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Should DSV pursue to acquire DB Schenker?



Authors:

Christian Tegtmeier Pedersen S130257

René Reinholdt-Egsgaard S120826

Supervisor:

Michael Jakobsen

Copenhagen Business School

HD2, International Business

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Executive summary

Acquiring a company, especially one as significant as DB Schenker, is a complex decision that requires careful consideration of various factors. DSV, a Danish logistics company, has a successful history of acquisitions, fitting perfectly into their strategy of achieving growth through M&As. Acquiring DB Schenker would position DSV even better in the market, making it the biggest provider of 3PL. However, several factors, internal and external, need to be considered before reaching a decision. This response aims to provide an analysis of the feasibility and potential benefits and drawbacks of DSV's potential acquisition of DB Schenker.

The global business environment is changing continuously, and geopolitical landscapes are causing significant disruptions in global supply chains. Current trends show that businesses are reconsidering their investments in China due to its increasingly authoritarian rule, trade tensions, cybersecurity, and national security. The emergence of advanced artificial intelligence (AI) is also expected to have a significant impact on the global business environment and supply chains. As AI applications are advancing, reducing cost savings brought about by outsourcing to countries like China, businesses seek alternative sources of competitive advantage. Near-shoring is continuing to grow as the world economy shifts, providing European MNCs with a competitive edge. This trend is an opportunity for DSV to acquire DB Schenker to position itself better in the growing European market.

Cultural differences must be considered when integrating two companies from different countries, particularly from countries with distinct cultural dimensions associated with organizational management and motivation. DB Schenker's motivation and culture may be in opposition to DSV's focus on results and efficiency. The integration process will likely face challenges, particularly since motivational factors for private and public organizations differ significantly. The acquisition would be a significant risk due to the differences in organizational culture, and careful consideration must be taken to ensure that DB Schenker is the right fit for DSV.

Acquisition price is a critical factor in acquisition decision-making. The expected range of acquisition price is between 20-25 billion euros, far higher than the amount DSV has invested in previous company buyups. Various methods can be employed to estimate the acquisition price of the target company. However, the estimated acquisition price entails a significant risk for DSV; therefore, the potential benefits and costs should be evaluated before making an informed decision. Combining the infrastructure and experience of the two companies could lead to significant cost savings, faster expansion into new markets, and improved revenue performance.

In conclusion, the acquisition of DB Schenker by DSV could allow it to capitalize on emerging markets and expand its operations globally. However, DB Schenker's size, cultural differences, and acquisition price pose significant risks that must be evaluated before making an informed decision. The global business environment and current trends present an opportunity for DSV to acquire DB Schenker, making it possible for DSV to position itself better in the growing European market. An integrative approach to post-merger integration is critical in ensuring a successful acquisition that leverages the strengths of both companies while minimizing negative impacts on employees, customers, and other stakeholders.

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Context description

The global business environment currently seems to be changing and consensus points to continuous changes. Specifically, the geopolitical landscape seems to be causing global supply chain disruptions. Especially China has an important role in geopolitics, and many multinational businesses now seem to reconsider whether China should be an integrated part of their supply chains. The strict zero-COVID-policy that China followed for much longer than other countries, and only now seems to loosen up for, caused huge economic consequences for all businesses that are dependent of their Chinese subsidiaries and suppliers. Further, the escalating tensions in the relationship between China and Taiwan are also cause for concern. Though war between the two nations still seem unrealistic to many, the tension is still considered when applying strict risk management strategies in multinational companies. The potential consequences of being financially involved in a country that is at war, and which will most likely receive enormous economic sanctions, has once again been illustrated with the Russian attack on Ukraine, where lots of multinational companies with operations and investments in Russia had huge financial losses.

Not only geopolitics are expected to change global supply chains. Advanced new technologies are also believed to have huge impact on the global business environment. Currently, lots of multinational companies have placed parts of their supply chains, often manufacturing, in low-wage countries to achieve the lowest possible production cost. The lower labor costs are making up for the longer transit time, higher transportation costs etc. as the wages in the home market are much higher, thereby achieving an overall benefit of offshoring. But advanced technologies, more specifically artificial intelligence, is soon expected to reach such advanced skills that certain productions can run with no or very limited need of human labor. When the need for labor is decreasing, offshoring will no longer have its benefits and therefore it is expected, that an increase in the development of artificial intelligence will lead to nearshoring, as previously offshored parts of supply chains will now be pulled back closer to home markets.

These expected changes in the global business environment are key to prepare for and consider in any multinational company. For DSV, a Danish logistics company that is among the biggest companies in the industry, it is highly relevant to adapt to such changes as transporting goods

globally is their core business. Adapting to these expected changes and incorporating them into the corporate strategy is important for future success. And in December 2022, an opportunity, that could very well position DSV even better in the market, appeared. The German government officially announced that DB Schenker, the logistics subsidiary of Deutsche Bahn, is for sale.

DSV has a long and successful history of acquisitions with Kuwait-based Agility's Logistics (GIL) as the latest example in 2021, a DKK 30,2 billion acquisition. Consensus in financial institutions, and within the transport industry, is that DSV is the most likely buyer of DB Schenker. It fits to the company's history of achieving growth through M&As as a supplement to a generally low organic growth-rate in the transport industry. However, DSV has generally achieved success with M&A in terms of acquiring companies that were underperforming, integrating the acquired customer-bases, infrastructure, and IT-solutions to their own solutions, and merged these into profitable solutions. With DB Schenker, that would not be the case. DB Schenker is far from underperforming, and therefore the price of an acquisition is expected to be far higher than previous company buyups.

Although DSV is among the most likely buyers of DB Schenker, all points to an acquisition price that would by far be the highest amount that DSV has invested in a company buyup. Further, the current global economic situation is seen as uncertain, with many analysts and economists having very different opinions of how the economies are expected to change. DSV has thereby been presented with a highly relevant opportunity with lots of factors affecting such decision.

Main question:

Should DSV pursue to acquire DB Schenker?

Research questions:

RQ1: How is the global business environment, specifically supply chains, expectedly going to change?

RQ2: Which cultural differences would affect an acquisition of DB Schenker?

RQ3: How does acquiring DB Schenker align with DSV's strategy?

RQ4: Which price should DSV be prepared to pay in an acquisition?

Introduction

DSV and DB Schenker are both companies that operate in the industry called Third Party Logistics (3PL). The term is used when a company uses an external company, a 3PL-provider, to manage one or more logistics processes for a company. These processes can differ and can include transportation, warehousing, inventory management and packaging. Other big 3PL-providers are Kuehne + Nagel, DHL and C.H. Robinson. The total revenue of the industry is estimated to approximately \$1.16 trillion (Statista, 2021). The largest in the industry is Kuehne + Nagel with an estimate of 8.8% of total revenue with DHL as the second largest with 8.1% of total revenue. In the following places come DSV and DB Schenker as the third and fourth largest 3PL-provider with 6.2% and 6.0% of the total revenue in the industry.

DSV A/S

DSV A/S is a Danish 3PL-provider that was founded in 1976 when 10 independent trucking companies came together and established 'De Sammensluttede Vognmænd af 13-7 1976 A/S', now known as DSV. In the early days DSV was a national transport company, but the vision was to go international. This became a reality in 1989 when they acquired two export companies, Borup Autotransport A/S and Hammerbro A/S-Bech Trans. With these acquisitions DSV's strategy of M&A's began and their internationalization was born. Later, DSV acquired Samson Transport Co. A/S and Svex Group A/S. These acquisitions changed the services and products that DSV provided and enhanced the international future for DSV. In 2000, DSV made the biggest acquisition yet, when they acquired DFDS Transport Group. The focus changed from road transportation within Europe to large logistics networks with air- and sea transportation to America and Asia. In the coming years DSV made acquisitions of J.H. Bachmann and Frans Maas that further strengthened their position with air, sea, road, and logistics. In 2008 DSV acquired ABX Logistics from South America and DSV was now present on all continents. In 2019 DSV merged with Panalpina Welttransport, a deal worth DKK 30.5 billion (Berlingske, 2019). DSV changed name to DSV Panalpina A/S and with this merger DSV Panalpina became the fifth largest 3PL-provider. This changed again in 2021 when DSV Panalpina acquired Kuwait based Agility's Global Integrated logistics business (GIL) in a deal worth approximately DKK 30.2 billion (DSV, 2021). After the deal was completed, DSV Panalpina A/S changed name to DSV A/S (DSV). With the deal DSV became the third largest 3PL-provider worldwide with a revenue of approximately DKK 142 billion. GIL increased the revenue with approximately 23% (DSV, 2021).

DSV is listed on the NASDAQ Stock Exchange and is included in the Danish C25 index as one of the 25 most traded shares on the Danish stock exchange. In latest annual report of 2022, DSV had a revenue of DKK 235 billion (DSV Annual Report, 2022). Today, DSV's organization is divided into three separate divisions: DSV Road, DSV Air & Sea and DSV Solutions. DSV Road is one of the leading road freight transporters in Europe and handles more than 30 million shipments worldwide annually, with more than 20.000 trucks on the road daily. DSV Road generated 15% of the total gross profit in 2022. DSV Air & Sea offers flexible schedules and alternative routing to suit the most demanding logistical requirements in all parts of the world. DSV Air & Sea handles more the 1.700

tons of air freight and 2,600 Twenty-foot Equivalent Unit (TEU) of sea freight every year. DSV Air & Sea is the biggest contributor to profit in DSV and stands for 67 % of the total gross profit. Last division in DSV is DSV Solutions which stands for 18% of total gross profit in 2022. They offer solutions within warehousing and logistics and can take control over the whole warehousing project with inbound and outbound logistics with value added services such as packaging, repackaging, configuration, functionality test, labelling, repairing and quality control. Some of the warehouses are fulfilment factories with automatized solutions based on Autostore-systems that offers streamlined warehousing and fulfilment-processes. In total, DSV operates hundreds of logistics facilities in approximately 6.000.000 m².

DSV's business is based on an assets-light model, which means that they do not own their assets, such as planes, trucks, ships, and warehouses. This makes DSV agile and ready to meet the market demands when it rises and when it falls. Therefore, DSV uses subcontractors to move their customers goods. Their key offerings of the three divisions are value added services such as consolidation of goods, pickup and delivery, order management, tax declaration, tracking, insurance, etc. which means that DSV offers solutions to support customers' entire supply chain.

DB Schenker

DB Schenker was founded in 1872 by Gottfried Schenker as Schenker & Co. in Vienna, Austria. In 1894 Schenker & Co. already had branch offices established in Hungary, Romania, and Czech Republic. After the First World War in 1918, Schenker focused on express deliveries in regional freight forwarding, removals and trade-fair services, and in 1922 they offered their first air freight shipment in Germany. In 1931 Schenker was acquired by German Railways. After Second World War, in 1947, Schenker established a subsidiary in U.S and pursued air freight on a larger scale. In 1966, Schenker founded a company in Hong Kong to oversee the Asian market and shortly after expanded with an office in Taiwan. DB Schenker has in the past 150 years of its existence made acquisitions and have themselves been acquired several times until today being a subsidiary of Deutsche Bahn, hence the name of DB Schenker.

DB Schenker is Europe's leading provider of road-based logistic solutions and the world's fourth largest 3PL-provider. This makes DB Schenker one of DSV biggest competitors, offering similar

services in road, air, sea, and warehousing. In 2022, their total revenue was approximately €27.5 billion equivalent to DKK 206 billion (DB Schenker Annual Report, 2022). DB Schenker employs over 76.100 workers around the world, with over 1.850 locations globally. DB Schenker Road connects 40+ European countries with over 32.000 daily routes and a total of 110 million shipments annually. DB Schenker Air & Sea has approximately 1.450 tons of goods by air and 2.000 TEU of Sea freight. Further, they have more than 8 million m² in warehousing in more than 725 facilities around the world (DB Schenker, 2023A).

The combined entity of the two multinational companies (MNCs) will have 12.2% of the total revenue in the market, leaving Kuehne + Nagel and DHL in second and third place with 8.8% and 8.0% in terms of size relative to total revenue share. The revenue in 3PL market is projected to be \$1.210 billion in 2023 with an expected annual growth rate of 2.16% in 2023-2027 (Statista, 2021). The combined entity of DSV and DB Schenker would have a revenue size of approximately DKK 450 billion. In total they would offer a total of 14 million m² warehouse facilities, carrying 3.150 tons of air freight, shipping 4.600 TEU of sea freight and have more 140 million shipments on the roads annually. The potential new industrial leader would be able to change the dynamics in the industry, benefiting from potential economies of scale and other potential synergies.

Research plan

This project will analyze and evaluate if DSV should pursue an acquisition of DB Schenker, especially based on how the global business environment in the transport and logistics industry is expected to change in the near future. The philosophy behind this research is based on Saunders' Research Onion (Saunders, 2007). This is made of five layers. The use of the model will contribute to a structured approach to the method section. This begins with the outermost part of the onion. Then we will work towards the center of the onion, until the fifth layer. Each layer of the model will help giving a detailed explanation of the research process.

Research philosophy

The first and outermost layer in Saunders' research onion is where the paradigm is set and is the framework of the research. The paradigm in this study is pragmatism, which investigates a phenomenon by using the best tools possible. The pragmatism researches from a practical point of view, where knowledge is constantly questioned and interpreted and is therefore not fixed. We as researchers are involved and an element of subjectivity is undeniable, especially in conclusions.

Research process

The second layer of Saunders' research onion study is made with a deductive approach and the third layer is a decision as to which research strategy we will use. It is a case study made on the deductive thinking where, 'general principles draw conclusion about individual incidents' (Andersen, 2014). These principles are recognized scientific theories, which will be the starting point for the investigation to if DSV should buy DB Schenker.

Methodology

In the fourth layer of Saunders' model is the methods used for collection of data used in this research. Our methods to collect empirical data will be a mix of qualitative and quantitative data. Qualitative data is collected from articles, webpages, books and by interviewing relevant people within the organization of DSV. The articles, webpages and books will be secondary data, while the

interview will be conducted by us and will therefore be primary data. Originally, two interviews with relevant DSV employees were scheduled, but only one has been applied in the project. The interview not applied was with a M&A Manager of DSV, but as the person in question was not allowed to provide specific details about DSV's M&A-strategy, that interview was omitted. The interview that has been applied was made in open form. The secondary data is publicly available and is collected by trustworthy sources such as Shippingwatch, Reuters, Politico, The Economist, Deloitte, etc.

The quantitative data is made of secondary sources. These data are a large collection of data which will provide insight to quantitative data such as market share, revenue, economic outlook, etc. These would not be possible to collect and process due to a limited time frame and accessibility. Further, the sources for the secondary quantitative data could include broadcasters, governments, publicist, and researchers etc. The fifth is the time horizon. We will use cross-sectional, which means that we are using data collected at one point in time as a 'here and now picture', although these data are used to predict the most possible outcome for the future. To secure the validity of the collected data we will make sure to use reliable sources, who are well known players in their field of operations.

Literature review

This literature review is structured with focus on following six themes: macroeconomic political risk, global supply chains, M&A strategies, global economic conditions, strategy implementation, and cultural differences in public vs. private companies.

