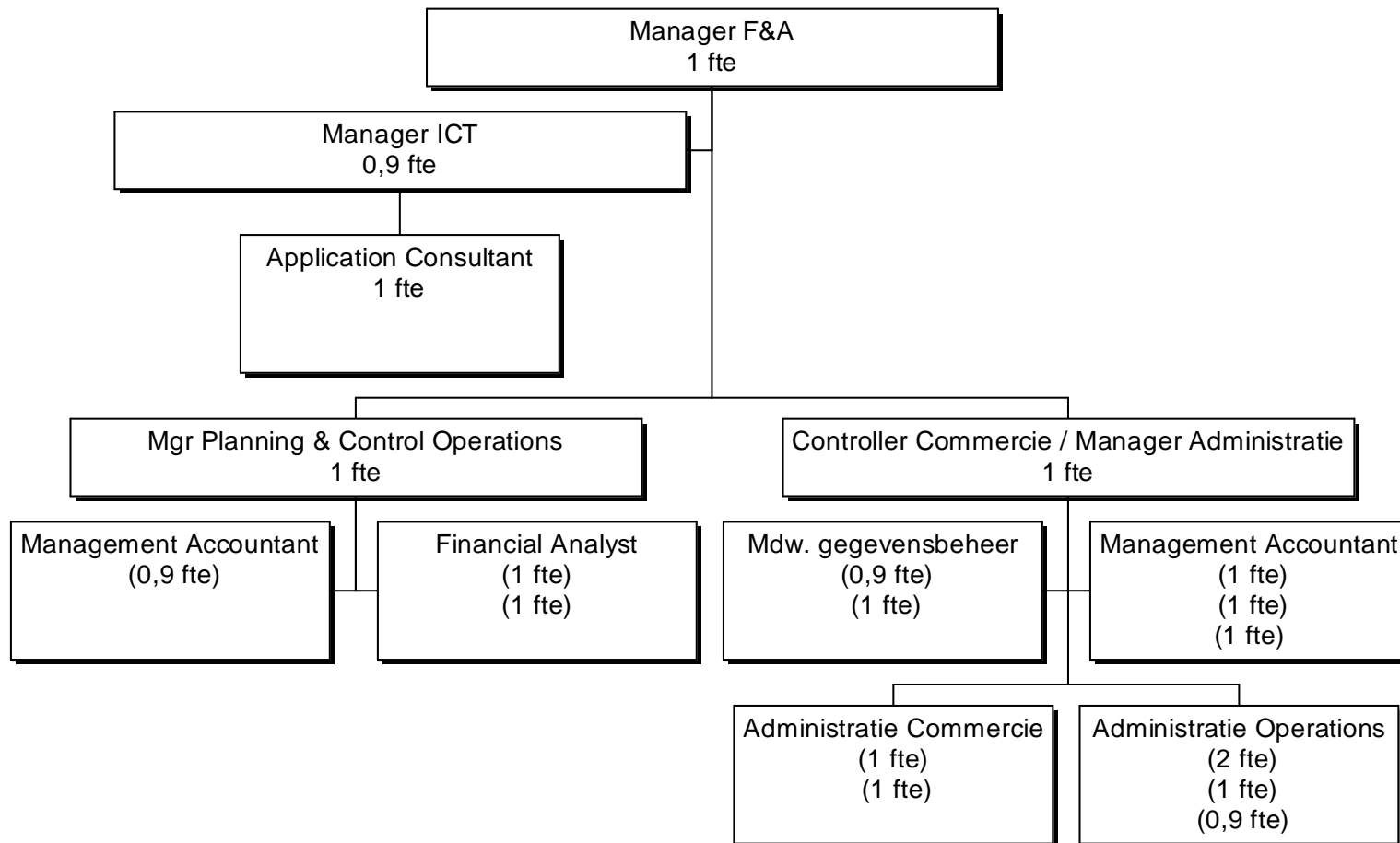
Januari 2009



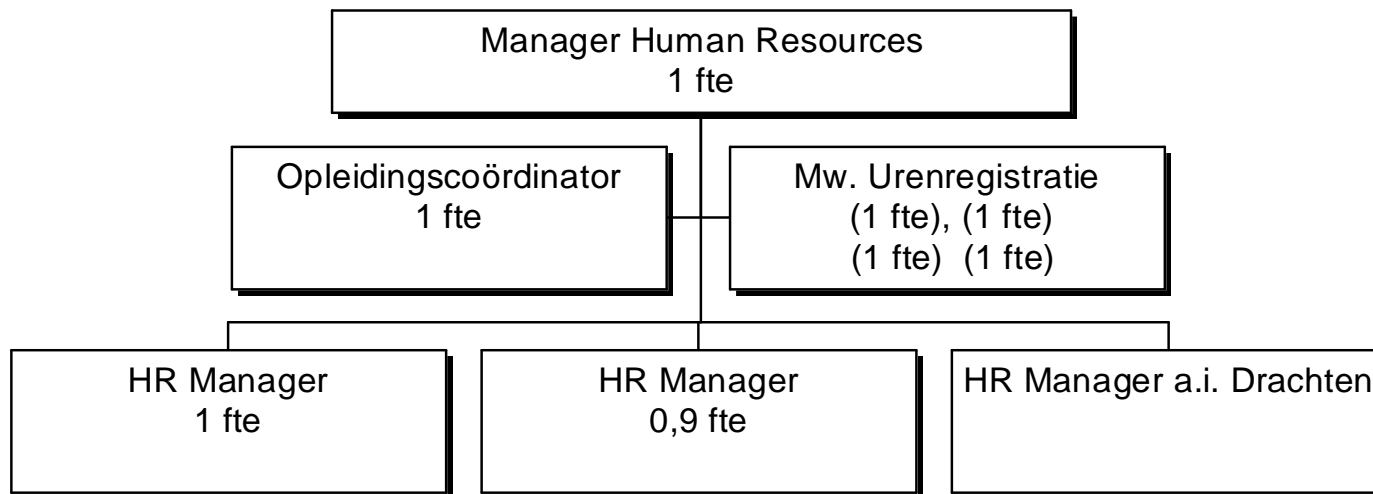
02.0 Customer Service Management (20,5 fte)



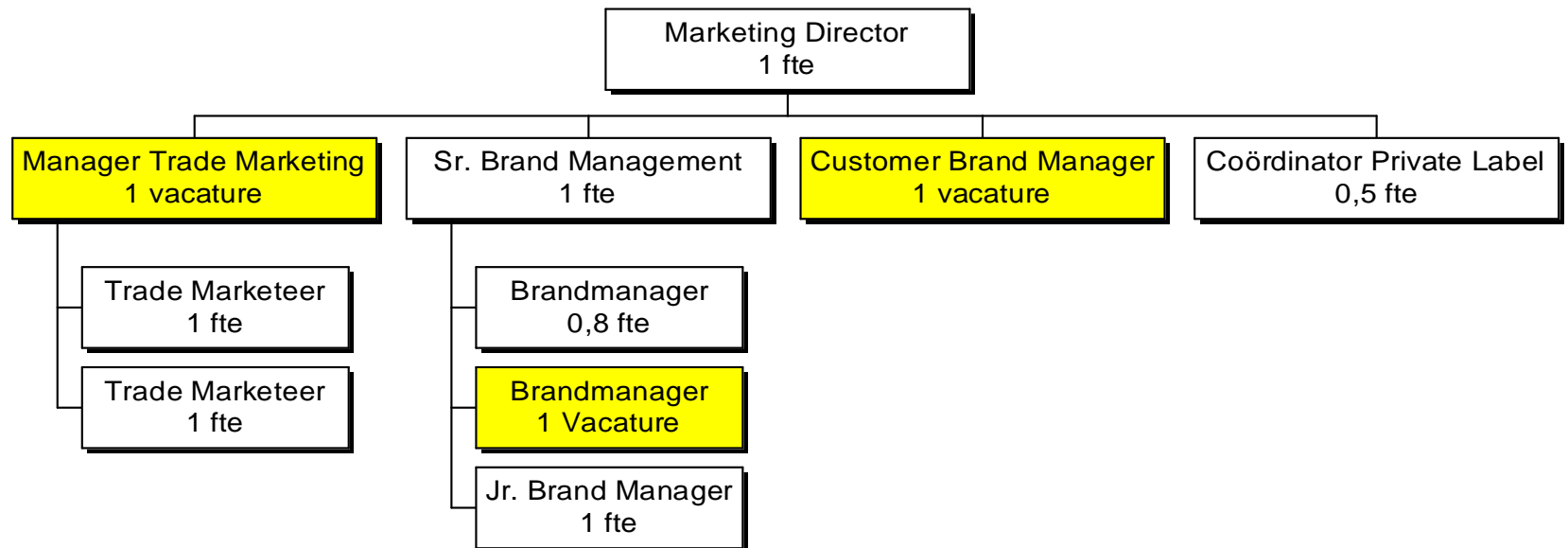
03.0 Finance & Administration (18,6 fte)



