OULU BUSINESS SCHOOL

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THE IMPACT OF CORPORATE SOCIAL RESPONSIBILITY AND MERGERS AND ACQUISITIONS ON A MULTINATIONAL CORPORATION. A CASE STUDY IN THE ELEVATOR INDUSTRY

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ABSTRACT OF THE MASTER THESIS

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Abstract

Corporate social responsibility (CSR) and mergers and acquisitions (M&A) have gained a significant amount of exposure over the last three decades. But the combination of both factors often goes unnoticed. This thesis aims to uncover the influence of CSR and M&As in the operations of a multinational firm. As the Elevator Corporation is known for both a significant number of M&A's in it's growth process over the years and for serious efforts in CSR, it will provide an appropriate case for this thesis analysis.

This study evaluates CSR and M&As through the use of four levels of analysis: economic, social, environmental and the individual level. Through each level and the related literature we are able to get a better sense of this phenomenon within the elevator industry. Examining the phenomenon further, a case study is conducted, on a corporation in the elevator industry. This analysis provides a lens into the inner workings of the industry, and how one of the most successful elevator/escalator companies uses these two strategies in the firms' everyday decision-making processes.

The findings of this study could be used for future research on CSR and M&As through the individual level of analysis. Further findings might benefit from a case-by-case analysis. This study opened the door by analyzing CSR and M&As on an individual firm. For future research it may be beneficial to examine two separate case companies and see the different impacts each firm has on CSR, in relation to M&As in a multinational corporation.

Keywords
Business ethics, social responsibility, mergers and acquisitions and corporate reputation

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1 INTRODUCTION

1.1 Background

Corporate social responsibility (CSR) and mergers and acquisitions (M&As) have gained a significant amount of exposure over the last three decades. But the combination of both factors often goes unnoticed. The impact that CSR has during a merger or acquisition is a phenomenon that has only recently started to generate awareness. At the point social where responsibility starts to affect the financial performance of a firm, it could be a corresponding factor in M&A activity as well. While research and awareness increase both in M&A and in the CSR field, it is evident to see what the impact of the combination could be (Lagas, 2013).

As for CSR, its exposure stems from two different facets. The first, is companies' concern to please, not only their shareholders, but their stakeholders as well. This concern can be linked directly to cases like Enron in early 2001 and the Lehman Brothers scandal in 2008, where companies were unethically distributing money (Wiggins, Piontek & Metrick, 2014). The second, has to do with companies growing need to be environmentally efficient and friendly: a need that has been created by social media and the ongoing 'green' campaign. The green campaign is known for promoting patterns of sustainable production and consumption; it aims to create green industries that deliver environmental goods and services in a more manageable way (United Nations, 2012). Businesses can be persuaded to follow green initiatives because they promise sustainability, consumer growth and a competitive advantage.

Each CSR facet has led several to wonder: how exactly CSR is being implemented into companies' strategic decision-making processes, if at all? Corporate social responsibility is most commonly defined as the continuing commitment by businesses to behave ethically, and contribute to economic development, while improving the quality of life: of the workforce and their families, as well as the community and society at large

(Dahlsrud, 2006). When CSR is implemented voluntarily, it lets the surrounding community know that the industry is committed to bettering their environment. As the popularity behind CSR on business implications continues to grow, its influence on mergers and acquisitions is still unclear (Morgan, 2009). Most people believe CSR influences businesses positively; others agree that CSR is crucial to long term value creation, but can be hindered by the negative impact merger's and acquisitions (M&As) can sometimes create (Chase, Burns, & Claypool, 1997). Though the overall goal behind M&A's is to bring growth, profitability and potential globalization to a company, it can be a situation where shareholder values are at risk.

Therefore, the biggest challenge for a business isn't how to define CSR, but how to understand CSR and how it is socially constructed (Dahlsrud, 2006). Once this is understood, it allows the business to see how every decision they make affects their company. One of the most important aspects of a business is creating a profit, without it, the business would cease to exist. Profitability allows the company to grow and develop in ways it was unable to before (Forbes, 2011). One way of achieving profit or global growth is through the use of M&A's. Mergers can help the firm gain market share in new areas where the company has never been before. An example of this can be seen at KONE Elevators. When the firm merged with Montgomery Elevators, in the U.S, in 1981, an entryway into the U.S market was created (KONE sustainability report, 2014). Mergers and acquisitions are a means of growth and outward expansion.