Macroeconomic Political Risk

The PIE-model (Mygind, 2007) provides a theoretical framework to analyze the macro-level factors that affect firms' decisions to engage in M&A. The model suggests that the political and institutional environment, such as regulations, taxes, and trade policies, can create opportunities or barriers for M&A. The economic factors, such as the level of competition, the market size, and the growth potential, can also influence firms' strategic choices. The Macro-Economic Political Risk (MEPR) is a

significant challenge that firms face in the global market. According to Hoskisson et al. (Journal of Management, 1999), MEPR is the risk associated with the interaction between political and economic factors in a country, which may affect a firm's operations. In the case of DSV's acquisition of DB Schenker, MEPR is a significant factor that the company must consider.

The economy is another critical factor that contributes to MEPR. The World Bank's Global Economic Prospects report (January 2023) provides an overview of the global economic environment. The report notes that the global economy is facing significant challenges, including low economic growth, trade tensions, and geopolitical risks. It is therefore highly important to analyze the economic and geopolitical landscape to adjust to changes in global business and to market trends.

Global Supply Chains

Ghemawat (2001) argues that the distance between countries still matters when expanding globally, and firms must consider the cultural, administrative, geographic, and economic differences between countries. International Business by Peng and Meyer (2019) provides a comprehensive overview of the challenges and opportunities of global supply chains, including the management of global operations, cross-cultural management, and the impact of globalization on local communities.

Furthermore, the book "Multinational Business Finance" by Eiteman, Stonehill & Michael Moffet (2020) highlights the importance of financial management in the global supply chain. The book emphasizes that organizations need to manage financial risks, such as currency risks and interest rate risks, to ensure the smooth operation of the global supply chain.

The article by Bower and Gilbert (2007), "How managers' everyday decisions create or destroy your company's strategy," emphasizes the importance of aligning the global supply chain with the organization's strategy. The article highlights that organizations need to ensure that the global supply chain is aligned with the organization's goals and objectives to achieve a competitive advantage.

Global Economic Conditions

According to Krugman, Obstfeld & Melitz (2017), the international trade theory states that a country can benefit from trade in areas where it has a comparative advantage, as it can obtain goods or services at lower prices than it would be able to produce them domestically. Consequently, M&A activity may take place in sectors where global market conditions favor one country over another, resulting in firms seeking to gain access to markets and resources in other countries. Eiteman, Stonehill & Moffett (2020) describe a similar trend in the multinational business finance theory, highlighting that firms frequently undertake M&A to enhance their competitive advantage or to diversify their business operations by entering new international markets.

Peng & Meyer (2019) suggest an institution-based view of international business that factors in different types of institutions as a critical external factor for firm behavior. Institutions, such as legal institutions, property rights or financial institutions, affect the costs and benefits of M&A, a company engaged in M&A will look to institutions as potential platforms to maximize economic interests in target countries. Therefore, global economic conditions that affect the regulatory and legal environment may significantly impact the level of M&A activity in each region.

M&A Strategy

The Resource-Based View (RBV) (Barney, 1991) and Transaction Cost Economics (TCE) (Williamson, 1979) theories offer explanations for the success or failure of M&A. The RBV suggests that firms' resources and capabilities, such as their technology, human capital, and brand reputation, can create sustainable competitive advantages that justify M&A. The TCE suggests that M&A can reduce transaction costs, such as search, negotiation, and enforcement costs, by integrating complementary assets or activities.

The Organizational Culture and Ambidexterity (Raisch et al, 2009) theories offer explanations for the challenges of post-merger integration and the need for strategic alignment. The Organizational Culture theory suggests that firms' values, norms, and beliefs can influence their behavior and decision-making, and that cultural clashes can hinder M&A performance. The Ambidexterity theory

suggests that firms need to balance their exploration of new opportunities and their exploitation of existing capabilities to achieve long-term success.

The VRIO-theory (Barney, 1991) helps assess the potential value and sustainability of the target company's resources and capabilities. By analyzing the target company's resources and capabilities as valuable, rare, inimitable, and organizationally supported, the acquiring company can determine how these factors will contribute to its overall competitive advantage and long-term success. Additionally, the VRIO framework can aid in identifying potential synergies between the two companies and evaluating the feasibility of the merger or acquisition. Overall, the VRIO theory can help guide the decision-making process and ensure that the M&A strategy generates maximum value for the acquiring company.

When analyzing M&A, it is relevant to apply the theory developed by Pettit and Ferris (2013) as it provides a comprehensive framework to understand the various factors that affect the success or failure of M&A deals. The theory proposes that M&A success is influenced by three key factors: task, people, and process.

The task factor involves the strategic fit between the merging entities, including the compatibility of their products, services, and resources. The people factor examines the cultural and interpersonal dynamics between the employees of both companies, including their values, attitudes, and behaviors. The process factor looks at the various steps involved in the M&A process, including due diligence, negotiating, and integration.

By applying this framework, analysts can evaluate the potential risks and benefits of M&A deals more effectively. For instance, they can assess whether the merging entities have a strong strategic fit and whether the cultural differences between them can be bridged. They can also evaluate whether the M&A process is well-managed and whether the integration plan is sound.

Moreover, the Pettit and Ferris theory also highlights the importance of effective leadership and communication in M&A success. Leaders of the merging entities must provide clear and consistent

messaging about the rationale and goals of the merger, as well as actively engage employees in the integration process to build trust and commitment.

The balanced scorecard (Kaplan & Norton, 1992) and strategic risk management theories offer frameworks for measuring and managing the performance and risks of M&A. The balanced scorecard suggests that firms need to align their financial and non-financial objectives, such as customer satisfaction, internal processes, and learning and growth, to achieve their strategic goals. The strategic risk management theory suggests that firms need to identify, assess, and mitigate the risks associated with M&A, such as financial, operational, legal, and reputational risks. The Harvard Business Review articles by Kaplan and Norton (1992), and Sull et al. (2015) provide practical guidance on applying the balanced scorecard and strategic risk management theories.

Strategy Implementation

The Eight Levers of Strategy Implementation framework by Crittenden and Crittenden (2008) identifies eight factors that influence the successful implementation of a firm's strategy, including leadership, structure, rewards, information, people, processes, culture, and change. Neilson, Martin, and Powers (2008) propose a framework for successful strategy execution that includes three components: building the right team, creating a performance-oriented culture, and establishing a system for monitoring performance.

Organizational culture is another critical factor that affects strategy implementation in MNCs. Schein (1990) defines organizational culture as the shared values, beliefs, and assumptions that shape the behavior of members of an organization. Organizational culture can either facilitate or hinder strategy implementation, depending on how well it aligns with the firm's strategic goals.

Strategic risk management is also crucial in strategy implementation in MNCs. Andersen and Schrøder (2010) argue that MNCs face significant strategic risks that arise from their diverse operations across different countries. Effective strategic risk management requires MNCs to identify, assess, and manage these risks proactively.

Ghemawat (2001) argues that despite the increasing globalization of the world economy, distance still matters in global expansion. MNCs need to understand the cultural, institutional, and economic differences that exist across different countries to develop effective global strategies.

Neilson et al. (2008) identify four critical factors that determine the success of strategy implementation in MNCs: a clear and compelling strategy, a robust operating model, a supportive organization, and a strong management system. These factors are critical in ensuring that the strategy is well-aligned with the firm's goals and that the necessary resources are allocated to achieve the strategic objectives.

Cultural Differences in Public vs. Private Companies

Cultural differences between public and private companies can affect M&A success. Public companies may prioritize short-term financial performance, while private companies may prioritize long-term value creation. Public companies may have more stringent regulations and transparency requirements than private companies. Therefore, DSV must consider the cultural differences between itself and DB Schenker before deciding to pursue an acquisition.

Public companies are also more bureaucratic, with more rules and regulations than private companies (Schein, 1990).

In a study by Raisch et al. (2008), they found that public companies were more likely to focus on efficiency, while private companies were more likely to focus on innovation. Public companies are more likely to have a hierarchical structure, while private companies are more likely to have a flat structure. These cultural differences can affect the success of an acquisition between a public and a private company.

In Germany, where DB Schenker is based, the business culture is characterized by a long-term focus, a hierarchical structure, and a strong focus on efficiency. In contrast, Denmark, where DSV is based, has a flat organizational structure, a focus on innovation, and a short-term focus (OECD: Economic Surveys, 2021).

Hofstede's cultural dimensions theory (1980) may be relevant to understanding the cultural differences between DSV and DB Schenker, two companies considering a potential merger and acquisition. The theory highlights six cultural dimensions, including power distance (degree of acceptance of unequal distribution of power), individualism (versus collectivism), masculinity/femininity (attitudes towards achievement and nurturing), uncertainty avoidance (need for structure and predictability), long-term versus short-term orientation, and indulgence versus restraint (attitudes towards gratification).

Delimitation

Hoskisson's (1999) theory is relevant to the acquisition analysis because it emphasizes the importance of external environmental factors such as industry structure and competitive dynamics. This theory will provide insights on how the acquisition by DSV will affect the industry, its competitiveness, and both DSV and DB Schenker's position in the market. The acquisition will enable DSV to increase its market share and expand its global reach, which may threaten DB Schenker's competitors. RBV by Barney, on the other hand, will provide an understanding of the resources and capabilities of DSV and DB Schenker.

The VRIO model by Barney complements RBV by providing a framework for analyzing the resource's competitive advantage. This theory concentrates on whether the resources are valuable, rare, inimitable, and organized for non-substitutability. These resources can identify whether the acquisition will provide a unique competitive advantage to the acquiring company or not. Likewise, the Ghemawat (2001) theory will provide an understanding of the global strategy and economy, and the cultural factors that may play a role in the acquisition.

Hofstede's framework also focuses on the cultural differences between national cultures that could affect the acquisition. Schein exhibited that cultural factors shape the behavior of organizations, and consideration of them is fundamental for the success of any merger. Finally, Pettit & Ferris provide a framework for assessing the potential organizational culture compatibility between both companies.

In conclusion, a thorough analysis of DSV's acquisition of DB Schenker requires a consideration of Hoskisson, Barney's RBV and VRIO, Ghemawat, Hofstede, Schein's frameworks, and assessment of the organizational culture compatibility. These theories provide complementary analysis and will help assess the strategic fit of the acquisition, cultural integration, resources, and capabilities, and finally, the acquisition's potential to enhance or impede market competitiveness.

Graphical illustration

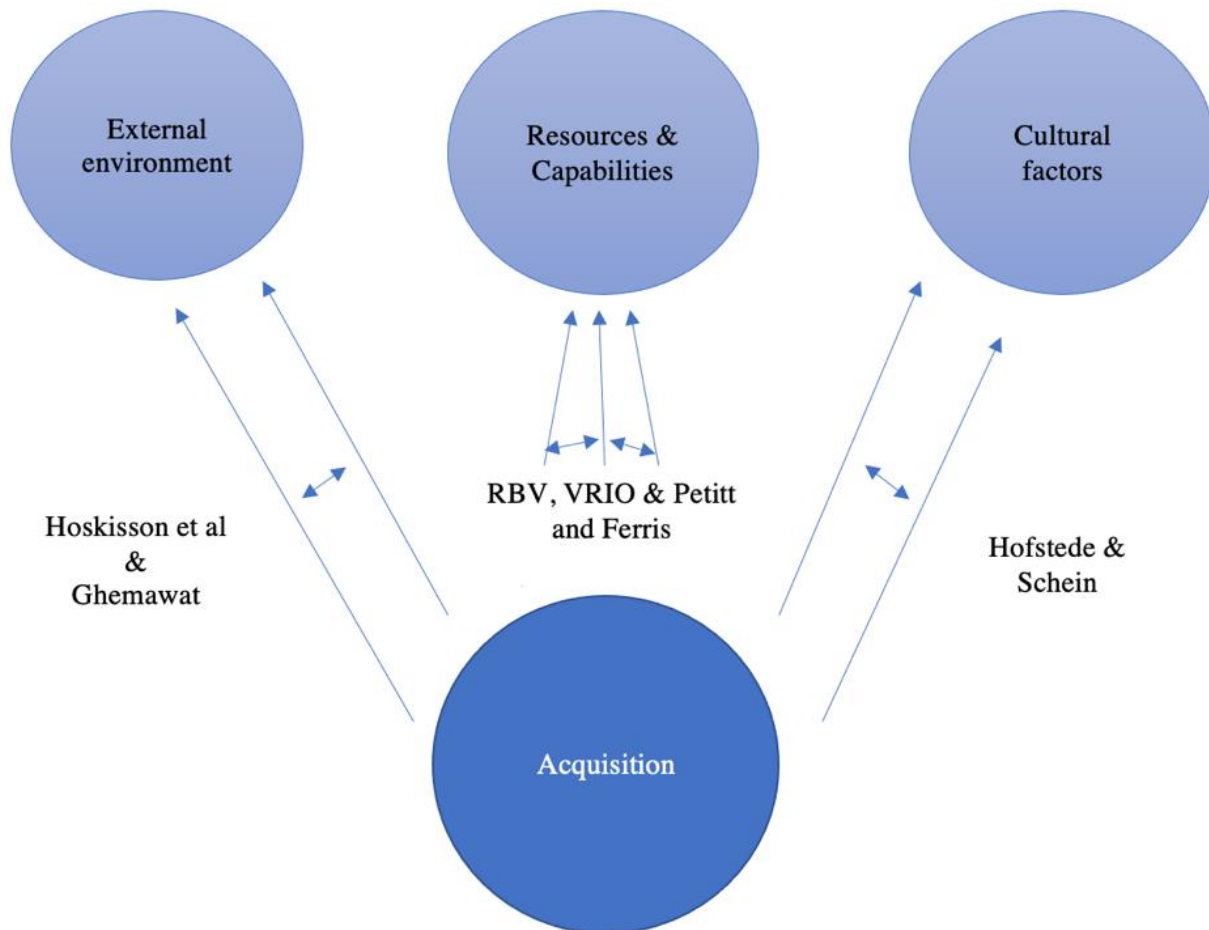


Figure 1 – Source: Own creation

As illustrated in Figure 1 above, the mentioned theories provide complementary analysis to assess the acquisition's strategic fit, cultural integration, resources and capabilities, and potential to enhance or impede market competitiveness. The illustration depicts these theories' interconnections with a central sphere representing the acquisition, surrounded by arrows pointing towards the external environment, resources & capabilities, and cultural factors. Each arrow represents the corresponding theory, with additional connectors between the theories' complementary aspects. The figure illustrates a holistic view of the acquisition's analysis and the interconnectedness of the theories.

Descriptive section

In this descriptive section, we will give a detailed empirical description of the factors that we believe apply for being able to provide an adequate answer to our main question and research questions. The descriptive section contains data to support the theories we have chosen as being relevant to our report. As in the literature review, the section will focus on the same six themes.

Macroeconomic Political Risk

Three years after the pandemic outbreak, China is beginning to change their strict COVID-19 policy. Citizens of China were to keep a 'normal' COVID profile with continuous negative tests, no contact with infected people, and no visit to risky places. These profiles were regularly updated on a 'healthy kit' on the mobile phone of the individual. The profiles could turn abnormal if only an individual had been at a mall at the same time as an infected person. This would result in a home quarantine for days with an electronic seal attached to the outside of front door to enforce isolation. Lockdown could be made on a building level, cities or even regions with only a few hours' notice. Some lockdowns have lasted for months, and some cities have been shut down more than once. According to the government of China, this policy is to prevent the loss of lives (Reuters, 2022). These uncontrollable lockdowns made it very uncertain to do business in China, and companies' supply chains are put under a big pressure to meet the demand in the market, which, at end of the day, means loss of profit. The COVID-policy in China highlights the possible risk and threats companies face when doing business in China.