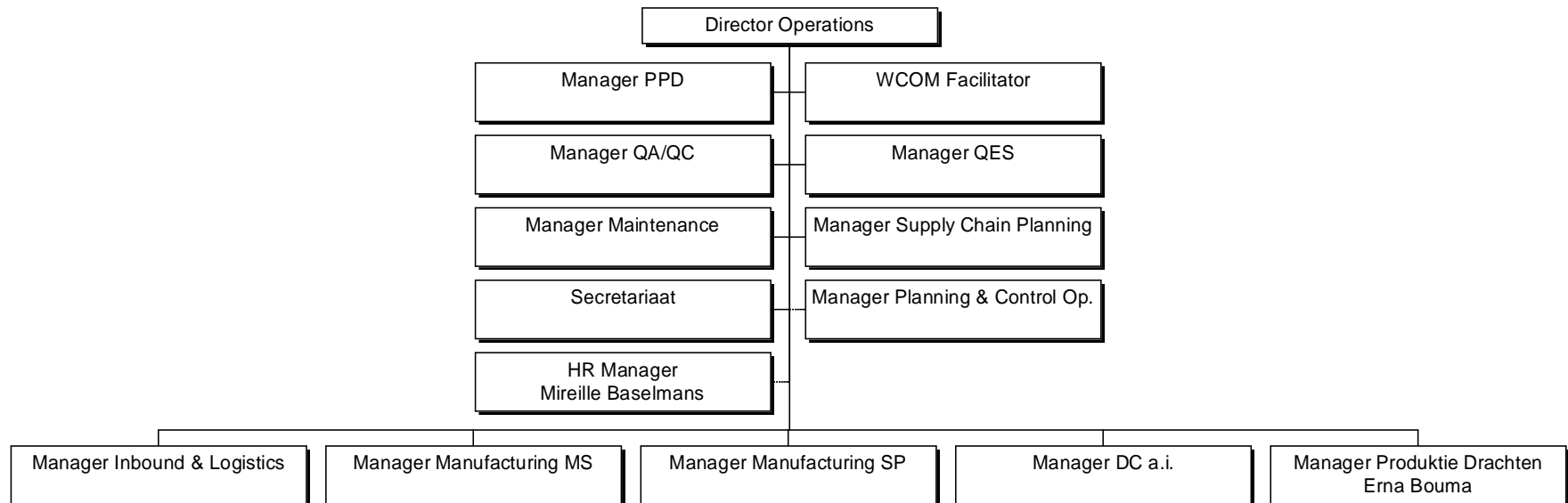
04.0 Human Resources (7,9 fte)



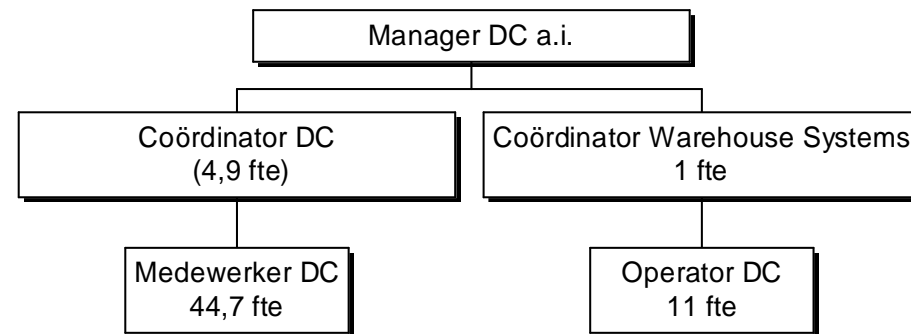
05.0 Marketing (6,3 fte)



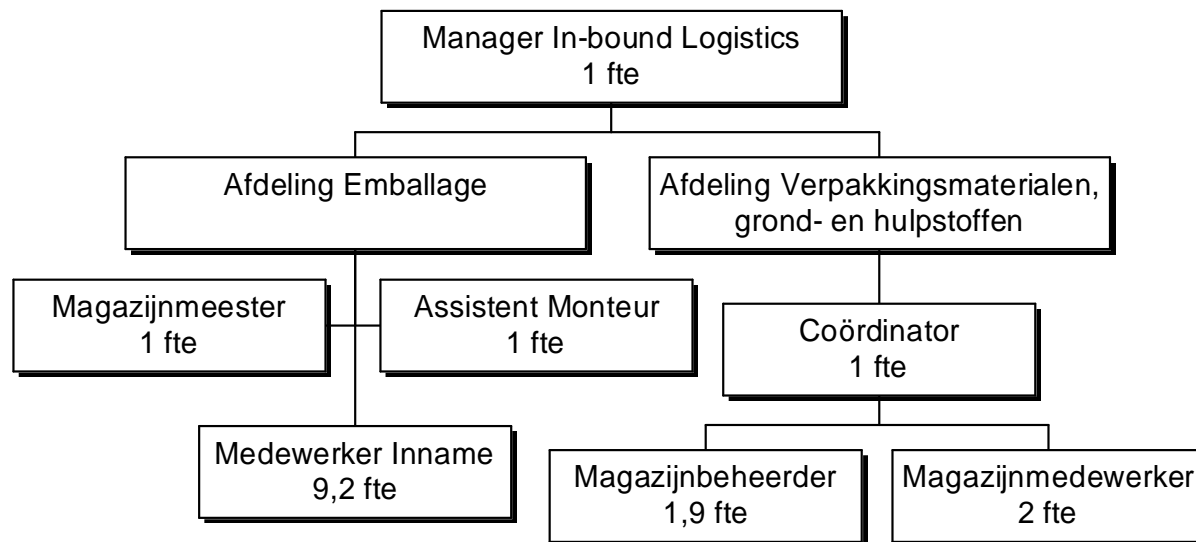
06.0 Operations



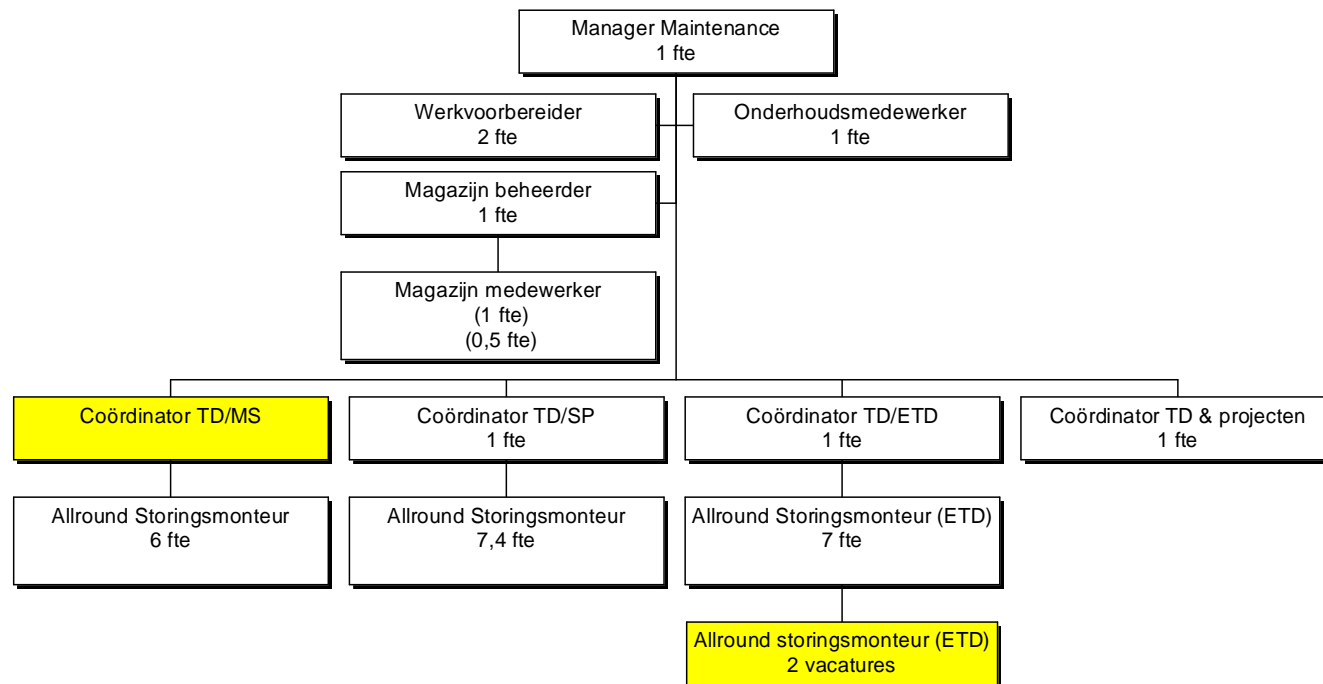
06.1 Distributie Centrum (61,6 fte)



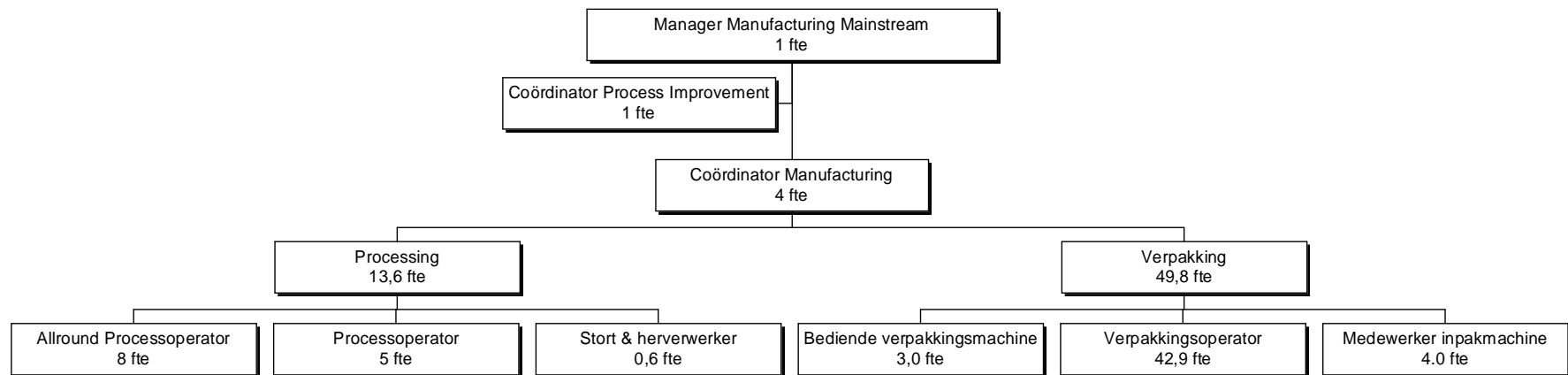
06.2 In-bound Logistics (17,1 fte)



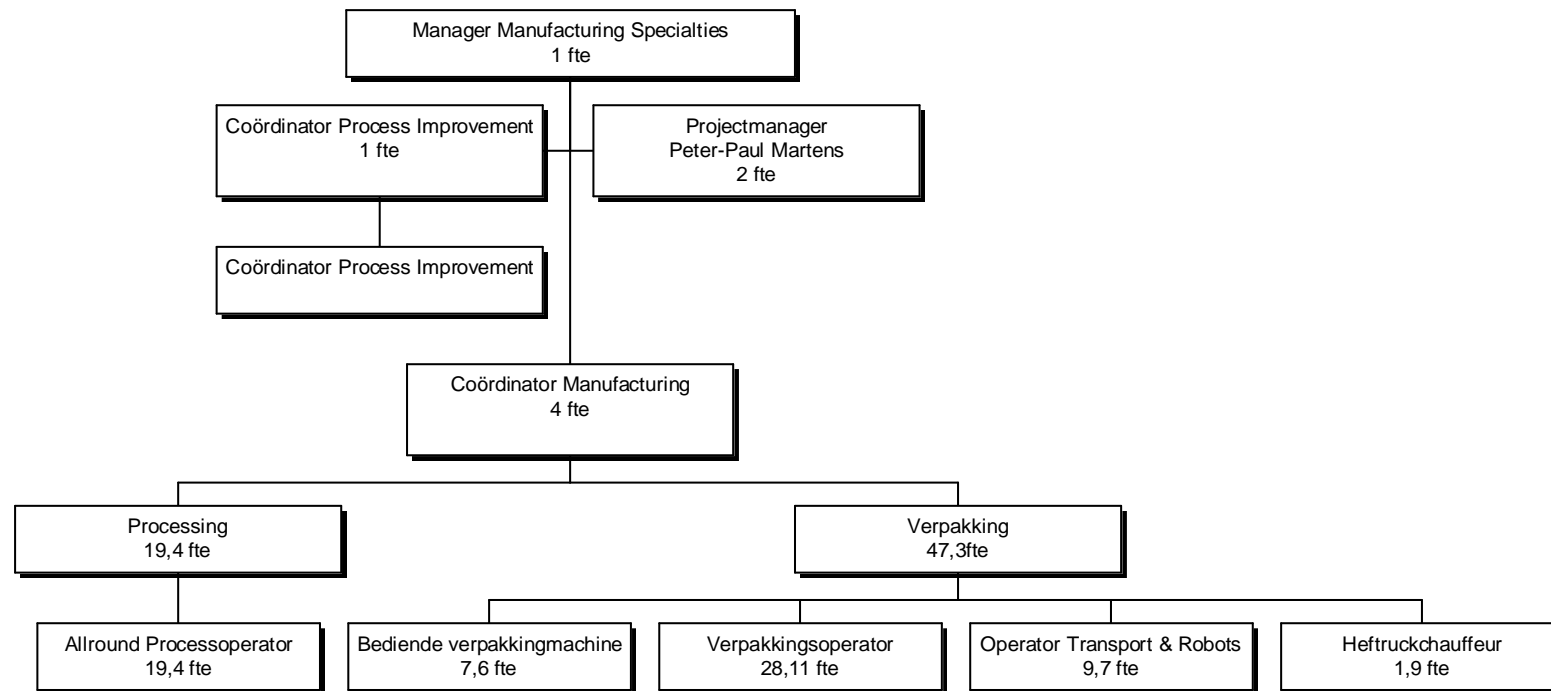
06.3 Maintenance (30,0 fte)



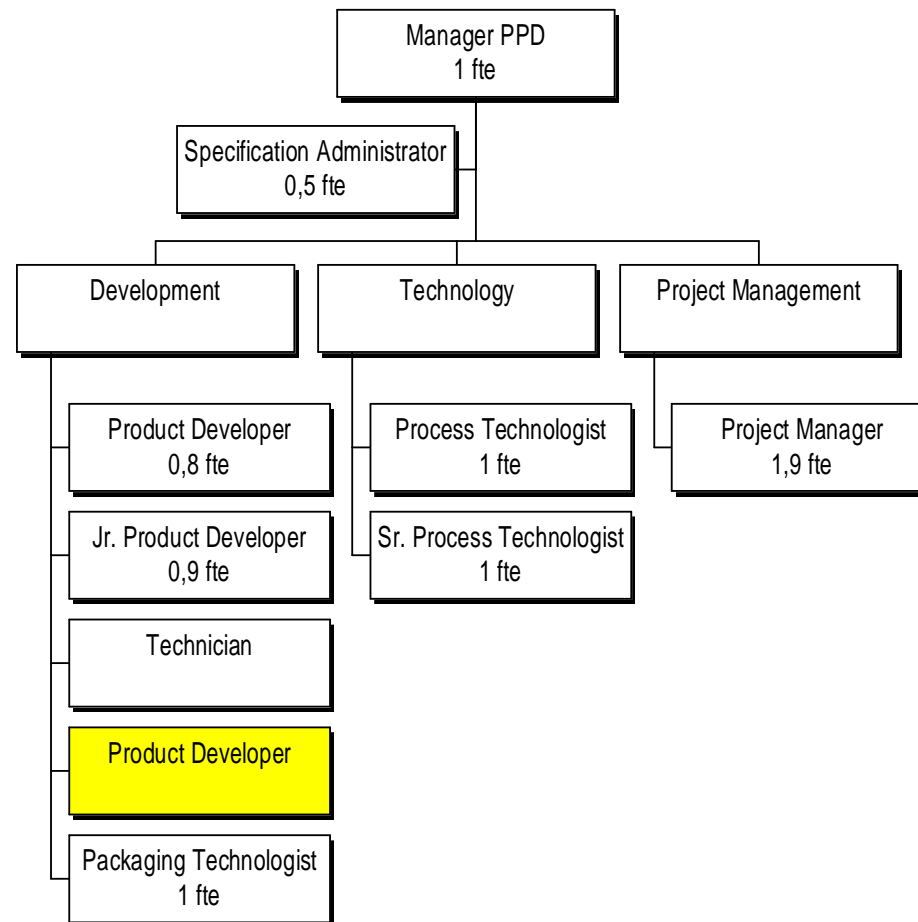
06.4 Manufacturing Mainstream (68,8 fte)