The ongoing war between Russia and Ukraine have forced many European companies to make a tough decision regarding their interests in Russia. The Western world has put many trade restrictions upon Russia, while Russia on the other hand have proposed new laws to seize control over assets of foreign companies suspending their business in Russia. This causes a dilemma for Western companies operating in Russia, as continuously doing business in Russia might affect their brand and reputation, whilst shutting down operations might lead to significant economic losses. Newest law is that Western companies that want to quit business in Russia are to pay a 10% of sale tax to the Russian government (Financial Times, 2023).

Another big threat for the global supply chains is the potential conflict between China and Taiwan. Since 1949, Taiwan and China have been separated as a result from the China Civil War. Both Taiwan and Hong Kong have been promised 'autonomy' from China under a 'one country, two systems' model. In recent years, that promise seen to have changed as China have stomped Hong Kong claiming it to be part of Peoples Republic of China. President of China, Mr. Xi Jinping, has a goal of 'national rejuvenation' with Hong Kong and Taiwan. This includes unification and claiming final victory in the Civil War. Reports says that the military of China have been trained and equipped for an assault of Taiwan by 2027, the same time as Mr. Xi Jinping's thirds period as President of China ends (The Economist, 2022A).

Taiwan is drifting away from China. The difference between the two countries is getting bigger and bigger, as China is becoming more and more like a dictatorship, giving more power to the president while Taiwan has a vibrant democracy led by Mrs. Tsai Ing-wen, who has a pro-independence approach. The GDP per person of Taiwan is almost three times the size of Chinas. Less than 7% of the 24 million Taiwanese want to be part of China. The attitude of America is also changing. Even though there are no formal defense treaty between the two nations, the importance of production of semiconductors in Taiwan means that USA have great interest in Taiwan's independence. Taiwan's Semiconductor Manufacturing Company's (TSMC) market share was per Q4 2022 by 58.5% whereas Samsung Electronics came second with 15.8%. Top 10 manufacturers of semiconductors generated a revenue of \$33.5 billion in Q4 of 2022 alone (Statista, 2023). The semiconductor is used in the production of chips that are the brain of electronics and are used in almost every electronics device. This demand is set to rise during the coming decade as the global semiconductor industry is set to become a trillion-dollar industry by 2030 with 70% of the predicted growth to be driven by electric vehicles, data storage and wireless industries (McKinsey & Co., 2022). With the market potential in mind, it is easy to see why USA show great interest in the independence of Taiwan. The outcome of a potential influence of USA in the conflict between Taiwan and China could go both ways. If USA intervene with military forces it could lead to a third World War, if not, sanctions as seen with Russia, would lead to trade restrictions with issues to the global supply chains like never seen before.

Global Economic Conditions

The World Bank provides a comprehensive analysis of the global economic conditions, including the macroeconomic trends, risks, and opportunities of different regions and countries. The OECD Economic Outlook (2023) report provides a similar analysis, with a focus on the economic policies and structural reforms that can promote long-term growth.

Overall, the literature on global economic conditions provides a rich source of insights for businesses and policymakers. By understanding the complex interplay of political, institutional, and economic factors, and by adopting effective strategies for decision-making and execution, companies can navigate the challenges and opportunities of the global business environment.

In times of uncertainty emphasis will and must be put more into risk management. Management and decision-makers will therefore increase their focus in global supply chains to robustness instead of efficiency. As James Zhan of the United Nations Conference on Trade and Development wrote, “The decade to 2030 is likely to prove a period of transformation for global value chain”. Apple has shifted some elements of their supply chain from China to Vietnam and the direction is visible in data on inventories, investments and hiring. Another risk management effort to mitigate this risk is also the way MNC’s source raw materials. A survey by McKinsey finds that ‘81% of supply chain leaders are now sourcing raw materials from two suppliers, rather than depending on one’ (The Economist, 2022B). Also, in the short run, MNC’s are building up their inventories to prevent being short on stock. Other risk management tools are vertical integration. Greenfield investment in China is also decreasing. In 2019, China accounts for 10% of global greenfield FDI inflows. This is compared to its peak in mid 2000’s being close to 20% (The Economist, 2022B).

Employment shows the same story as the number of American employees located in China is decreasing while recruitment in other parts of Asia is increasing (The Economist, 2022B). This shows the risk management efforts MNC’s take to mitigate this potential risk.

The development of artificial intelligence and the potential of this, will at one point boost near-shoring. AI is already overtaking jobs in customer services with chatbots trying to answer frequent

questions, while AI robots as AutoStore are taking over warehousing. Sooner or later, AI will also be able to take over more and more production-and manufacturing processes. This shift in MNC's supply chains will put less emphasis on wage-cutting which has been the main driver for outsourcing parts of supply chains to low-wage countries such as China and boost the potential for near-shoring.

Since the COVID-19 pandemic, the economy has steadily increased. Many factors have pushed to this. One is that the demand has been higher than the supply pushing prices up. This has been due to before-mentioned lockdown in China, meaning fewer produced goods, while other factors have been bottlenecks in transportation also due to the COVID-pandemic, but also one cargo-ship blocked the Suez Canal for days. Next is the Russian/Ukraine war, which has pushed energy prices to a new high, which in turn have pushed the production costs up. As a result of this, inflation has reached staggering levels with 11% as a peak compared with same periods last year. To mitigate this the American Central Bank and the European Central bank have drastically increased the interest rates to bring back the inflation to standard levels of approx. 3%. According to projections from IMF (2023) the growth in GDP for advanced economies will decrease to 1.2 in 2023 and 1.4 in 2024. These projections do come with uncertainty. They are updated in January 2023 but since then Western central banks have increased interest rates several times to slow down the economy.

Cultural Differences in Public vs. Private Companies

Company culture in publicly owned enterprises is known for a strong labor union with union agreed terms that secure the employees certain benefits in their daily work. The public sector has more regular hours, transparent payment terms and career path, and tend to be more family friendly. It has also better conditions in terms of maternity leave, at least compared to small- and medium companies (SMC's). People in the public sector tend to put emphasis on stability and therefore they will stay in their roles for a long period of time. On the other hand, things tend to take more time and wages are not as high.

The company culture in private SMC's and MNC's is traditionally fast paced. Coffee breaks, start and finish time tend to be more flexible, or at least prolonged without any compensation. In the private sector it is more common to change jobs to progress careers.

M&A Strategy

Different estimates have valued the cost of DB Schenker from €20 billion to €25 billion. All the largest 3PL-providers such as, DSV, Maersk, DHL and DB Schenker have all reported high revenue growth in 2022, which naturally pushes the price upward in a possible sale of DB Schenker. The possible economic recession will also affect logistic providers. According to ShippingWatch (Shippingwatch, 2023A), freight rates have bounced back to pre-COVID levels. In January 2020 the price for a 40ft container was at approximate \$2.000. In September 2021, the price was above \$10.000. Now, in January 2023, prices are back at approximate \$2.000. Hence, supply and demand are leveled out and competition is therefore strong again. Contracts are renegotiated to meet the new normal. In near future, it is to some extent expected that stock prices of DB Schenker falls as demand declines. This will affect the price for DB Schenker, as the CEO of DSV, Jens Bjørn Andersen, says, “competitors will become cheaper” (Shippingwatch, 2023B). Another variable to this is the potential competition in a M&A scenario as DHL is also looking at a possible acquisition (Shippingwatch, 2023C).

When considering the merger between DSV and DB Schenker, it is important to consider the possibility of EU interference. As per EU Merger Regulations, mergers and acquisitions that significantly reduce competition in the single market may be prohibited. Merging dominant companies is also likely to raise prices for consumers. However, the risk of EU interfering in this particular merger between DSV and DB Schenker is considered very low. This is due to the fact that the market share of a merged company would still be relatively low compared to industry giants in other areas, as the transportation market is such a fragmented market with lots of actors.

According to previous cases, the European Commission has found that mergers and acquisitions can raise competition concerns. Although this particular merger would not create a dominant company, it could remove an important competitor in some already highly concentrated markets. An example of this was when Thyssenkrupp and Tata Steel notified the EC of their plans to create a joint venture. In this case, the collaboration would combine their flat carbon steel and electrical steel activities of the second and third-largest producers in the European Economic Area. The rejection of the merger

indicated that the transaction would have reduced competition and choice in suppliers, as well as resulted in increased prices for various types of steel (EU Commission, 2019).

In summary, EU interference in the DSV and DB Schenker merger is unlikely because the transportation market is so fragmented with numerous actors. However, it is important to note that the EU has previously intervened in mergers and acquisitions that may reduce competition in highly concentrated markets. It is therefore vital for DSV and DB Schenker to consider existing competition in the transportation industry and to provide substantial evidence to the European Commission to avoid any potential competition concerns.

To further support the possibility of an M&A between DSV and DB Schenker, it would be worthwhile for them to provide detailed analyses and market research of the potential outcome of the merger and how it could positively impact the industry as a whole. This type of research could aid the European Commission in understanding the potential benefits of the merger and could also serve to mitigate any competition concerns.

Thereby, while there may be some risk of EU interference, the fragmented nature of the transportation market coupled with the lack of significant market share held by a combined DSV and DB Schenker suggest otherwise. Instead, the companies should focus on addressing any potential competition concerns by providing solid research and analyses to the European Commission.

Strategy Implementation and impact of culture

To have a successful M&A strategy it is crucial that management and leaders are aware of corporate culture within the merging companies. According to Martin Brandt Friis, management and business consultant and external lector on CBS and SDU, “you will fail if you don’t have culture in mind in an organizational merger. Throughout the 20 years I have worked with managers, without exception it has been the culture that has caused them the biggest problems in a merger process. The power and strength of culture cannot be questioned at all” (F5, 2021). Martin Brandt Friis suggests three main focus areas for management to put emphasis on. 1) Quick assignment of roles: You have to be

quick to make long-term decisions about the merger, among other things, the distribution of roles. Who should sit in the management and who should sit in the underlying management layers. A wrong manager in a wrong position can cost dearly in terms of synergies and culture. 2) The culture in systems: Systems are much more culture-bearing than we imagine. If a combined organization is allowed to run different systems for too long, different ways of working and different ways of leading are maintained, and this is unhealthy for the culture. So quickly clarify which systems must be the backbone of the entire organization going forward. 3) Applicable processes: Which main processes must apply, yours or ours? The faster you get the main processes in place, the faster we come together as one organization with one culture. The same with, for example, HR processes. The questions about how we train, recruit, etc. – they must be streamlined (F5, 2021).

RQ1: How is the global business environment, specifically supply chains, expectedly going to change in the coming years?

The COVID-19 pandemic has led to a growing tendency of near-shoring where western businesses generally seek to move away from China, as businesses seek to lessen their reliance on Chinese manufacturing and secure shorter supply chains. This trend has prompted speculation on the potential consequences for the European logistics industry as it adjusts to the increasing demands in the region. This research question aims to explore the impact of near-shoring from China to Europe on the logistics market, and whether it presents an opportunity for DSV to acquire DB Schenker, given their well-positioned status in the European market. The potential acquisition would enable DSV to expand its operations and expertise in Europe, strengthening its market position and capacity to meet rising demand. This analysis will examine the trends in near-shoring, the implications on the European logistics industry. By addressing these questions, this research aims to provide valuable insights into the opportunities and challenges that businesses may face in the future of near-shoring and the logistics industry.

Growing tendency of near-shoring to Europe

The Covid-19 pandemic has prompted European companies to rethink their dependence on Chinese manufacturing and consider near-shoring production back to Europe.

The Covid-19 pandemic has disrupted global supply chains, leading to a reconsideration of the reliance on Chinese manufacturing by European companies. The PIE-model (Mygind, 2007), consisting of political, institutional, and economic factors, highlights the diverse reasons why companies are opting for near-shoring and reshoring production back to Europe.

Political factors have been at play in this trend, as governments are increasing pressure on companies to move their operations back to their home countries. The pandemic-induced travel restrictions and growing tensions between China and the West are significant factors that

governments are leveraging. Furthermore, trade agreements that incentivize companies to invest in local manufacturing are also influencing firms' decisions.

Institutional factors are likewise contributing to the trend of near-shoring. The European Union and its member states are providing support and incentives for near-shoring by offering subsidies, reduced taxes, and other forms of financial or regulatory support.

Economic factors are also instrumental in driving near-shoring. Companies are recognizing the economic advantages of near-shoring, such as shorter supply chains and reduced transportation costs. Chinese labor costs are steadily rising, making China less competitive compared to Europe, where labor costs are compensated by the productivity and efficiency of local workers. Additionally, there is a growing consumer demand for locally-made products, highlighting the importance of economic preferences.

Governments have been pressuring companies to move their operations back to their home countries, particularly in light of the pandemic-induced travel restrictions and the growing tensions between China and the West. Furthermore, political factors have also been instrumental in shaping trade agreements that incentivize companies to invest in local manufacturing.

The Covid-19 pandemic has disrupted global supply chains and prompted European companies to reconsider their reliance on Chinese manufacturing. As discussed in The Economist's article "German companies fret about a new supply-chain law," (2023) some European governments are now proposing legislation to ensure greater transparency and accountability in supply chains, with a particular focus on human rights and environmental standards. This reflects growing public pressure on companies to ensure that their operations do not contribute to exploitative labor practices or environmental degradation. In addition, tensions between China and the West have spurred some companies to consider near-shoring production back to Europe. These political factors are likely to continue shaping trade agreements and influencing companies' decision-making regarding where to invest in manufacturing. As such, policymakers and business leaders must

carefully consider the long-term implications of these trends, both for the economy and for society as a whole.

The pandemic has exposed vulnerabilities in Europe's supply chains and how companies are considering near-shoring as a way to reduce dependence on China. The institutional factors come into play in this situation. Institutions such as the European Union and individual member states are offering support and incentives to encourage near-shoring. This can take the form of subsidies, reduced taxes, and other forms of financial or regulatory support that make near-shoring more attractive.

European companies are reshoring manufacturing back to Europe and the pandemic has accelerated this process. The economic factors that contribute to this trend are manifold. One of the key drivers is cost. Chinese labor costs have been steadily rising, making it less competitive in comparison to Europe, where labor costs are often higher but compensated by the productivity and efficiency of local workers. In addition, there is an increasing consumer demand for locally made products, highlighting the importance of the economic factor of consumer preferences (European Parliament, 2021).

The pandemic has led to increased interest in near-shoring and reshoring among European companies, particularly in the automotive and pharmaceutical industries. The PIE-model highlights how the economic and institutional factors are intertwined. Institutions such as the European Union and specific EU member states have implemented policies that support the near-shoring process in such industries, while the economic advantages of near-shoring, such as shorter supply chains and reduced transportation costs, are also factors that drive this trend.

Further, the pandemic has prompted European companies to consider near-shoring as a way to reduce their reliance on Chinese manufacturing and secure their supply chains. The PIE-model highlights how the political, institutional, and economic factors have converged to make near-shoring a more attractive alternative to outsourcing to China.