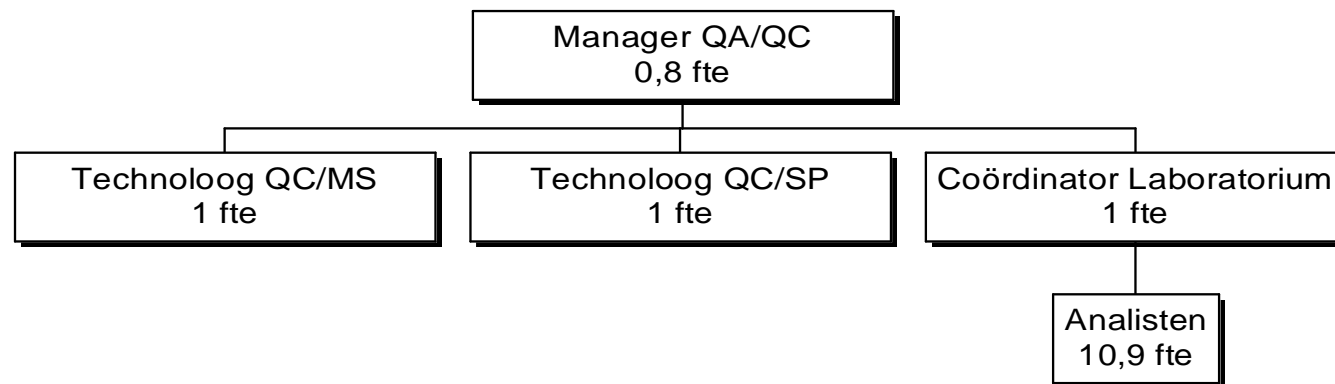
06.5 Manufacturing Specialties (74,7 fte)



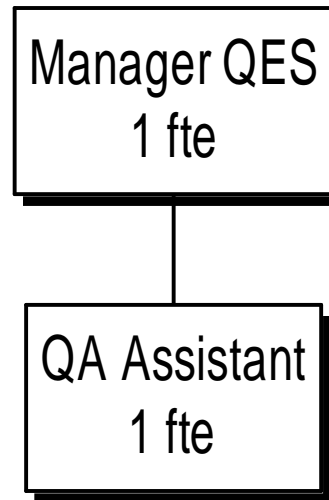
06.6 Product & Process Development (7,2 fte)



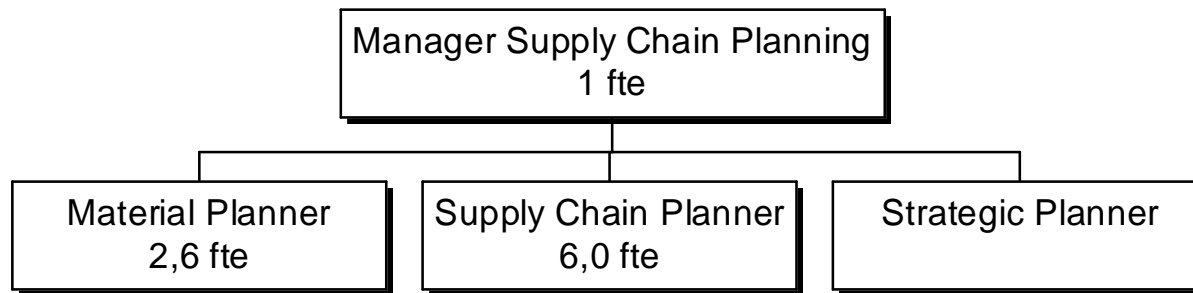
06.7 QA/QC (14,7 fte)



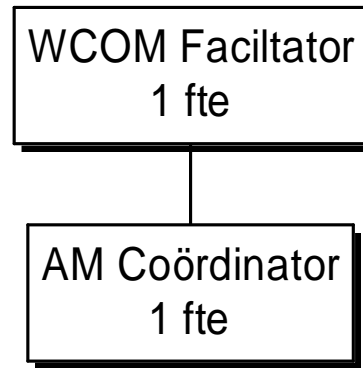
06.8 QES (2 fte)



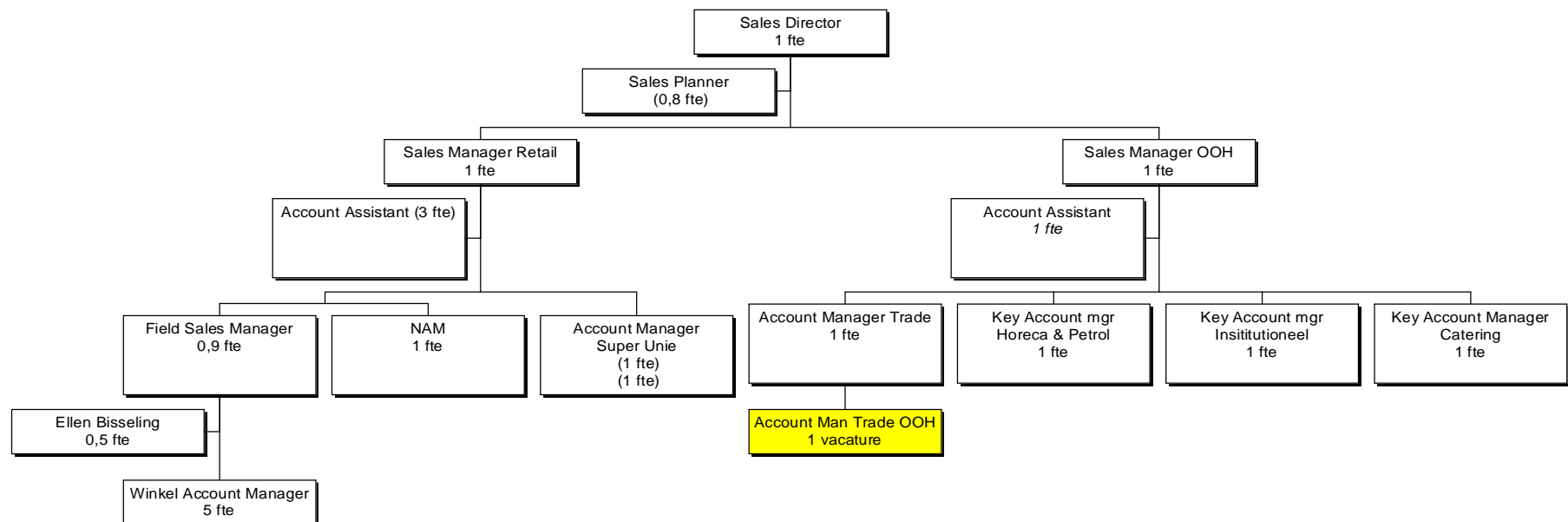
06.9 Supply Chain Planning (10,5 fte)



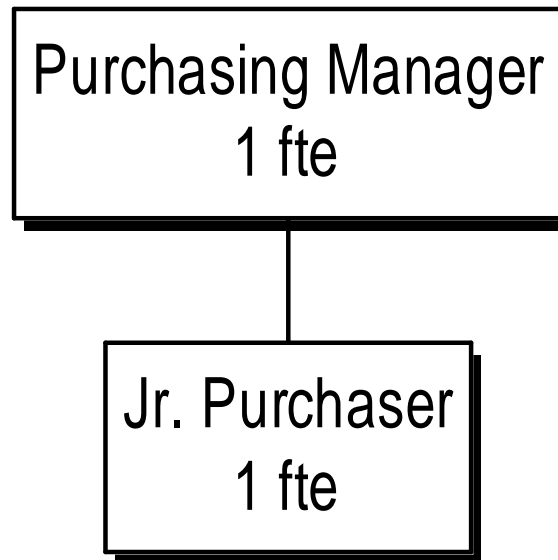
06.10 WCOM (2 fte)



07.0 Sales (20,2 fte)

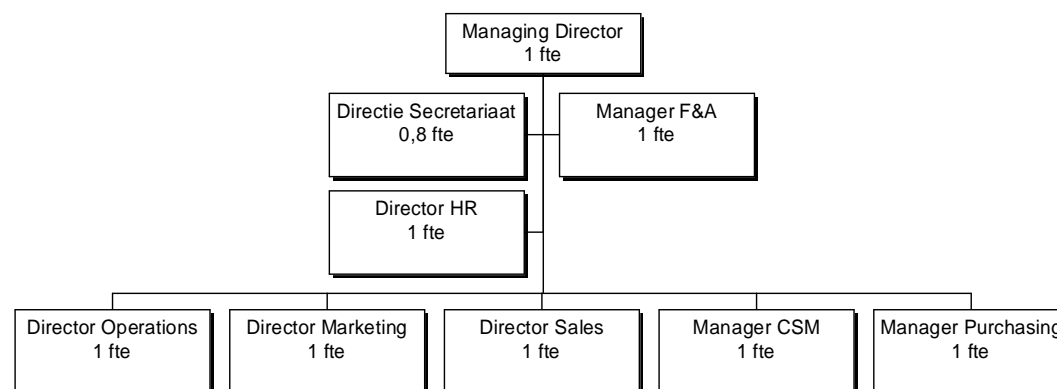


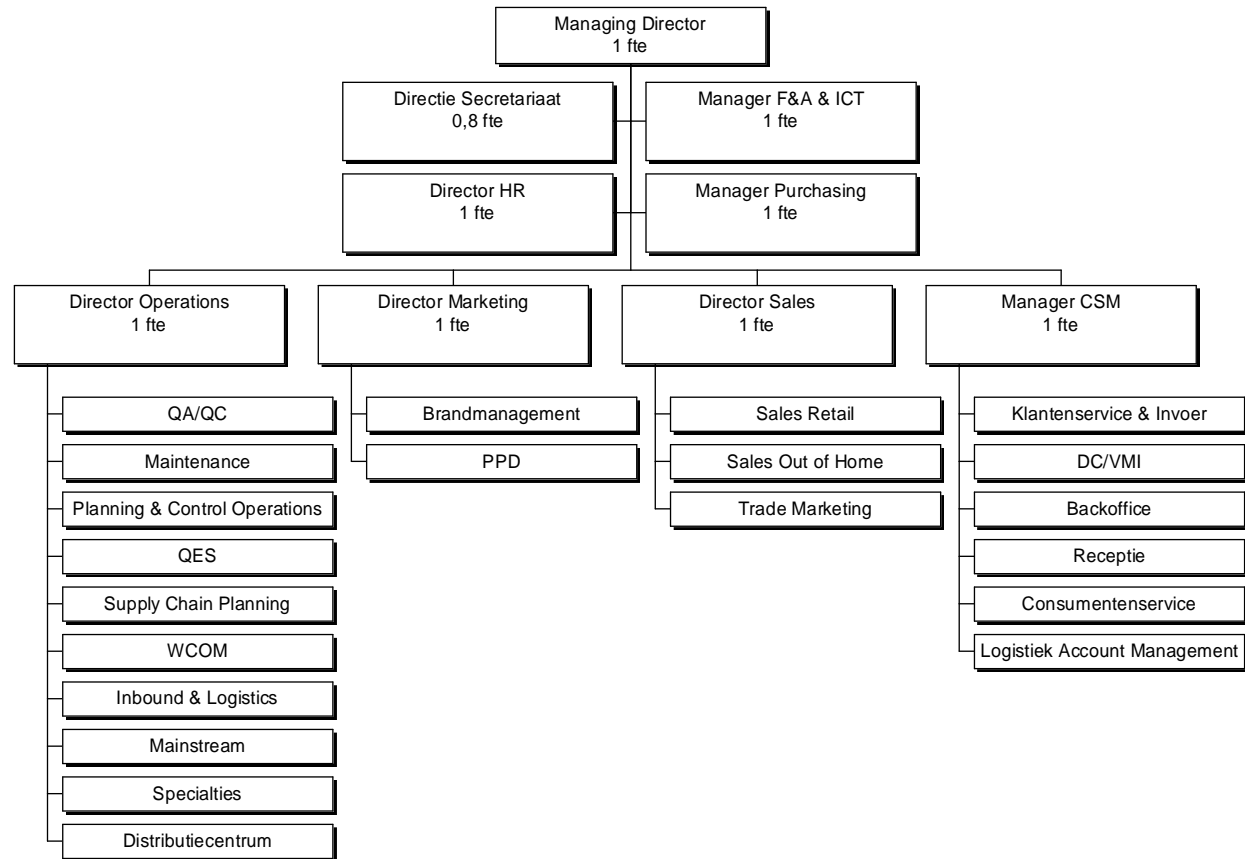
08.0 Sourcing (2 fte)



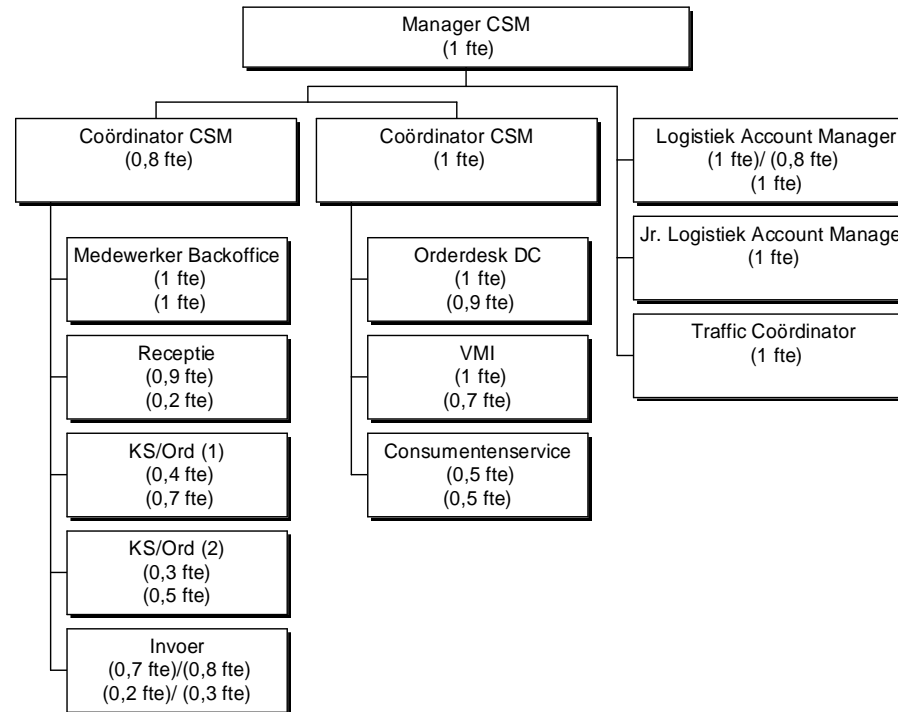
Arla Foods B.V. (364,1 fte)