The trend of near-shoring from China back to Europe is driven by a complex interplay of political, institutional, and economic factors. Companies are recognizing the benefits of investing in local manufacturing and the opportunities that the post-pandemic recovery presents. Governments and institutions play a significant role in supporting and incentivizing the process. As the world economy continues to shift, it is likely that the trend of near-shoring will continue to grow.

Macro-economic political risk

According to Hoskisson et al (1999), macro-economic political risk is a critical factor that multinational corporations consider when deciding on foreign direct investment. This risk concerns the potential for changes in government policies or economic conditions that may lead to market uncertainties and thus pose a danger to a company's investment. In recent years, many European multinational corporations have been facing an ongoing tendency to move away from China due to associated risks.

The ongoing COVID-19 pandemic has brought a renewed focus on the country, with some multinationals rethinking their China strategies due to trade tensions, cyber security, and national security concerns. The US-China trade dispute, coupled with Beijing's assertive diplomacy, technological espionage, and intellectual property theft, has caused considerable levels of discomfort among European multinationals.

The situation in Hong Kong and China's increasingly authoritarian rule are additional source of risks for these companies. The new national security law in Hong Kong, which gives Beijing sweeping powers, has raised concerns about the erosion of Hong Kong's autonomy and business freedoms. In response, many multinational corporations have started to relocate their operations, staff, and investments to other Asian countries and regions.

Hoskisson et al's (1999) theory on macro-economic political risk offers insights into how European multinationals are seeking to mitigate risks in China. The trend away from China might continue to grow as multinational corporations prioritize the stability of their investments, commercial interests, and compliance with geopolitical strategy.

The current geopolitical tensions between China and European countries have led to many European businesses near-shoring their operations out of China and back to Europe. This move is in response to the threat of a potential crisis in China, similar to the ongoing conflict between Russia and Ukraine. The geopolitical risk associated with such a situation has caused businesses to consider the potential impact on their operations and opt for a safer option.

Barney et al (1991) provide insights into the factors that influence decisions made by firms to internationalize or retract their operations. According to their resource-based theory, businesses seek to enhance their competitive advantage by acquiring and leveraging valuable, rare, inimitable, and non-substitutable resources (VRIO). These resources may include intellectual property, capital, and specialized knowledge. When geopolitical risks emerge in the foreign markets where they operate, firms may experience threats to their VRIO resources. This is because geopolitical risks often result in economic, political, or social instability that could damage a business's resources.

The Russian/Ukraine conflict has already had a significant impact on businesses operating in Russia, which bore the brunt of economic sanctions and political instability. The ongoing tensions between China and Taiwan, coupled with the economic rivalry between the US and China, have created geopolitical risks for businesses that operate in China. These businesses may be forced to either adapt to the changing circumstances or face the consequences of losing their competitive advantage due to the instability in the region.

In response, European businesses have begun to near-shore their operations back to Europe. Near-shoring enables these firms to achieve a balance between economic opportunities and political stability. In addition, near-shoring would reduce the costs associated with supply chain disruptions, delivery delays, and management of geopolitical risks.

The high geopolitical risk is causing European businesses to opt for strategies that will ensure they overcome these risks. There is a need for businesses to consider the risks associated with investing in foreign markets and develop strategies to mitigate these risks. The decision to near-shore or

globalize ultimately depends on the firm's goals, resources, and capability to navigate geopolitical risks, as Hoskisson et al (1999) has argued.

Changes in globalization

Globalization has encouraged multinational companies to extend their operations to different countries worldwide, one of which is China. However, recent events suggest that some multinational European companies are seeking away from China due to related risks. According to Ghemawat's (2001) theory, organizations usually face three key tensions: homogenization versus differentiation, global integration versus national differentiation, and internalization versus externalization.

The tension of global integration versus national differentiation is prevalent in this situation where multinational European companies are seeking to balance their global goals against the host country's local requirements. The companies' decision to leave China may be due to several factors, including intellectual property concerns, rising labor and production costs, political risks, and other economic factors. One significant reason for this trend is the ongoing crisis between China and Taiwan. The escalating tension between these two countries has made China an unstable market for multinational European companies.

The crisis between China and Taiwan is rooted in a persistent dispute regarding sovereignty over Taiwan. China insists that Taiwan is a part of its territory, while Taiwan asserts its independence from China. In recent years, China has become increasingly aggressive in its approach to Taiwan, leading to increased tensions between the two countries. For example, China has stepped up its military presence in the Taiwan Strait and imposed sanctions on countries that support Taiwan.

The ongoing crisis between China and Taiwan has contributed to the decision of multinational European companies to seek away from China. The tensions of global integration versus national differentiation, coupled with political risks, have made China an increasingly unstable market for multinational European companies. Therefore, it is essential for companies to analyze the risks associated with foreign operations carefully.

Prospects of the world economy

The World Bank (2023) recently published its latest version of Global Economic Prospects, which outlines the current economic trends worldwide. One of the significant trends in the report shows European businesses near-shoring back to Europe and moving their supply chains away from China.

The COVID-19 pandemic has caused disruptions in global supply chains, which have affected businesses worldwide. European businesses have particularly been affected, with many companies struggling to obtain raw materials and finished products from China. This has led to a tendency among these firms to near-shore back to Europe and move their supply chains away from China. The World Bank's Global Economic Prospects report indicates that the trend of near-shoring back to Europe is expected to continue in the coming years, as businesses seek to mitigate risks associated with global supply chain disruption.

One of the factors contributing to this trend is the increasing costs of doing business in China, with production costs rising steadily over the past few years. Additionally, the trade war between the United States and China has also made it challenging for businesses to operate in China. Therefore, European businesses have been looking for alternative locations to manufacture their goods, and Europe has emerged as a suitable location for many.

Another trend highlighted in the World Bank's Global Economic Prospects report is the tendency of businesses worldwide to move their supply chains away from China. The pandemic has highlighted the risks associated with having a significant portion of global supply chains concentrated in one location. This has led to many companies looking for alternative locations to manufacture their goods and sources of raw materials.

According to the report, many businesses are likely to diversify their supply chains geographically to reduce risk and ensure business continuity. This trend is expected to benefit other suppliers, such as those in Southeast Asia and Europe, who may become alternative sources for many products.

The impact of artificial intelligence

Advanced artificial intelligence has emerged as the next big thing in the global business environment, which promises to revolutionize the way businesses operate and manage supply chains. For decades, outsourcing manufacturing activities to low-cost countries with cheap labor was a profitable strategy for the businesses. However, with the emergence of AI, low-cost labor may no longer be the deciding factor.

Artificial intelligence has already disrupted various sectors, and businesses are no exception. One of the significant impacts of AI is on the workforce, where machines are now replacing humans gradually. With AI applications such as robotic process automation and machine learning, businesses can automate several routinized and repetitive tasks, thereby reducing human errors, costs, and times. Additionally, AI can provide valuable insights into business operations that can improve efficiency, increase productivity, and reduce operational costs. As a result, the adoption of advanced AI in businesses is likely to grow rapidly, resulting in significant changes to the global business environment.

The emergence of advanced AI is also expected to significantly impact global supply chains. One of the significant effects will be on outsourcing, where outsourcing to low-cost labor countries may no longer be advantageous as machines take over the role played by humans. The impact will be more significant in countries like China, where they have been the primary destination for outsourcing manufacturing activities. With AI applications, automation of manufacturing processes will be more efficient and cost-effective than relying on low-cost human labor. The reduction in the advantage of outsourcing to countries like China will lead to businesses re-evaluating their outsourcing strategies.

The reduction in the advantage of outsourcing to China will result in businesses moving manufacturing activities closer to their home countries. In Europe, businesses may consider near-shoring activities back from China to Europe, primarily due to factors such as the stability and reliability of supply chains, quality, speed, and innovation. As a result, European businesses may

experience growth in their manufacturing sectors, leading to economic development and employment opportunities.

Thereby, the emergence of advanced AI is expected to significantly impact the global business environment and supply chains. Businesses will have to re-evaluate their outsourcing strategies as the advantages of low-cost labor may be reduced. Moreover, the emergence of advanced AI will lead to near-shoring activities back to home countries, which may lead to economic development and employment opportunities. The businesses that succeed will be those that embrace the changes that AI brings and adapt to new realities quickly.

The rise of advanced artificial intelligence is poised to have a significant impact on the global business environment and supply chains. One of the primary effects will be the limitation of the advantages of outsourcing to low-cost manufacturing countries. This is because cheap labor, which has long been the backbone of outsourcing to countries such as China, will now be overtaken by artificial intelligence. As a result, businesses will no longer derive the cost savings that outsourcing to these countries used to provide.

According to Lars Tvede's book, *Supertrends* (2019), the increased utilization of advanced artificial intelligence has the potential to usher in a new era of reshoring of activities, particularly in the case of China. As the cost advantages of outsourcing to China disappear, European businesses are expected to near-shore their activities back to their respective borders. This will enable these companies to reduce their cost base and improve their control over quality and speed, thereby providing a significant competitive advantage.

It is crucial to recognize, however, that the impact of advanced artificial intelligence on outsourcing is not just limited to China. Other low-cost manufacturing countries in Asia, such as Bangladesh, India, and Vietnam, are also likely to experience the same transformation. It is, therefore, essential for businesses to prepare for these changes and seek alternative sources of competitive advantage.

The rise of advanced artificial intelligence will significantly alter the global business environment and supply chains. The impact on outsourcing to low-cost manufacturing countries will be particularly severe, with cost advantages disappearing. European businesses are likely to near-shore their activities back to their respective borders, thereby reaping the benefits of better quality control, speed, and cost savings. However, it is important to note that these changes will also affect other countries, and businesses must prepare accordingly.

Sub-conclusion

Near-shoring from China to Europe has increased in response to the Covid-19 pandemic. The PIE-model clarifies the factors driving this trend, including political, institutional, and economic factors. Governments have pressured companies to move their operations back to their home countries, particularly in light of the growing tensions between China and the West. Moreover, institutions, such as the European Union and individual member states, provide support and incentives for near-shoring. Further, the economic factors driving this trend include increasing labor costs in China, productivity and efficiency of local workers, and consumer demand for locally made products. Near-shoring is a complex process and will continue to grow as the world economy continues to shift. Policymakers and business leaders must consider the long-term implications of these trends for the economy and society.

Multinational corporations consider geopolitical risks when deciding on foreign direct investment. The ongoing tensions between China and European countries have spurred many multinational corporations to move away from China due to associated risks including trade tensions, cyber security, and national security concerns. Additionally, the situation in Hong Kong and China's increasingly authoritarian rule have increased risks for these companies. To mitigate these risks, European multinational corporations have begun near-shoring their operations back to Europe to balance economic opportunities and political stability. Hoskisson et al's theory on macro-economic political risk provides valuable insights into the factors that influence decisions made by firms to internationalize or retract their operations. The decision to near-shore or globalize ultimately depends on the firm's goals, resources, and capability to navigate geopolitical risks. With the high geopolitical risk, there is a need for businesses to consider the risks associated with investing in

foreign markets and develop strategies to mitigate these risks to ensure that they overcome these risks.

Globalization has enabled multinational corporations to expand their operations across borders, with China being a crucial market. Nevertheless, due to related risks, some multinational European firms are reportedly divesting from China. Ghemawat's (2001) assertion that organizations typically face three key tensions: homogenization versus differentiation, global integration versus national differentiation, and internalization versus externalization, is prominently evident in this situation. Multinational European companies are seeking to reconcile their global ambitions against the local requirements imposed by the host nation, resulting in a delicate balance. The firms' decision to relinquish their operations in China could be attributed to various factors, such as heightened concern over intellectual property, surging labor and production costs, political risks, and other economic considerations. One of the primary reasons contributing to this trend is the ongoing crisis between China and Taiwan. The escalating tension between these two nations has rendered China an unpredictable marketplace for multinational European corporations. This conflict is based on a long-standing sovereignty dispute between China and Taiwan. China maintains that Taiwan forms part of its territory, whereas Taiwan asserts its autonomy from China. In recent times, China has become more aggressive in its approach to Taiwan, leading to a rise in tension between the two nations. China has, for example, increased its military presence in the Taiwan Strait and imposed sanctions on nations that support Taiwan.

The emergence of advanced artificial intelligence is expected to have a significant impact on the global business environment and supply chains. The increasing utilization of AI in businesses is disrupting various sectors, and supply chains are no exception. One primary effect will be the limitation of the advantages of outsourcing to low-cost manufacturing countries. Cheap labor, which has been the backbone of outsourcing to countries such as China, is now being overtaken by AI. Therefore, businesses are no longer deriving the cost savings that outsourcing to these countries used to provide.

AI applications such as robotic process automation and machine learning enable businesses to automate routinized and repetitive tasks. This leads to reduced human errors, costs, and times. In addition, the application of AI can provide valuable insights into business operations that can improve efficiency, increase productivity, and reduce operational costs.

Moreover, the impact of advanced AI on outsourcing is not only limited to China. Other low-cost manufacturing countries in Asia, such as Bangladesh, India, and Vietnam, are also likely to experience the same transformation. Therefore, businesses must prepare for these changes and seek alternative sources of competitive advantage.

As the cost advantages of outsourcing to China disappear, European businesses are expected to near-shore their activities back to their respective borders. This move is expected to provide significant benefits such as better quality-control, speed, and cost savings, thereby providing them with a competitive edge.

Advanced artificial intelligence will have major impact on the global business environment and supply chains. The reduction in the advantage of outsourcing to low-cost labor countries and the potential for near-shoring activities back to home countries are significant changes that businesses must embrace and adapt to succeed in this new reality.

RQ2: Which cultural differences would affect an acquisition of DB

Schenker?

Cultural differences play a decisive role in M&A's, as the culture of a company is decisive for accepting an acquisition or being acquired. This research question will delve deeper into the cultural differences both on a country level and on a company level that exist at DSV and DB Schenker. The two companies are not only from different countries, but also have different ownership types, therefore this research question will examine possible opportunities or threats that lies with this field.

Cultural differences

When talking about culture differences Geert Hofstede made the cultural dimensions (1980). The framework is used to understand the differences in culture between countries. The framework helps distinguish between the dimensions of culture based on different national cultures and help assess the impact on business. Geert Hofstede looks at six different dimensions to get an overview of the drivers of each country culture compared and hereby be able to compare them to each other. The six dimensions are Power Distance, Individualism, Masculinity, Uncertainty Avoidance, Long term orientation and indulgence. The world has changed a lot since Hofstede made his cultural dimensions. Since then, companies have become more international which has blurred out the boundaries between countries' cultures. A criticism of Hofstede is that the model is too static, and the dimensions are too few to have a holistic view on the differences. Nevertheless, the model is still seen as a tool to review the difference as long as shortcomings are known.