April 2010

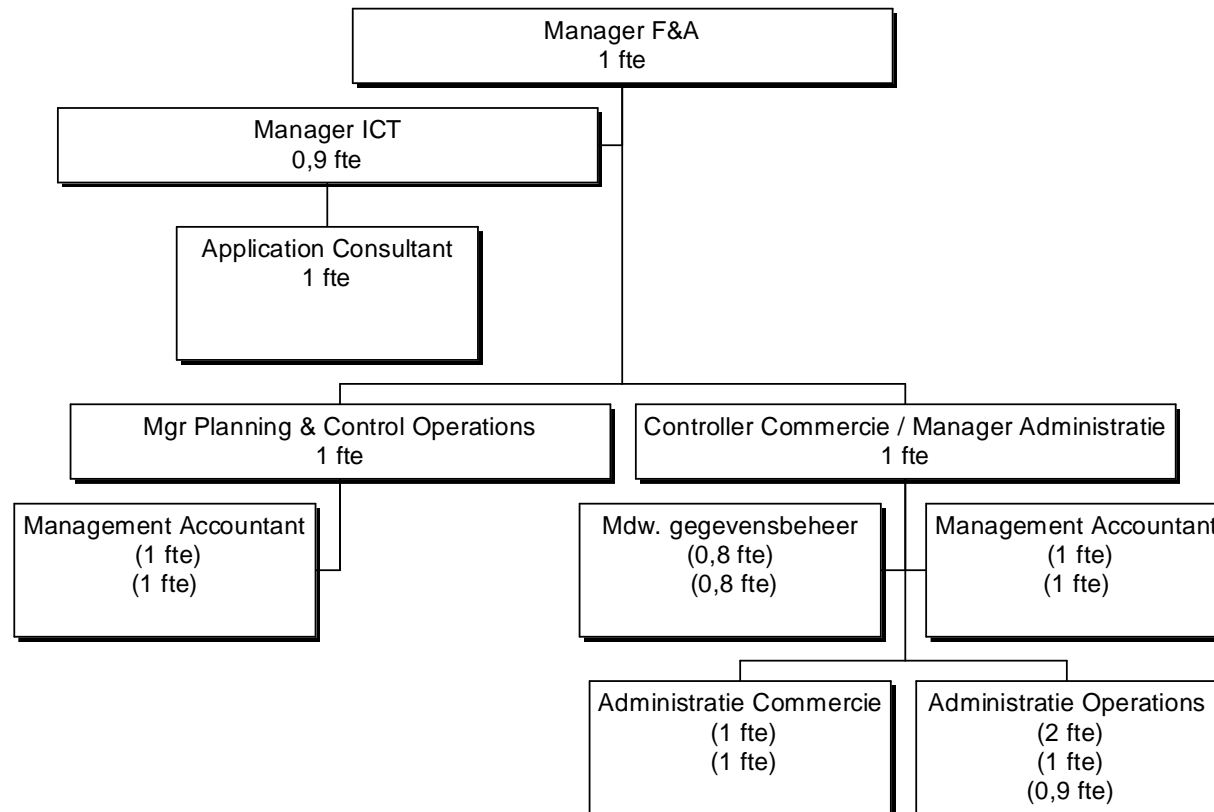




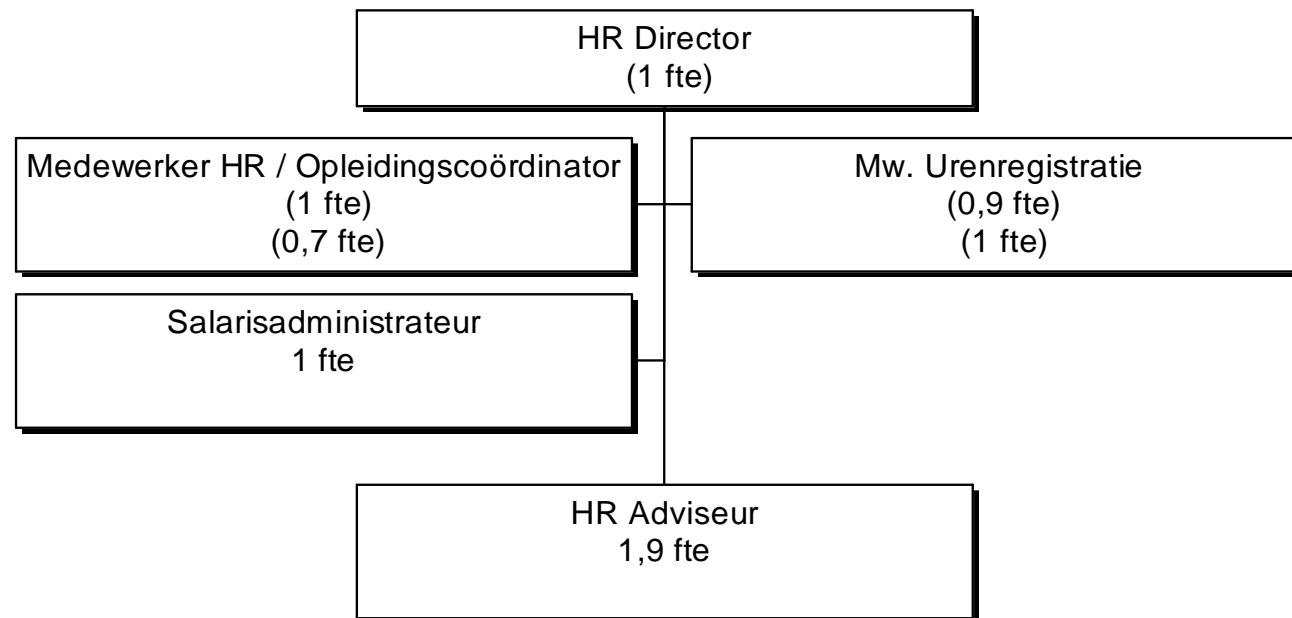
Customer Service Management (20,2 fte)



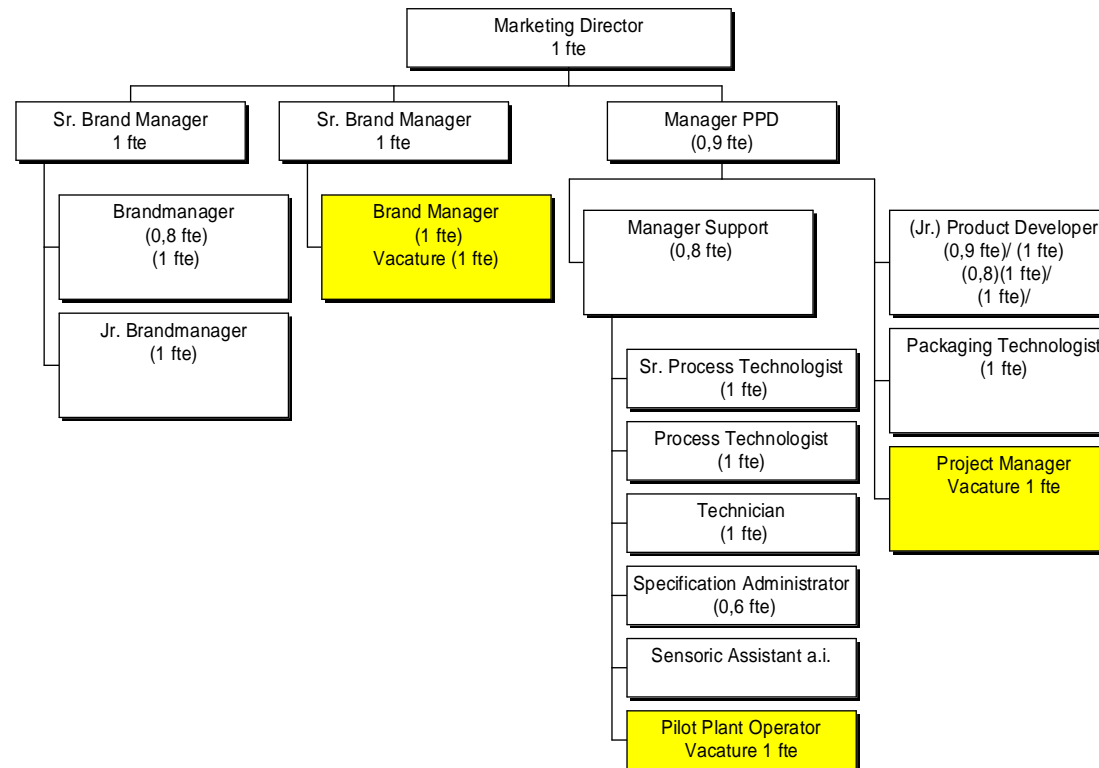
Finance & Administration (16,6 fte)



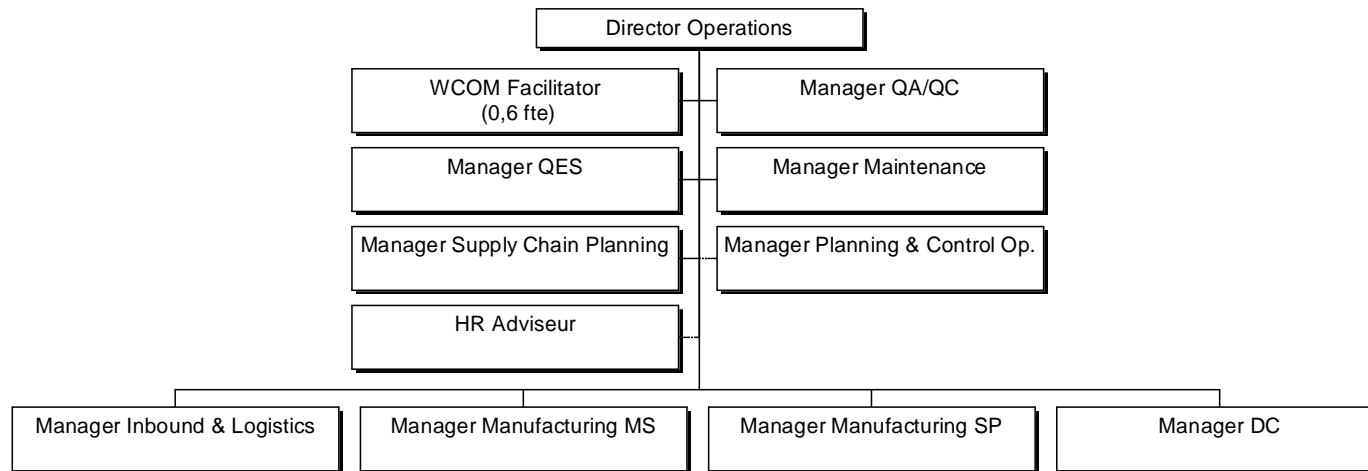
Human Resources (7,5 fte)



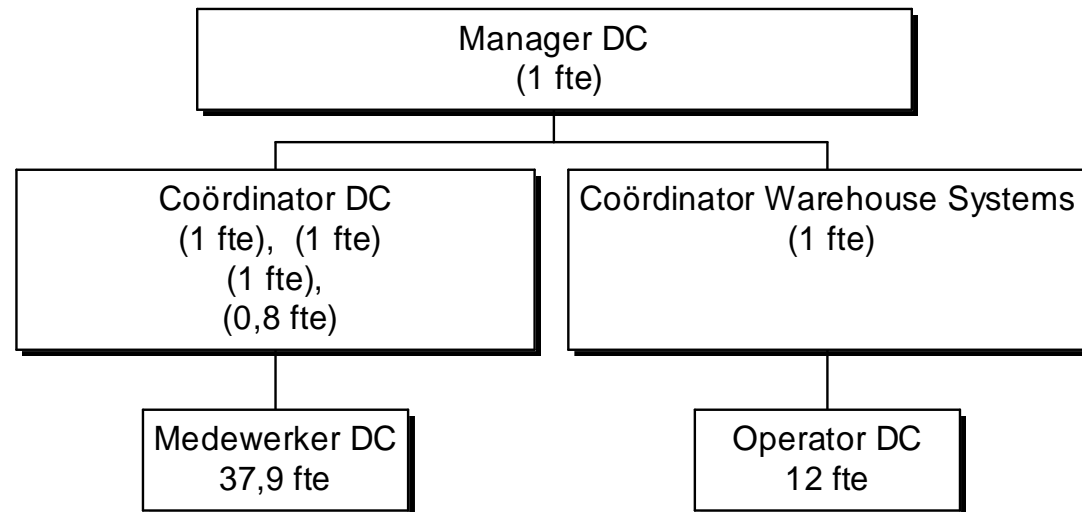
Marketing (18 fte)



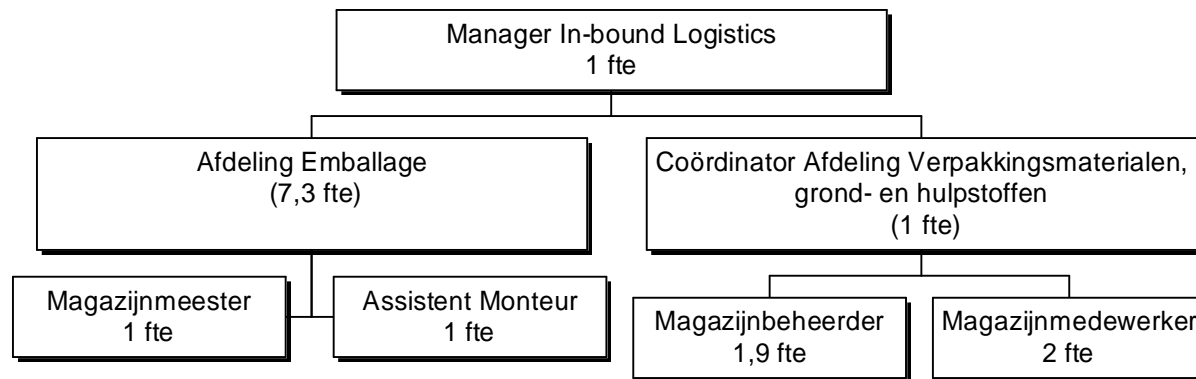
Operations



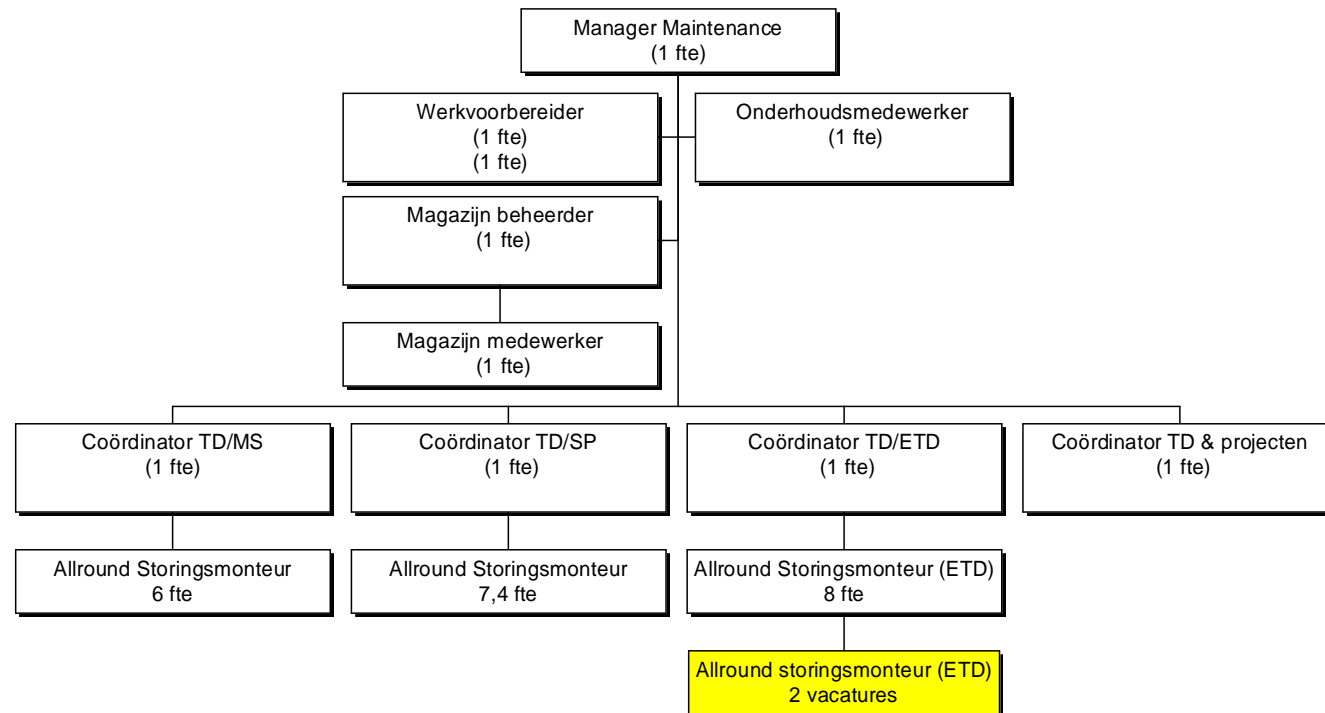
Distributie Centrum (55,7 fte)