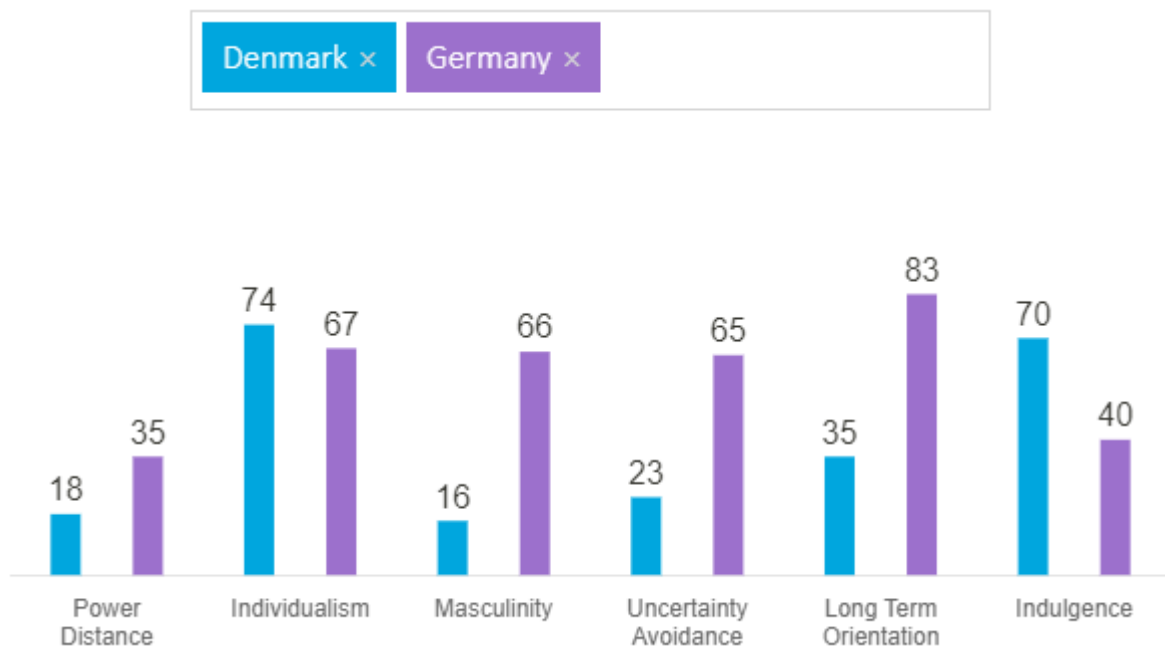


Figure 2 - Gert Hofstede

Power Distance

Denmark scores 18 points, which means that Denmark is at the very low end of this dimension. This means that Danes believes in independency, equal rights, accessible superiors. Power is decentralized, workplace atmosphere is very informal with a direct communication and works on a first name basis. Employees expect to be consulted.

Germany scores 35 point, which means that Germany is also among the lower distance countries. Germans likes co-determination rights with a direct and participative form of communication. Control is dislikes and leadership are challenged to show expertise.

Individualism

Denmark scores 74 and is an individual society with a preference for a loosely-knit social framework. People are expected to take care of them self and their direct family only. Small talk is at a minimum and you do not need to create a relationship first.

Germany scores 67 points and is seen as an individual society. The individuals are thinking about self-actualization and their immediate family. Loyalty is based on personal preferences but to some extent also duty and responsibility. The communication is direct and best described as 'honest, even if it hurts' in order to give the recipients a chance to learn from mistakes.

Masculinity

Denmark scores 16 and are thereby seen as a feminine society. This means Danes see quality of life as a success and are focusing more on work life balance than achievements. Danes tend to compromise and negotiate in conflicts. An effective manager is supportive and involve employees in the decision-making process. Danes value quality, solidarity, and quality in the working life.

Germany scores 66 points. This means that Germany is a masculine society. Here performance is highly valued. People live to work, and their self-esteem is gathered from their task. Therefore, their status comes from which cars Germans drives or which watch they bear. Managers should be decisive.

Uncertainty avoidance

Denmark scores 23, which is low. This means that Danes don't need structure and predictability in their work life. Danes are welcoming changes and have a very curious mindset which is encouraged from a young age. This is also why Denmark are acknowledged for their innovation and designs.

Germany scores 65, which put them in the category of counties who like uncertainty avoidance. Germans are very systematic and detailed oriented to secure that a topic or project is well-thought-out. They like structure. Germans prefer to rely on expertise.

Long Term Orientation

Denmark scores 35. This is low score which means Danes does not think in the longer term. Danes wants quick results which also means Danes does not necessarily save money for the future. On the other hand, they have great respect for traditions.

Germany scores 83 and are therefore a pragmatic country, and Germans believe that truth depends on situation, context, and time. Germans save money and invest them and are very persistent in achieving results which are reflected in their ability to e.g., adapt traditions to changed conditions.

Indulgence

Denmark scores 70 and are seen as an indulged country. Danes act on their impulses and are enjoying life. They have a positive and optimistic approach. Danes put a higher importance on free time and spend money as they wish.

Germany has a low score of 40 on this dimension, which means the German culture is restrained. They tend to be cynical and pessimism. They do not put emphasis on leisure time and can control their desires. Restrained societies feels they are held back by social norms and indulging them self is wrong.

Private vs public owned enterprises

A study called “Motivation in Public and Private Organizations: A Comparative Study” (Jurkiewics, 1998) have studied the motivations from both private and public companies. In the study they questioned close to 300 workers in both the private and public sector about motivational factors and their relative importance to them on their jobs. They had 15 motivational factors that they ranked twice. One for what they want in their job and one for what they get in their job.

The result of the study shows that private employees are significantly different from the public-sector counterparts in terms of what they want. Public sector employees ranked “a stable and secure future” first, whilst the private sector employees find high salary as the most important motivational factor. Some of the sharp contrast in the study were “chance to exercise leadership” (2nd in private, 11th in public), “chance to learn new things” (2nd in public, 9th in private) and “variety in work assignments” (6th in public, 12th in private) There are some similarities between the two ownership types. ‘A stable and secure future’, ‘high salary’ and ‘opportunity for advancement’ were all ranked in top 5 by both groups (Appendix 1).

In the study about what the employees think they get from their job, the private sector ranked “chance to exercise leadership” as number 1, while the public sectors first choice was “chance to learn new things”. Three factors were in top five for both groups in the get category. “Chance to learn new things”. “Chance to use my special abilities”, and “working as part of a team”. Private sector employees get more influence as they rank “chance to make a contribution to important decisions” (2nd in private, 8th in public) and “chance to exercise leadership” (1st in private, 9th in public) (Appendix 2).

Organizational culture

When talking about organizational culture Edgar Schein (1980) made a model as a framework to explaining the impact of company culture. Using this model will help learning and group dynamics of the company culture. This company culture will develop and adapt over time and will define how the employees solve problems to external adaptation and integrations internally. The complexity of company culture is far more complicated than the way employees act in a workplace. A successful culture uses employees past experiences to embody cultural acceptable traits.

Schein uses three levels of characteristics in the organization. First one is Artifact, which can be viewed, felt, and heard by the individuals. This could be dress-code, office furniture, facilities. In general, this is considered to be superficial and when talking about DSV and Schenker, two major logistics providers, they will in this level be somehow equally with artifacts as state-of-the-art facilities.

Second level of characteristics in the model is the espoused values. These values are values that DSV and DB Schenker express about their own company culture and way of operation. It goes in a deeper level and are otherwise less visible indicators of cultures than artifacts.

DSV

DSV's purpose and strategy is *'to keep the supply chains moving in a world of change'* (DSV, 2023).

Further DSV say:

- *We recognize our role as part of the critical infrastructure that drives world trade - and thus a catalyst for sustainable growth for all our stakeholders, including customers, shareholders, and society in general.*
- *We conduct our business with integrity and respect for cultural differences and the dignity and rights of the individual. We believe in contributing our fair share that we must do our part to contribute to the communities and local communities where we do business while we must reduce our climate footprint.*
- *We take advantage of technology development and digitization. Our workflows are highly digitized, and our IT systems are integrated with those of both customers and suppliers. In a changing world, this means that we can continuously optimize our customers' supply chains and support efficient workflows for our employees.*

DSV's vision statement is sustainable growth which is specified into four statements.

- *We help our customers grow – by keeping their supply chains moving. We create effective solutions for all companies with a focus on reliability, climate impacts and costs - regardless of industry and size.*
- *We create equal development opportunities for all employees – People are the foundation of our success, so the healthier and safer workplaces – and good opportunities for development – we create, the greater the chance that we will achieve our ambitious growth targets.*
- *We help communities grow - We conduct our business with integrity and respect for cultural differences and for the dignity and rights of the individual in all countries.*
- *We create increased value for our shareholders. We will continue to be one of the leading, global suppliers that solve the logistics and transport needs of customers. Our goal is extensive growth – both organically and through acquisitions – and we want to be one of the most profitable companies in our industry.*

The four vision statements are all outcomes of the strategy focus on sustainable growth for stakeholders, shareholders, and society.

DSV mission is efficient workflows and in the description of the mission DSV mentions *'[...] high level of service and efficient work processes, [...] We are forwarders. Doers. The ones who make things happen. We take ownership and initiative. We are always looking for better and more rational solutions to the challenges we face'*.

DB Schenker

DB Schenker's purpose is *'Unleashing logistics for a future in motion'* (DB Schenker, 2023B). To this they have made a strategy called UNLEASH (Figure 3). UNLEASH brings customers in the center of DB Schenker's operation. By doing so DB Schenker *'[...] grow dynamically, so that we can stay ahead in the global competition'*. The UNLEASH states:

- *Market Expertise - Mastering BU-specific challenges and opportunities to always be the customers' first choice.*
- *Working Culture - Creating a culture of empowerment to unleash our people's potential.*
- *Corporate Sustainability - Pushing towards carbon neutrality by 2040 and comprehensive ESG leadership.*
- *Digital & Process Excellence - Optimizing our processes and expanding our digital footprint and leadership position.*
- *Economic Strength - Improving our bottom line and organizational fitness by constantly challenging the status quo.*



Figure 3 - DB Schenker, UNLEASH

UNLEASH is built on DB Schenker shared values, which is a set of 6 shared values that they say are key to their success, setting international benchmarks today for efficient logistics of tomorrow (DB Schenker, 2023B).

- *Walk the talk - Each of us takes ownership of and pride in the work we deliver, the value we create, and the role we play in making the world more sustainable.*
- *Be one team with one goal - We know we perform best as a team. We challenge each other and ourselves to do better and aim higher every day.*
- *Be honest - We are candid and fair with each other, show consideration for one another, and embrace our diversity across the world.*
- *Push the limits – We look beyond the existing and ask ourselves, “Is there a better or faster way?” – sparking innovation that moves our customers and industry forward.*
- *Take customers further – We put our customers at the heart of our business, providing the highest quality to address their challenges today and proactively developing new solutions for tomorrow.*
- *Play fair with people & planet – We put our people and planet at the center of everything we do. As an organization, we own our social responsibility to better our world for our people, our customers, and future generations alike.*

If we compare these mission, vision, and purposes and divide them into categories we will find that many of the phrases and statements are focusing on the same subjects regarding culture. Their purpose and goal both circles around logistics/supply chain in motion which is naturally as this is their main capability. Other statements can be divided into categories focusing on culture, technology, customers, people, shareholder, and performance.

	DSV	DB Schenker
<i>Purpose / Goal</i>	<i>To keep the supply chains moving in a world of change'</i>	<i>Unleashing logistics for a future in motion</i>
<i>Culture</i>	<i>We conduct our business with integrity and respect for cultural differences. The ones who make things happen. We take ownership and initiative.</i>	<i>Walk the talk</i>
<i>Technology</i>	<i>We take advantage of technology development and digitization</i>	<i>Digital & Process Excellence</i>
<i>Customers</i>	<i>We help our customers grow</i>	<i>Take customers further</i>
<i>People</i>	<i>We create equal development opportunities for all employees</i>	<i>Working Culture Play fair with people & planet</i>
<i>Shareholder</i>	<i>We create increased value for our shareholders</i>	<i>Economic Strength Market Expertise</i>
<i>Performance</i>	<i>High level of service and efficient work processes We are always looking for better and more rational solutions to the challenges we face</i>	<i>Be one team with one goal Push the limits</i>

Figure 4 - Comparison of vision, mission & purpose

The third and last level of Schein's (1980) model, is underlying beliefs. These beliefs are the deepest indicators of company culture because they reflect the way it operates internally. Underlying beliefs are highly integrated behaviors and works subconscious because they are unwritten, not recorded

or articulated. They have a big impact on company culture and are very difficult to change and relearn. These underlying beliefs are employee's behavior and how they assume they should work together and are the behavior that leads to failure or success.

If we compare DSV and DB Schenker they have two different heritages. DSV is a young company founded in 1976, which makes them 47 years old. DSV was founded by 10 independent haulers and since then DSV have been through multiple acquisitions and are today the third largest 3PL-provider. Schenker was founded in 1872 by Gottfried Schenker making Schenker 151 years old. Since then, Schenker have been acquired by other companies a few times and are today fully owned by Deutsche Bahn. Through all the years Schenker have been part of the name for the company which keeps the heritage intact. Today DB Schenker is the fourth biggest 3PL-provider. Both companies have had a success in what they are doing and how they have done it. The organizational culture and the underlying belief within each company must therefore have led to the success of both companies.

[Importance for company cultural knowledge in a M&A situation](#)

As mentioned in the descriptive section company culture has caused the biggest problems for managers in a merger process. The power and strength of company culture cannot be underestimated or be neglected. Martin Brandt Friis (2021) suggested three main focus areas for management to focus on. These are emphasized by PwC (2022), who suggest that company culture integration planning should be done in three phases. During due diligence, before the deal closes and after the deal closes.

Insights between companies can help analyze previous events the history of companies. This helps in learning more about each other and how employees behave in given situations, such as another acquisitions, leadership changes or operational shifts.

When management get more access to the prospected company a thorough company culture analyze can be made. PwC suggest five culture dimensions to uncover in the process of finding the drivers of behavior and defined behavior. These dimensions are leadership and management style,

Collaboration and teamwork, Autonomy and Involvement, Adaptability – Speed, Innovation and Risk and Work Environment and Employee Experience. When this is done, management will have detailed findings in how the companies are most alike, how they differ and what obstacles they can expect and most importantly; How to deal with them.

PwC suggest a culture activation pilot. Components to this pilot is a defined business areas and teams aligned on business outcomes. Mobilize leaders at multiple levels, especially authentic informal leaders. Prioritize a few, but critical behaviors to amplify and select formal and informal leaders to implement, reinforce and encourage those behaviors. Lastly a monitoring is needed to see if this activity has the desired outcome.

Sub conclusion

The cultural differences analyzed in this section highlight some cultural aspects that DSV need be aware of and put emphasis on. First, Hofstede's cultural dimensions show some country specific differences that management need to consider. One of the cultural dimensions that shows a big difference is masculinity. Germany is a masculine society where Denmark is a feminine one. The difference between these is quite big, where Danes are focusing on the softer values whilst Germans want to be the best. Uncertainty Avoidance is another dimension that has differs from the two countries. Germany scored high in uncertainty avoidance with the need to know the future, putting things in system with a well-prepared plan. Danes, on the other hand, thrives with uncertainty and do not need structure.

Second, the findings in the study compares motivational factors in private and public organizations and put emphasis on motivation. The study finds that the public sector put most emphasis in the softer values such as 'a stable and secure future' and 'chance to learn new things' which in Hofstede is a feminine and therefore Danish trait.

The private sector put emphasis on one's own success as they rank 'high salary', 'change to exercise leadership' and 'opportunity for advancements' as top three wants. Compared to the Hofstede cultural dimensions these are a masculine trait which contradicts the public ownership of DB

Schenker. This shows that the German dimensions are similar to the private enterprise, but that there might be put more emphasis on the public/private ownership in the integration process.

Third, the analysis of Schein's organizational culture shows that the artifacts and espoused values are very much alike. Underlying beliefs are hard to measure, but both DSV and DB Schenker have had great success in what they are doing. As mentioned, they are third and fourth largest 3PL-providers worldwide and they have managed their success in different ways.

RQ3: How does acquiring DB Schenker align with DSV's strategy?

When looking at DSV's strategy *'to keep the supply chains moving in a world of change'* the statement does not necessarily relate to acquisitions. But looking closer to the vision of DSV they clearly state that *'We create increased value for our shareholders. We will continue to be one of the leading, global suppliers that solve the logistics and transport needs of customers. Our goal is extensive growth – both organically and through acquisitions – and we want to be one of the most profitable companies in our industry.'* To execute on this vision, acquisitions are a necessity. Further, to find out if the DSV organization is prepared and ready to execute on this strategy we will look within the organization to see if the resources and capabilities inside DSV. To do this, the Resource-based view theory will be applied in the analysis (Barney, 1991).

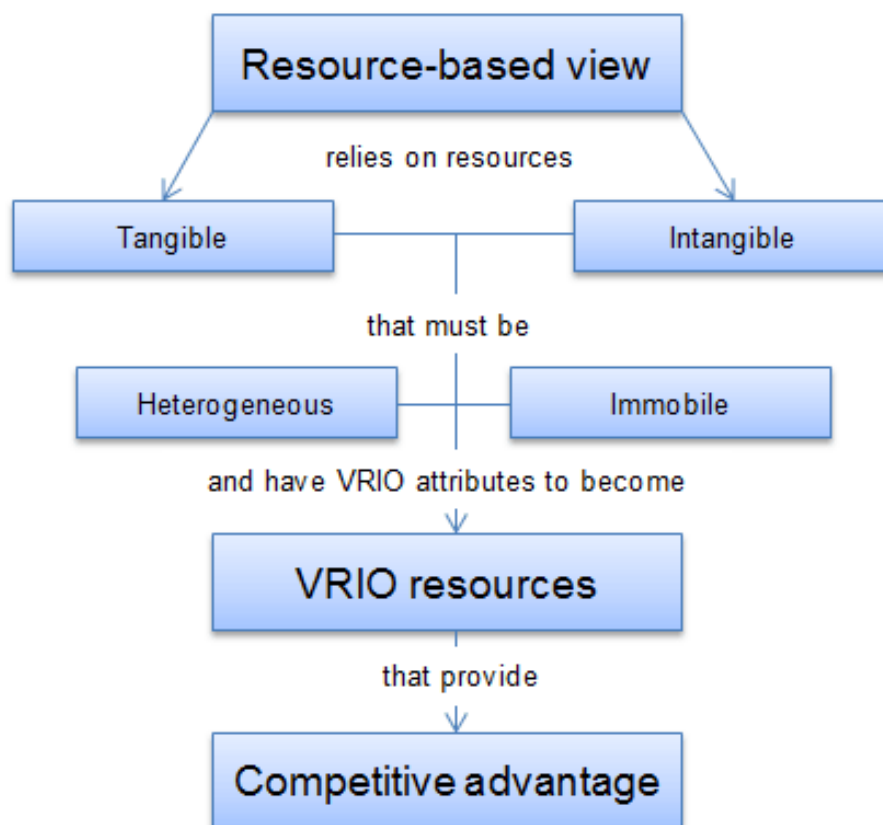


Figure 5 – Ressource-Based View

Resource-based view

Resource-based view is an approach to analyze competitive advantages by looking inside the company to find sources that gain competitive advantages. RBV first sees if the resources of a company are tangible or intangible. Next are the two assumptions to whether these resources are heterogeneous and immobile. If the resources, clear these assumptions, next step is to look if they have VRIO attributes to provide competitive advantage.

Tangible / Intangible

The general assumption that tangible assets do not provide or provide little advantage in the long run is also applicable to DSV. DSV's logistic centers, trucks etc. build on the assets light model. This means that DSV have leased these tangible assets. If they were owned, they would not help DSV to achieve higher performance in the long run, as rivals could acquire the same assets anyway.

Intangible assets in DSV are the company culture. This has no physical presence and is built over a long time. Another intangible asset in DSV are the IT systems. DSV have in the past 10 years implemented new IT systems in DSV Air & Sea (Cargowise) and DSV Solutions (CargoWrite). These systems are good at absorbing and implementing new acquisitions and are used worldwide. In a new acquisition within these divisions, new employees need training in the system. DSV is now in the implementation process of a new IT system in DSV Road, called BluJay. This system will replace numerous systems used across DSV Road (Interview, Appendix 3). This is aligned with the successful M&A culture that has made DSV what they are today. Brand reputation in this matter is also a factor. As CEO, Jens B. Andersen says: "We have an expectation that if someone has a company that they want to sell, we will hear about it. It almost never happens that a company is traded without us being aware that a process was underway" (Shippingwatch, 2022). The normal assumption of brand reputation and trademarks does also serve in DSV's favor as an intangible asset.

Heterogeneous / Immobile

The first assumption in RBV is that the resources within DSV must be heterogeneous. In the overall framework, skills, capabilities, and other resources that DSV possess will differ compared to other companies and hereby provide a competitive advantage. DSV's capability to acquire low performing competitors, integrate them in DSV and hereby transforming their performance is unique in the market.

The second assumption is the immobility of the resources. In the short run this means that rivals cannot replicate DSV's company culture and implement the same strategy. The capability of make acquisitions and integrate them in the company culture of DSV is therefore considered a competitive advantage.

Potential synergies

As mentioned earlier one of DSV's goals is to create value for their shareholders with extensive growth which comes organically and through acquisitions. Since DSV was established, they have made over fifty mergers and acquisitions that has taking them from a national provider of transportation to the world third largest 3PL-provider. The strategy of M&A is the core of DSV. In theory there are a lot of reasons for M&A, but the motivation behind a lot of these transactions is the ambition to maximize shareholder value. Theoretically companies should only pursue an acquisition if it creates higher value than if the acquirer and the target operate as separate entities. The key word for M&A is to create synergies associated with the transaction. These synergies separated in three forms: operation, financial or managerial. (Petitt & Ferris, 2013) Only the value-added synergies are applied meaning financial synergy is left out.

Operational synergies

Operational synergy comes from the acquirer and the targets combined operation and are divided into two sub-forms. The first operation synergy is revenue enhancement. This includes the opportunity to get more pricing control by penetrating current markets or increase sale by entering new markets.

The second operations synergy is cost reduction. With M&A, DSV will be able to benefit more from economies of scale. This will result in lower production costs but could also lead to cost savings in advertising, marketing and research and development. These economies of scale are highly effective in industries with high fixed costs as the M&A will make it possible for DSV to spread out fixed costs over a larger production. When the operational synergies are reason behind a M&A, DSV will look for related M&A due to the similarities in, for example, marketing, distribution, and production. These similarities offer the greatest opportunity to realize the above-mentioned synergy motives (O'Shaughnessy & Flanagan, 1998).

Managerial synergies

Managerial synergies come when a poor-performing management team are replaced with a high-performing management team. An advantage of acquisitions is that it will give DSV the possibility to replace incompetent managers and replace them with their own, which will make is more likely to improve performance. An under-performing company will be cheaper to acquire, and the difference in price and potential is therefore higher.

Management can sometimes suffer from hubris. This is when management get overconfident in their ability to negotiate a good deal or overestimate the synergistic effects and therefore pay a high price through an unprecise valuation. Some managers tend to do an acquisition spree to deliver high growth even if the acquisition is not true to the strategy of the company and thereby have negative effect on the ability to create shareholder value. Therefore, DSV management need to put emphasis on the price vs. potential as DB Schenker is not seen as an under-performing company.

Assessment of synergy effect

An acquisition of DB Schenker will give DSV operational synergies. These will come from the horizontal integration of DB Schenker. By implementing DB Schenker in DSV, they will approximately double in size, and will be the largest 3PL-provider in the industry (Statista, 2021). This can lead to economies of scale in the sense that they will be able to negotiate better contracts with suppliers in

all aspect of their operation, and provide customers with an even larger network etc. A combined IT-infrastructure will also make it possible to achieve cost reductions as there will be significant cost synergies in terms of running a single IT-system instead of two. DSV has publicly stated that their IT-systems are able to handle 20-30% more capacity now, and that they know how to double their IT-capacity (Shippingwatch, 2023D). Further they add: “That test was passed when we took in UTI, Panalpina and GIL without us having a single day of a problem with our servers”. A way to double their IT-capacity is the implementation of BluJay. This will give DSV Road a new system that will be used worldwide as it is in Air & Sea and Solutions. The implementation of BluJay will be supported by standard processes called ‘ONE’ (Interview, Appendix 3).

Another subject for cost reduction will be employees. Even though there are nothing said in this specific case it is unlikely there will not be any double functions in any part of the organization. History also shows that part of the value created in M&A are efforts to boost efficiency. Managerial synergies are where DSV previously have shown remarkable results. Firstly, DSV's M&A department has shown excellent skills in finding acquisition opportunities and then assessing possible synergies between the companies. The management has then made sensible decisions, based on the economic potential, and managed to integrate one company after another. However, the acquisition of DB Schenker will be a different case. DB Schenker is not seen as an under-performing company where a change of management necessarily will improve performance.

VRIO

The VRIO analysis will be a combination of the RBV in DSV and the potential synergistic effects after a possible acquisition. The VRIO-framework will provide insights to whether the resources are valuable, rare, inimitable, and organized with in company. The resources found to be subject to the VRIO-framework is Economies of scale, IT infrastructure and People and culture.

Synergy effects	Is it valuable	Is it rare	Is it costly to Imitate	Is it organized to capture value	Competitive advantage?
Economies of scale	Yes	Yes	Yes	Yes	Sustainable competitive advantage
IT infrastructure	Yes	Yes and No	Yes and No	Yes	Potential Sustainable competitive advantage
People and Culture	Yes	Yes	Yes	Yes	Sustainable competitive advantage

Economies of Scale

Valuable: Economies of scale is characterized by volume. With an acquisition DSV will double in size and be the largest provider of 3PL. If DSV continues to be as effective as they previously have been it will be valuable for the combined entity.

Rare: Economies of scale are alone are not rare, but when the combined entity will be the largest provider of 3PL it will be considered rare.

Imitable: The cost to be the leading 3PL-provider will make it very costly to imitate the economies of scale. With a price between €20 to €25 billion few competitors will be able to pay the price to get access to same economies of scale.

Organized to capture value: Both DSV and DB Schenker uses Economies of scale to the level they are today. The combined entity is therefore considered to be ready to capture this value.

IT Infrastructure

Valuable: DSV have proved that their IT system can manage large integration when DSV makes acquisitions. This is valuable as the combined entity does not need to use and maintain two systems.

Rare: The IT system itself is not rare but the process, scalability, and knowledge of integrate makes it rare.

Imitable: M&A are common in the transportation industry which generally means this could be imitable. But with the expertise and history of how to fast and efficiency integrate the acquired company in its own IT system it is evaluated to be imitable.

Organized to capture value: The history of DSV M&A shows that they previously have managed large integrations. This is though yet to be completed with DB Schenker, but as stated earlier, they know what to do to double their capacity (Shippingwatch, 2023D).

People and Culture

Valuable: With DSV's goal to provide value to shareholders with extensive growth through acquisition DSV's management shows good leadership. This runs down through the organization and provides employees with a can-do-attitude and trust in management. Success in strategy gives DSV's a positive attitude and enhances the organizational culture. This is still yet to be a success in the combined entity, but its history has shown the success in the matter.

Rare: As concluded in RQ2 there are many traps when acquiring new companies and management and employees needs to be aware of the responsibility, they have in the process of integrating new colleagues. But DSV have shown their ability to execute in this field.

Imitable: People and culture are very unlikely to be imitated as this cannot be purchased.

Organized to capture value: The organization of DSV are ready and organized to capture the possible value created in the combined entity. For natural reasons the result of this is yet to be completed.

Sub-conclusion

Acquiring companies in the transportation industry is part of DSV's strategy to gain economies of scale and increase profitability. The acquisition of DB Schenker aligns with this strategy, but it is different from DSV's usual approach of acquiring underperforming companies.

The Resource-Based View (RBV) approach is an effective way to assess whether DSV has the resources and capabilities necessary to implement its acquisition strategy successfully. DSV's resources are tangible assets, such as office space, logistic centers, and trucks, and intangible assets, such as the company culture and IT systems. DSV has implemented new IT systems in its various divisions, which are capable of absorbing and efficiently handling new acquisitions.

DSV's resources are heterogeneous and immobile, making them a source of competitive advantage. The company's ability to acquire, integrate, and transform under-performing companies is unique in the industry. The acquisition of DB Schenker will give DSV operational synergies resulting from economies of scale. A combined IT-infrastructure will also provide cost savings. However, unlike past acquisitions, DB Schenker is not an under-performing company. Therefore, the managerial synergies that DSV typically achieve may not be as significant.

DSV believes that its acquisition strategy will create value for shareholders and lead to extensive growth. The operational synergies that may be derived from an acquisition in a related industry are revenue enhancement and cost reduction. Revenue enhancement may come from penetrating current markets or entering new ones, while cost reduction may result from economies of scale. Managerial synergies could occur if DB Schenker is undervalued, which could lead to a management overhaul resulting in improved performance.

DSV's resources, such as economies of scale, IT infrastructure, and people and culture, have VRIO attributes, making them valuable, rare, costly to imitate, and organized to capture value. Economies of scale are valuable and rare, making them costly to imitate. The IT-infrastructure is unique due to its scalability and efficiency in integrating new acquisitions.

DSV is well-organized and ready to capture the value created in the combined entity. Still, it must exercise caution since DB Schenker is not under-performing, and it is likely that a high price will be paid for the acquisition. Additionally, while DSV's acquisition strategy has been successful in the

past, it is not without its risks; acquisitions must be carefully evaluated to determine whether they create higher value than if the acquirer and target company operate separately.

Thereby, DSV's acquisition strategy aligns with its vision to create increased value for shareholders and become one of the leading providers of logistics and transport services worldwide. The assessment of DSV's resources and capabilities shows that the company has a competitive advantage due to its success in acquiring and integrating under-performing companies. While the acquisition of DB Schenker may not conform to DSV's usual approach, operational synergies, such as revenue enhancement and cost reduction, could result from a combined IT infrastructure and economies of scale. The VRIO analysis of DSV's resources reveals that they are valuable, rare, costly to imitate, and organized to capture value. However, the acquisition of DB Schenker should be carefully evaluated to determine whether it creates higher value than if the companies operate separately.

RQ4: Which price should DSV be prepared to pay in an acquisition?

Acquiring another company is a significant decision for any organization as it involves substantial investment, resources, and time. Hence, companies should carefully evaluate various factors before proceeding with an acquisition. One such crucial factor is the acquisition price of the target company. The decision of whether to acquire the company can change depending on the estimated price of the acquisition. Therefore, it is paramount for a company like DSV to have an estimation of the acquisition price of DB Schenker before moving forward with the acquisition decision. The estimation would provide DSV with relevant insights into the potential risks, benefits, and financial implications of the acquisition, which would be critical in making a well-informed decision.

Market capitalization

When determining the target price of a company, a commonly used method is to multiply the total number of shares by the current price per share. However, calculating the value of a subsidiary of a larger conglomerate, such as DB Schenker, can be more complex, as these subsidiaries do not operate as standalone entities.