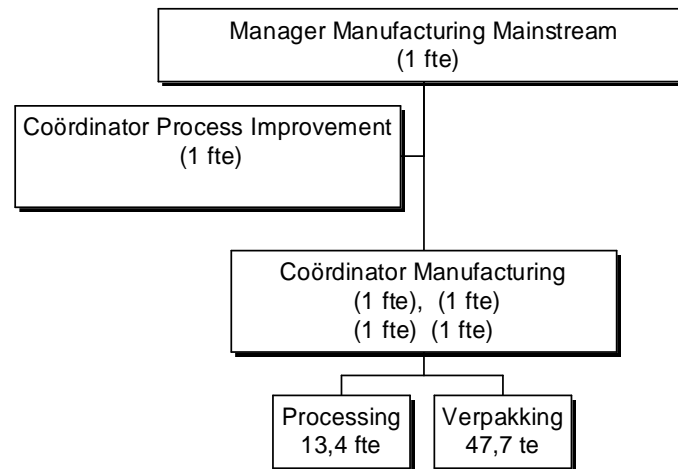
In-bound Logistics (17,1 fte)



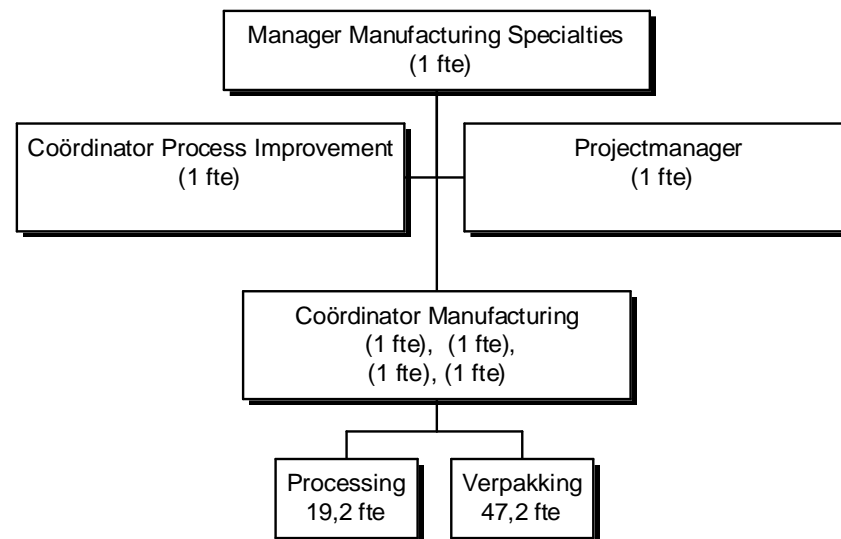
Maintenance (32 fte)



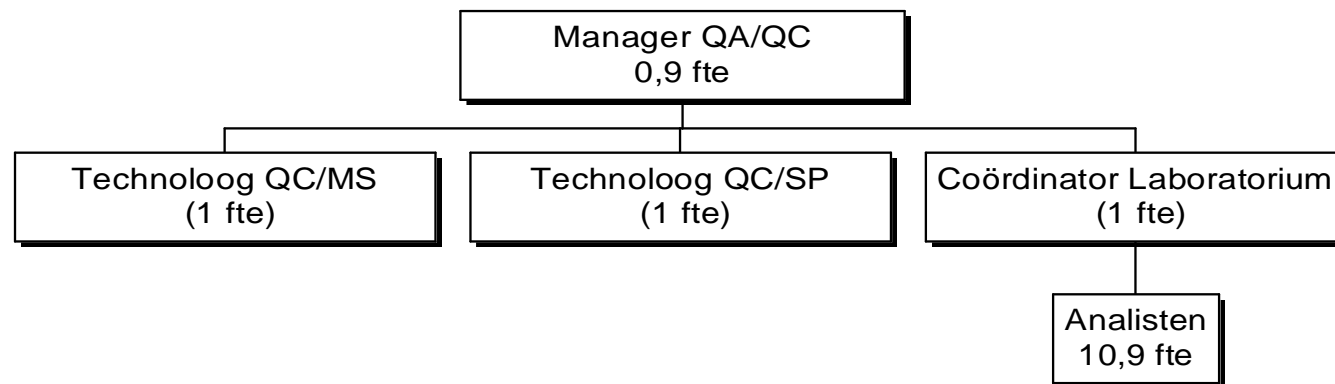
Manufacturing Mainstream (67,1 fte)



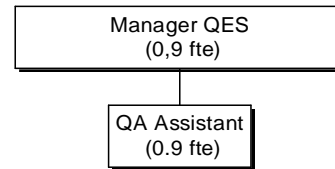
Manufacturing Specialties (73,4 fte)



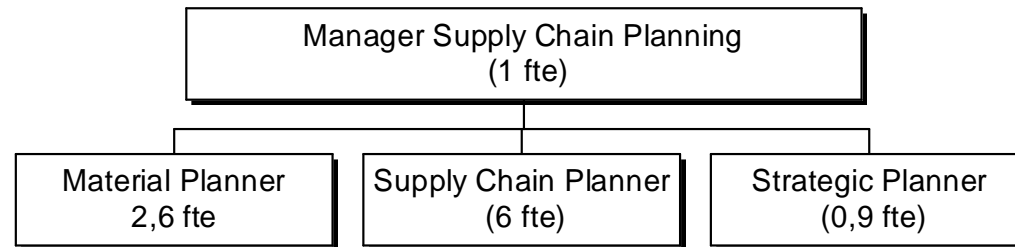
06.7 QA/QC (14,8 fte)



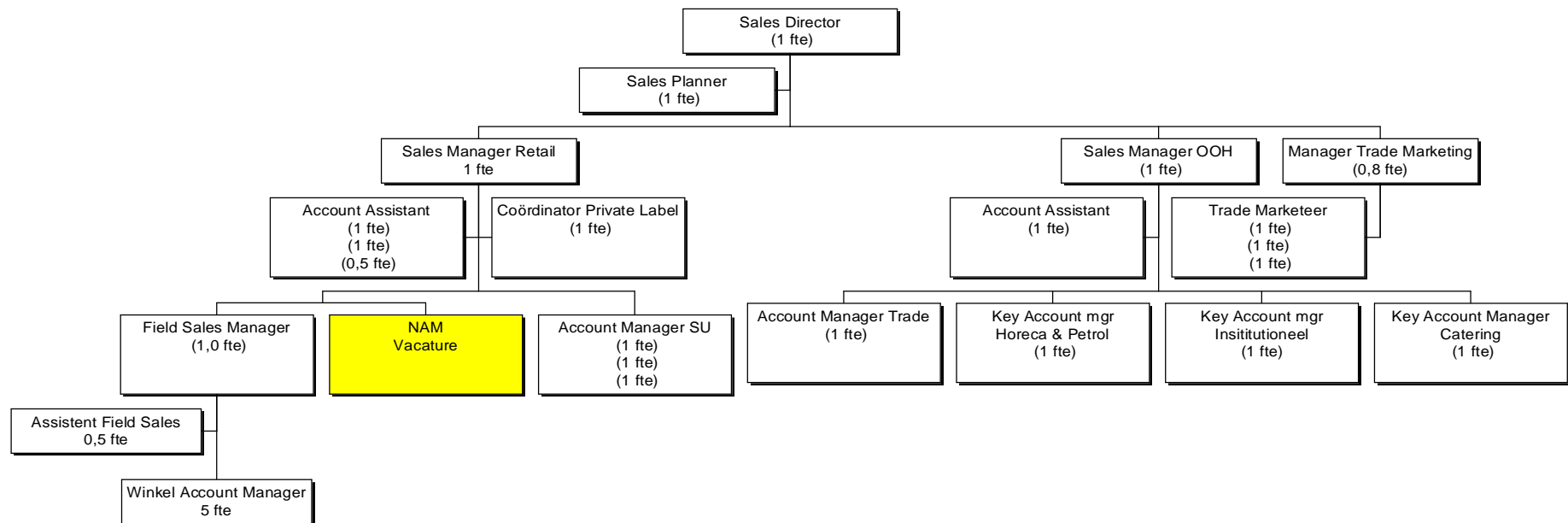
06.8 QES (1,8 fte)



06.9 Supply Chain Planning (10,5 fte)



07.0 Sales (25,8 fte)



08.0 Sourcing (2 fte)