To determine the market value of DB Schenker, we can instead examine Deutsche Bahn's financial statements. According to the company's 2022 annual statement, DB Schenker accounted for €27.5, or approximately 49% of Deutsche Bahn's total revenue. Additionally, DB Schenker's earnings before interest and taxes (EBIT) were €2.4 billion, or approximately 29%, of Deutsche Bahn's total EBIT (DB Schenker Annual Report, 2022).

Based on these figures, we can estimate that DB Schenker represents around 35% of Deutsche Bahn's total market value. As of March 30, 2023, Deutsche Bahn's market value was approximately €64.4 billion, based on a share price of €50.14 and a total number of shares of 1,28 billion. Therefore, we can estimate that the market value of DB Schenker is approximately €22.5 billion (35% of €64.4 billion).

Overall, while the standard method of determining target prices may not suffice for subsidiaries of larger conglomerates like DB Schenker, examining the financial statements of the parent company can provide insight into the market value of these entities.

Discounted Cash Flow method (DCF)

A relevant theory in terms of M&A is the Discounted Cash Flow (DCF) method, which involves estimating the future cash flows a company is expected to generate and then discounting them back to their current value. This method accounts for the time value of money and provides a measure of the company's intrinsic value. This can be useful in M&A as it allows for the estimation of a fair price for the acquisition based on the present value of expected future cash flows.

To estimate the acquisition price of DB Schenker using the Discounted Cash Flow (DCF) method, we first need to project the future cash flows of the company. Based on the financial statement provided, we can assume that the coming years will be similar to 2023 in terms of market conditions and growth rates.

We will use a WACC of 10% to discount the future cash flows to present value (Finbox, 2023). Using this WACC, we calculate a present value of the cash flows from 2024 to 2028 to be approximately €2.78 billion.

To estimate a terminal value, we assume a perpetual growth rate of 3%, which is in line with industry estimates (Statista, 2021). Using this growth rate and the 2022 EBITDA of €1.44 billion, we calculate a terminal value of roughly €22.66 billion.

Adding the discounted cash flows and terminal value together, we arrive at an estimated enterprise value of about €25.44 billion. Subtracting net debt of €3.19 billion from this value, we estimate an acquisition price of approximately €22.25 billion for DB Schenker.

It should be noted that this calculation is based on several assumptions and projections, and the actual acquisition price may differ depending on market conditions and other factors that cannot be predicted with certainty.

Consensus in the industry and between financial analysts

According to several highly respected sources, including Reuters & MobilityWatch, DB Schenker, the logistics unit of Deutsche Bahn, is expected to be sold for a price between 20 and 25 billion euros. Deutsche Bahn has reportedly selected three banks to assist with the sale process, indicating the seriousness of the company's intentions to divest the unit.

As there is no definitive buyer for DB Schenker at this time, the focus among analysts and industry observers has been on the expected valuation of the company. While exact figures have not been confirmed, the consensus appears to be that the price tag will be in the range of 20 to 25 billion euros.

This valuation is based on several factors, including the strength of DB Schenker's global logistics operations, its position as one of the largest players in the industry, and the premium that buyers may be willing to pay for a company of its size and scope.

It's clear that the logistics industry is currently experiencing a period of consolidation and upheaval, which may increase the attractiveness of a company with DB Schenker's track record and reputation. As such, it's likely that a buyer will be found at or near the expected valuation, with significant interest already reportedly coming from major players.

Overall, while there are still many factors at play in the sale of DB Schenker, the expected price tag of between €20 and €25 billion appears to be a strong focal point in discussions of the company's future.

Price of former acquisitions

An acquisition of DB Schenker is thus expected to require a takeover price of approximately €23 billion. As illustrated above, in 2023, DB Schenker reached a turnover of €19,8 billion and an EBIT of €2,4 billion. A comparison of former major acquisitions by DSV helps making price comparisons.

When DSV acquired UTI Worldwide in 2016 for \$1.35 billion, UTI had a turnover of \$3.9 billion and an EBIT of \$104 million in 2015. This translates to a price-to-sales ratio of 0.35 and a price-to-earnings ratio of 13.01 (GlobeNewsWire, 2015).

Similarly, when DSV acquired Panalpina in 2019 for \$4.6 billion, Panalpina had a turnover of CHF 5.2 billion and an EBIT of CHF 228 million in 2018. This translates to a price-to-sales ratio of 0.89 and a price-to-earnings ratio of 20.18 (OEVZ, 2019).

Lastly, when DSV acquired Global Agility GIL in 2020 for \$4.1 billion, Global Agility GIL had a turnover of \$4.1 billion and an EBIT of \$137 million in 2019. This translates to a price-to-sales ratio of 1 and a price-to-earnings ratio of 29.93 (Agility, 2020).

Comparing these ratios to the expected acquisition of DB Schenker, we see that the price-to-sales ratio is relatively high at 1.16, whereas the price-to-earnings ratio is 9.58, which is lower than the ratios of previous acquisitions.

It is important to note that multiple factors can impact the pricing of an acquisition, such as market conditions, the size of the target company, and synergies anticipated from the merger. Thus, it is difficult to draw a direct comparison between these ratios, but it does provide a useful benchmark for evaluating the proposed acquisition of DB Schenker.

Synergistic effects

The potential acquisition of DB Schenker by DSV is likely to have significant implications for the logistics and transportation industry. While the estimated acquisition price is high, in the range of €20 to €25 billion, there are potential synergies between the two companies that could justify a higher purchase price, as illustrated in below figure.

One of the primary benefits of an acquisition is the potential for economies of scale. DSV has a robust infrastructure that covers 85 countries, while DB Schenker operates in over 130 countries. The combined entity would have a broad footprint that would enable it to optimize operations and reduce costs, particularly in the areas of network optimization, procurement, and transportation.

By leveraging DB Schenker's existing infrastructure and experience in some areas, such as rail transportation, DSV could achieve a faster and more efficient expansion into currently smaller markets and services. This, in turn, would enhance its position as a leading provider of logistics and transportation services.

Another potential benefit of an acquisition is the opportunity to consolidate operations and reduce redundant costs. While DB Schenker and DSV have a modest overlap in terms of geography and services offered, both companies have significant operations in Europe. By consolidating these operations and eliminating redundancies, DSV could realize significant cost savings.

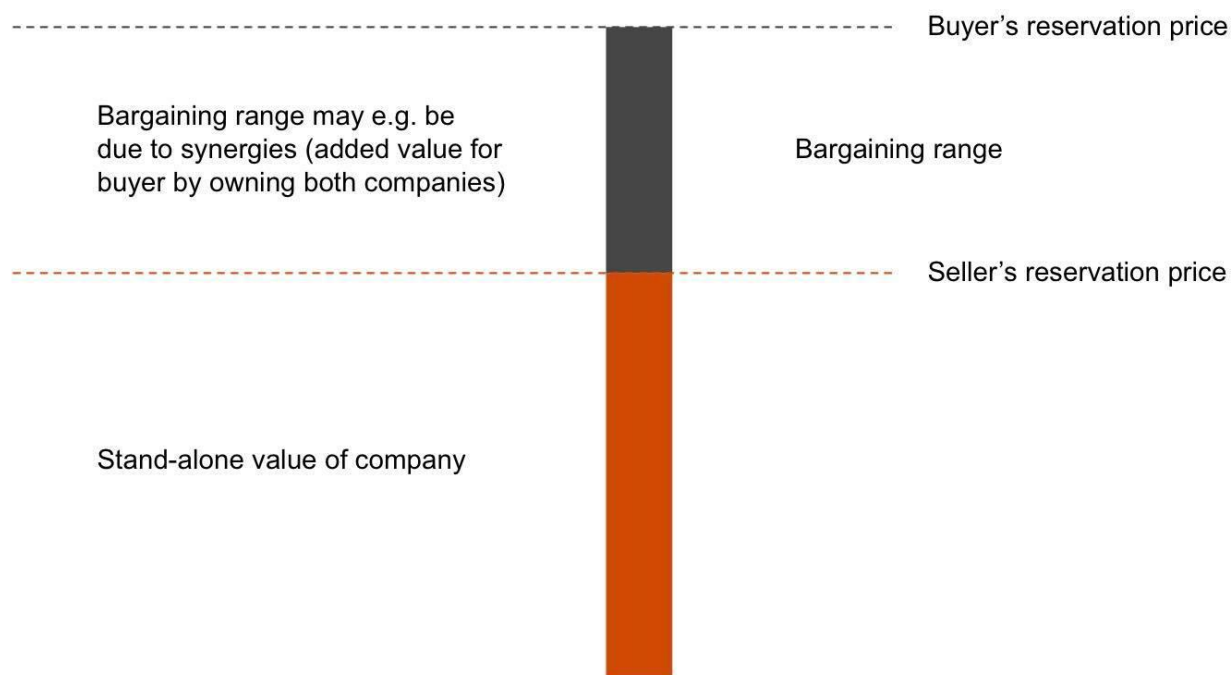


Figure 6 - Synergistic effects

Lastly, the acquisition of DB Schenker could increase DSV's bargaining power with suppliers and customers. DB Schenker's strong global presence and industry relationships could be leveraged to negotiate better contract terms for DSV and improve customer retention.

While the estimated acquisition price for DB Schenker is high, there are potential synergies that could justify a higher purchase price. The combined entity would have a broader footprint, enhanced capabilities, and improved bargaining power, which would result in significant cost savings, faster expansion into new markets, and improved revenue performance. As such, DSV should carefully evaluate the potential synergies between the two companies and consider a higher acquisition price if the benefits outweigh the costs.

Sub-conclusion

Acquiring another company is a significant decision that requires careful evaluation of various factors. One such critical factor is the acquisition price, as it can determine the success or failure of an acquisition deal. Therefore, it is imperative for companies like DSV to have an estimation of the acquisition price of their target company, in this case, DB Schenker, before making an acquisition decision.

There are several methods of determining the acquisition price of a company. One such method is the market capitalization method, which involves multiplying the total number of shares by the current price per share. However, this method may not be appropriate for subsidiaries of larger conglomerates like DB Schenker, as they do not operate as standalone entities. An alternative method is examining the financial statements of the parent company, which can provide an estimate of the market value of the subsidiary. Based on Deutsche Bahn's financial statements, we estimate DB Schenker's market value to be approximately €22.5 billion.

Another relevant method is the Discounted Cash Flow (DCF) method, which involves estimating the future cash flows a company is expected to generate and then discounting them back to their current value. This method accounts for the time value of money and provides an estimate of the company's intrinsic value. Using the DCF method, we estimate the acquisition price of DB Schenker to be approximately €22.25 billion.

Moreover, analysts and industry experts expect DB Schenker to be sold for a price between €20 and €25 billion, based on the strength of its global logistics operations, its position as one of the largest players in the industry, and the premium that buyers may be willing to pay for a company of its size and scope.

Despite the high acquisition price, there are potential synergistic effects between DSV and DB Schenker that could justify a higher purchase price. Combining the two companies' infrastructure and experience could lead to significant cost savings, faster expansion into new markets, and

improved revenue performance. Therefore, DSV should carefully evaluate the potential benefits and costs of an acquisition and consider a higher acquisition price if the benefits outweigh the costs.

In conclusion, determining the appropriate acquisition price is a critical component of the acquisition process. Various methods, including market capitalization and the DCF method, can be used to estimate the acquisition price. Analysts and industry experts expect DB Schenker to be sold for a price between €20 and €25 billion. The potential synergies between DSV and DB Schenker could justify a higher purchase price. Companies considering an acquisition, like DSV, should carefully evaluate the potential benefits and costs of an acquisition and estimate an appropriate acquisition price.

Conclusion

The issue of whether DSV should acquire DB Schenker is a complex and multi-faceted matter. It is affected by numerous internal and external factors that need to be considered before reaching a decision. To fully understand the feasibility and desirability of such a merger, it is essential to evaluate the various benefits and drawbacks from different perspectives. Therefore, this report will explore the question of whether DSV should acquire DB Schenker by assessing the potential advantages and disadvantages of this proposition. This conclusion will demonstrate that answering this topic with a simple "yes" or "no" is impossible, as there are many factors at play. Instead, this conclusion will provide a comprehensive argumentation for and against a potential acquisition.

Global business environment

The research compiled in the report demonstrates that near-shoring from China to Europe has increased due to the Covid-19 pandemic. Several factors are driving this trend, including political, institutional, and economic factors. Governments are pressuring companies to move their operations back to their home countries, particularly in light of the growing tensions between China and the West. Moreover, institutions, such as the European Union and individual member states, provide support and incentives for near-shoring. Due to the increase in labor costs in China, MNCs

are seeking to increase productivity and efficiency of local workers by near-shoring. Also, consumer demand for locally made products has contributed to the near-shoring trend. Despite being a complex process, near-shoring is continuing to grow as the world economy continues to shift. Therefore, policymakers and business leaders must consider the long-term implications of these trends for the economy and society.

Another important factor for MNCs to consider when internationalizing their operations is geopolitical risk. Ongoing tensions between China and European countries have spurred many MNCs to reconsider their investments in China in response to associated risks, such as trade tensions, cybersecurity, and national security. Moreover, China's increasingly authoritarian rule, coupled with the situation in Hong Kong, further increases risks associated with investing in China. To mitigate these risks, European MNCs have begun near-shoring their operations back to Europe to balance economic opportunities and political stability. Hoskisson et al.'s theory on macro-economic political risk provides valuable insights into the factors that influence decisions made by firms to internationalize or retract their operations. The decision to near-shore or globalize ultimately depends on the firm's goals, resources, and capability to navigate geopolitical risks. Some believe this to be an opportune moment for DSV to acquire DB Schenker due to the latter's strong market position in Europe.

The emergence of advanced artificial intelligence (AI) is also expected to have a significant impact on the global business environment and supply chains. Cheap labor has been the backbone of outsourcing to countries such as China, but AI is now reducing cost savings. As AI applications such as robotic process automation, and machine learning continue to be utilized, businesses are now able to automate routinized and repetitive tasks, reducing human error, cost, and time. In addition, AI-based analytics can provide valuable insights into business operations that can improve efficiency, increase productivity, and reduce operational costs.

The impact of advanced AI on outsourcing is not limited to China; other low-cost manufacturing countries such as Bangladesh, India, and Vietnam are also expected to experience the same transformation. Consequently, businesses must prepare and seek alternative sources of competitive advantage. As the cost advantages of outsourcing to China diminish, European businesses are relocating their operations to their respective borders. Near-shoring back to Europe is expected to provide significant benefits such as better quality control, speed, and cost savings, thereby providing European MNCs with a competitive edge.

Trends in the global business environment is thereby assessed to be a positive factor in relation to a possible acquisition of DB Schenker due to the company's strong market position in Europe. A unified company would be able to upscale operations in an expectedly growing European market.

Cultural differences

Throughout the analysis, it has been shown that Germany and Denmark have considerable differences in cultural dimensions associated with organizational management and motivation. Germany is identified as a masculine society that values winning, whereas Denmark is classified as a feminine society that values softer values such as harmony and quality of life. This divergence could cause significant employee and organizational challenges during integration processes, particularly if these differences are not recognized and properly addressed before and after the acquisition.

Furthermore, the analysis showed that the motivational factors for private and public organizations differed significantly, with the public sector focusing on softer values, while the private sector prioritizes monetary benefits. DB Schenker, as a government-owned company, may prioritize softer values and public interests, which may not align well with DSV's focus on results and efficiency. The integration process may also face challenges since the motivational factors prioritized by DB Schenker may conflict with the culture and values of DSV.

Lastly, the analysis of Schein's organizational culture revealed similarities between DSV and DB Schenker in artifacts and espoused values. However, the differences in underlying beliefs and assumptions may affect the success of the acquisition. Both companies have achieved significant success in different ways, demonstrating that long-term orientation is a critical cultural aspect for DSV and DB Schenker. Therefore, it may be a challenge to harmonize the divergent cultural dimensions.

The acquisition of DB Schenker by DSV would be a major risk due to the differences in organizational culture. The acquisition process would require a significant emphasis on recognizing and reconciling cultural differences to ensure a successful integration process. Failing to do so could lead to negative consequences, such as employee dissatisfaction, cultural conflicts, and ultimately, reduced profitability. Therefore, it is recommended that DSV carefully consider its readiness to acquire a government-owned German company and the risks that cultural differences may pose in the integration process.

Alignment with DSV strategy

The potential acquisition of DB Schenker by DSV is in alignment with DSV's strategy. Mergers and acquisitions have always been a significant part of DSV's strategy. Therefore, based on its expertise and know-how from previous M&A's, DSV may have an advantage to execute a successful integration of DB Schenker.

The RBV research indicates that the capabilities within DSV are well-prepared for the execution of DSV's M&A strategy. The VRIO framework further strengthens this point by concluding that DSV has a sustainable competitive advantage due to their readiness in M&A. DSV has a proven IT infrastructure that has been successful in previous integrations, demonstrating their ability to handle different scales of acquisitions. The culture of DSV in M&A has also been successful in previous transactions and is a significant factor in executing on M&A.

However, DSV has a history of focusing on underperforming companies in their M&A's, which may be a disadvantage in the case of DB Schenker. DB Schenker is not an underperforming company and therefore, the reasons for the acquisition must be clear and well-thought-out. The potential acquisition of DB Schenker would make DSV the biggest provider of 3PL, providing them with significant purchasing and bargaining power with customers and suppliers. In this way, DSV can gain a competitive advantage from economies of scale, which is a third sustainable competitive advantage, and one that is likely to cause considerable disruption in the industry.

DSV's strategy is well-positioned for the potential acquisition of DB Schenker. With the readiness of M&A that DSV has demonstrated in the past, the company is well-prepared for the integration of DB Schenker. The potential acquisition provides DSV with a sustainable competitive advantage in economies of scale, allowing them to become the largest provider of 3PL. However, given the history of DSV's previous acquisitions, careful consideration must be taken to ensure that DB Schenker is the right fit for DSV. The potential acquisition should be approached with caution, ensuring that it is thoughtfully planned, executed, and integrated to avoid any unexpected issues.

Acquisition price

Determining the appropriate acquisition price is a critical factor in the acquisition decision-making process. Various methods, such as market capitalization and the Discounted Cash Flow (DCF) method, can be applied to estimate the acquisition price of the target company. For DSV's potential acquisition of DB Schenker, the expected acquisition price ranges between €20-25 billion.

It is vital for DSV to evaluate other aspects of the acquisition decision and analyze the potential benefits and costs before making an informed decision. In this case, there are synergistic effects between DSV and DB Schenker that could justify a higher purchase price. For instance, combining the two companies' infrastructure and experience could lead to significant cost savings, faster expansion into new markets, and improved revenue performance.

However, the estimated acquisition price entails a significant risk for DSV as it's by far the largest amount they have paid for a company. Therefore, DSV should approach the acquisition with caution and employ rigorous evaluation methods to ensure that the potential benefits outweigh the risks. The acquisition decision should also consider the long-term strategic objectives, values, and culture of both companies.

DSV should apply an integrative approach in combining DSV and DB Schenker to leverage the strengths of both companies while minimizing negative impacts on employees, customers, and other stakeholders. The acquisition integration process should cover areas such as cultural integration, systems integration, organizational structure, talent management, and performance management.

The appropriate acquisition price is an essential component of the acquisition process. Various methods can be employed to estimate the acquisition price of the target company. For DSV's potential acquisition of DB Schenker, the expected range of acquisition price is between €20-25 billion. The acquisition decision should consider potential benefits and costs, risks, and long-term strategic objectives. An integrative approach to post-merger integration is critical in ensuring a successful acquisition.

In conclusion, the acquisition of DB Schenker by DSV could allow DSV to expand its operations globally and capitalize on emerging markets. However, DB Schenker's size, cultural differences, and acquisition price pose significant risks that must be evaluated before making an informed decision. An integrative approach to post-merger integration that focuses on cultural integration, systems integration, organizational structure, talent management, and performance management is critical to ensuring the success of the acquisition.

Further perspective

DSV must include a lot of different factors when deciding whether to prepare an offer for acquiring DB Schenker. But not only is it crucial to determine the possible effects of a merged company between DSV and DB Schenker. It is also of high importance to consider the possible effects if a competitor instead ends up finalizing such acquisition.

The global transport- and logistics industry is a fragmented market with lots of different market actors. DSV, alike the other of the world's largest transport companies, are present in almost all markets globally and in all segments of the industry in terms of different transportation- and logistics methods. As lots of companies compete in the same markets, it is crucial for the success of a large transportation company to reduce operational costs to be market competitive.

The price factor is the most crucial competitive parameter in the transport and logistics industry. Firms that offer transportation and logistics services set their prices based on the costs of operation and other market factors. According to a study conducted by the World Bank, transport costs determine the competitiveness of firms in the industry, and this has a significant impact on the overall cost of goods (Arvis et al., 2010). Thus, the transport and logistics industry is price-sensitive, and companies have to find ways to lower costs and offer competitive prices.

Moreover, customers value price as a critical factor when selecting a logistics service provider. A survey conducted by Supply Chain Digest revealed that 90% of respondents regarded price as the most crucial factor when selecting a logistics service provider (Supply Chain Digest, 2019).

Should one of DSV's major competitors, like DHL, Kuehne + Nagel, CH Robinson etc. end up acquiring DB Schenker, they would achieve major opportunities to consolidate shipments, create better infrastructure, create larger distribution networks, develop better IT-solutions, fund investments in new technology etc. Further, such merged entity would gain better bargaining power towards shipping companies, airlines, trucking companies, and other suppliers in the transport market. Such bargaining power often leads to reduced costs and thereby an opportunity to reduce prices, which

will then lower the profit margin of a competitor like DSV, as it would be necessary for DSV to reduce prices similarly to maintain a competitive position in the market.

Thereby, DSV shouldn't just consider if they should pursue to acquire DB Schenker or not. They must also consider the possible consequences of a competitor buying DB Schenker, and which effects that could have on DSV and the entire transport industry.

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Appendix 1

Table 2. A Comparison of Rank Order of Motivational "Wants" by Public and Private Sector Employees

<i>Public Sector Employees</i>		<i>Private Sector Employees</i>	
<i>Rank</i>	<i>Motivational Factor</i>	<i>Rank</i>	<i>Motivational Factor</i>
1	A stable and secure future	1	High salary
2	Chance to learn new things	2	Chance to exercise leadership
3	Chance to use my special abilities	3	Opportunity for advancement
4	High salary	4	A stable and secure future
5	Opportunity for advancement	5	Chance to make a contribution to important decisions
6	Variety in work assignments	6	Chance to use my special abilities
7	Working as part of a team	7	Chance to benefit society
8	Chance to make a contribution to important decisions	8	Working as part of a team
9	Friendly and congenial associates	9	Chance to learn new things
10	Chance to benefit society	10	High prestige and social status
11	Chance to exercise leadership	11	Freedom from pressures to conform both on and off the job
12	Freedom from supervision	12	Variety in work assignments
13	Freedom from pressures to conform both on and off the job	13	Friendly and congenial associates
14	Chance to engage in satisfying leisure activities	14	Chance to engage in satisfying leisure activities
15	High prestige and social status	15	Freedom from supervision

Note. Spearman's rank correlation coefficient = .52 ($p < .10$).

Appendix 2

**Table 3. A Comparison of Rank Order of Motivational “Gets”
by Public and Private Sector Employees**

<i>Public Sector Employees</i>		<i>Private Sector Employees</i>	
<i>Rank</i>	<i>Motivational Factor</i>	<i>Rank</i>	<i>Motivational Factor</i>
1	Chance to learn new things	1	Chance to exercise leadership
2	Variety in work assignments	2	Chance to make a contribution to important decisions
3	Chance to use my special abilities	3	Chance to learn new things
4	A stable and secure future	4	Chance to use my special abilities
5	Working as part of a team	5	Working as part of a team
6	Chance to benefit society	6	Variety in work assignments
7	Friendly and congenial associates	7	Chance to benefit society
8	Chance to make a contribution to important decisions	8	Friendly and congenial associates
9	Chance to exercise leadership	9	A stable and secure future
10	Freedom from supervision	10	High salary
11	Opportunity for advancement	11	Opportunity for advancement
12	Freedom from pressures to conform both on and off the job	12	Freedom from supervision
13	Chance to engage in satisfying leisure activities	13	Chance to engage in satisfying leisure activities
14	High salary	14	Freedom from pressures to conform both on and off the job
15	High prestige and social status	15	High prestige and social status

Note. Spearman's rank correlation coefficient = .69 ($p < .05$).

Appendix 3

Interview with Ole Andresen, Head of BCM Road

- Hvad er din stilling og hvor længe har du været i DSV?

Ole Andresen, Head of BCM Road. Ansat 1990 i det gamle DFDS Transport A/S.

- Hvad dit kendskab til DSV's generelle IT systemer, herunder Road, Air & Sea og Solutions, og deres kapacitet til at håndterer mere volumen?

Jeg har et indgroet kendskab til vores nuværende TM System der benyttes i DSV Road. For Danmarks vedkommende er det Cargolink. Det skal tilføjes at DSV Road benytter diverse TM Systemer. Cargolink, BluJay, Aspect4, AS400, Dinas og andre mindre applikationer rundt omkring i Europa. DSV Road er i færd med at udrulle BluJay i alle DSV Road lande og man har introduceret BluJay i de baltiske lande, næste step kan ses nedenfor. Der kommer på sigt et roadmap på alle lande.

De resterende applikationer der benyttes i DSV Road kender jeg ikke til, da de benyttes i andre lande og ikke er tilgængelige i Danmark. Rent IT teknisk er landene forbundet med EDI-opsætninger, hermed kan man dele data i mellem landene. Derfor er beslutningen også truffet, at der skal være et uniformt TM System der skal benyttes i alle DSV Road lande. Det er den samme strategi der benyttes i vores andre selskaber. I DSV Air & Sea har man CargoWise og DSV Solution benyttes CargoWrite. Det har den betydning, at man arbejder på den samme platform i alle lande og kan indføre standarder på tværs af alle lande. Ergo bliver arbejdsgangene nemmere og mere gennemsigtige. Det er ligeledes den strategi der ligger til grund for vores beslutning om at benytte et TM System på tværs af alle lande.

Ingen af de gamle TM Systemer der benyttes i DSV Road kan eller skal benyttes i fremtiden. De er utidige og dermed er vi begrænset i et eventuelt køb. Vores kollegaer i vores søsterselskaber er ikke begrænset og kan koble x-antal nye brugere på uden problemer. Deres fordel er ligeledes, at deres TM systemer er nye og mere brugervenlige end vores gamle TM systemer der benyttes i DSV Road.

Som udgangspunkt har Cargolink været en god og stabil platform i mange år. Men i fremtiden, får vi ikke et system der kan håndtere alle arbejdsprocesser i et TM System. Vi får derimod et system som er understøttet af mange microservices. Dermed skal man ikke udvikle alt i et system, i stedet kan dette forgå i andre applikationer. Eksempel er afregningsmodelutet, her benytter man en Billing Engine i SAP. Dermed har men eksempelvis styr på komplekse moms krav i SAP og skal ikke bygge og vedligeholde i vores TM System.

- Jens Bjørn Andersen har tidligere udtalt til ShippingWatch at DSV er klar til 20-30 mere drift på nuværende tidspunkt, og at de sigter efter 100% volumen stigning. Vil BluJay medvirke til denne stigning

Det er vigtigt at sige, at det ikke blot er introduktionen af BluJay der kan understøtte denne volumenstigning. I vores rejse er det vigtigt, at vi har en masse standardprocesser der understøtter BluJay. Bl.a arbejder vi med følgende:

One Booking Data Standard (BDS) vi ønsker at vores kunder leverer korrekt Data (masterdata) som gør, at vi ikke skal rette i data modtaget. Sendingen skal gerne glide i gennem systemet. Hver gang en sending stopper, så skal vi have en kollega til at skubbe sendingen videre = omkostning

One Road Rulebook à Vi skal arbejde mere ensartet på tværs af landene

One Address Data Standard à vi skal definere en adressestandard, som bl.a hjælper med et lave korrekt ETA beregning overfor vores kunder.

One Product & Service Catalogue à på tværs af DSV Road tilbydes en ensartethed på vores produkter (Groupage, LTL, FTL, Pharma, Frigo) og services vores kunder kan booke. Eksempel på service – Indbæring, tidsleveringer/afbetalinger, forsikring m.m

One Department structure à ensartet opbygning af afdelinger i DSV Road på tværs af alle lande.

One Customer and Partner integration à standard opsætning på integrationer med både kunder og leverandører. Benyt standard EDI & API. Klar struktur og governance hvis der skal laves undtagelser.

Fasthold standard, i stedet for at lave alt for mange special opsætninger. = omkostning

One InterCompany & Interoffice rate struktur à standard på tværs af alle lande = nemmere at vedligeholde.

- Hvilke IT udfordringer kan et mulig opkøb af DB Schenker medføre ud fra en generel betragtning?

Ved et eventuelt opkøb, så vil der ske en naturlig fordeling af denne forretning. Med andre ord, så vil DB Schenkers Road, A&S og Solution forretning fordeles i vores organisation. I DSV A&S og DSV Solution vil der ske en naturlig overgang til deres TM Systemer. Her skal man "blot" træne nye kollegaer i dette system. Fordelen er, at man har de samme TM systemer i alle lande. Dermed ikke sagt, at der ikke vil være udfordringer. Men der vil være en udfordring i DSV Road, da vi i øjeblikket er i et vakuum i forhold til et nyt TM System. Vores M&A på DSV Road er bremset af den manglende skalering af nuværende TM systemer. Derfor kan man håbe på, at vi sætter fart under vores udrulning og er klar til at tilbyde BluJay som et ensartet TM System, hvis DB Schenker bliver opkøbt.

- Hvilke IT synergier kan et mulig opkøb af DB Schenker medføre ud fra en generel betragtning?

Ud fra ovennævnte svar, så vil ONE system hjælpe med en ensartethed i arbejdsgangene, bedre MasterData osv.

- Ud fra din betragtning er det muligt at fordoble kapaciteten indenfor overskuelig fremtid?

Ja, hvis vi får det rigtige værktøj. Men vi skal fortsat benytte dygtige kollegaer der kan forvalte alt det gods der kommer. Men har vi et stabilt system der understøtter vores speditører, så har vi et godt fundament for at håndtere store mængder.