In order for a multinational corporation to continue globally expanding, it must always be looking for new opportunities to integrate its business. Multinational corporations are encouraged to engage in CSR practices (Chan, 2014), but that doesn't mean they do. Several companies still follow Milton Friedman in believing that the only worry their organization should have is pleasing their shareholders and board members. Others will argue that Friedman's methods have always been somewhat controversial. It has been said that firms benefit over the long run by not focusing on maximizing economic returns in the short run (Ghoshal & Moran, 1995). Gloshal and Moran researched this phenomenon twenty years ago proving there was a need for CSR related activities even then. CSR cannot be measured as a short-term investment; it takes time to mature and grow. Adaptation becomes the company's biggest challenge, primarily because it requires changing their previous methods. If an organization is willing to adapt, it can in turn make it easier. Though it is important to note that when implementing CSR it can be seen as (Miwa, 1999):

1) *Harmful to business propositions because: even a slight disturbance in a firm's social responsibility structure has the potential to disrupt its CSR's stability.*
2) *It could enhance business propositions by: educating the business, as well as the society around them, about the importance of social responsibility in a company.*

The next few sections of this paper will discuss how corporate social responsibility has the potential to do both. But, if it is enforced and implemented correctly, it will help businesses, not hinder them. The same is true for mergers and acquisitions. If they are carried out correctly, they can bring profitability and growth to the entire company. Later, throughout the analyses section of this paper, we will see how different mergers and acquisitions and corporate social responsibility have helped our case company, Company A; grow and become a multinational elevator corporation. The elevator company chosen for the case study asked to remain anonymous. For this reason, the company will be referred to as Company A, throughout the remainder of this paper.

According to Forbes, M&A activity has a 50% success rate (Forbes, 2011). This static has to do with business negotiations looking more appealing on paper than they are in reality. Kummer and Steger believe that M&A failure can be linked to five specific factors: promoters and external advice, group dynamics, unrealistic expectations, over confidence and distrust (Kummer & Steger, 2008). Out of the five factors, they found that unrealistic expectations are the biggest culprit when it comes to the failure of a merger or acquisition. The reason for this is making business deals work is a difficult task, and many managers underestimate this fact. Secondly, the goals set by each partner can often be unrealistic and hard to meet. For other scholars Teerikangas and Very, poor cultural compatibility can play a key factor in failure of M&As (2006). In sections 3 and 4, we will look at the other side to M&As and how they can contribute to a businesses success. We will also see how M&As have the potential to affect CSR based decisions made in the firm.

1.2 Why the Elevator Industry?

The elevator industry is massive, and its' multinational participants are vast. While the elevator industry is vocal about their CSR initiatives, not much research has been done on their relationships with M&A's; particularly, how each transaction has the potential to help or hurt the organization. Taking stakeholders into consideration, researchers should be able to determine the relationship between mergers and acquisitions and a company's social responsibility. Previous research on this phenomenon has been conducted viewing CSR as a success factor for mergers and acquisitions, looking at CSR and stakeholder maximization theory and CSR as a variable in social performance (SP) (Meckel & Theurkorn, 2015; Deng, Kang & Low, 2012). In this paper, we will expand upon these articles by looking at the relationship between the two factors within the elevator industry. The reason the elevator industry was chosen for this analysis is quite simple (Schindler Elevators sustainability report, 2014):

1) The elevator industry is large and has prior commitments to social responsibility
2) It is constructed of over a dozen multinational corporations
3) Elevator corporations have grown largely from mergers and acquisitions

With these three factors in mind, empirical data for later chapters will come from: a comparison of three of the top elevator companies CSR scores and data collected from six in-depth interviews held with individuals in our case company. Being able to see the combined impact of social responsibility and M&A's on a multinational corporation is important for future research. It allows us to see how companies are influencing their environment both internally and externally. It also gives us the opportunity to see how M&A's are contributing to the growth of a company and how stakeholders are a huge factor in this decision making process (Waddock & Graves, 2006).

1.3 Goal of Research

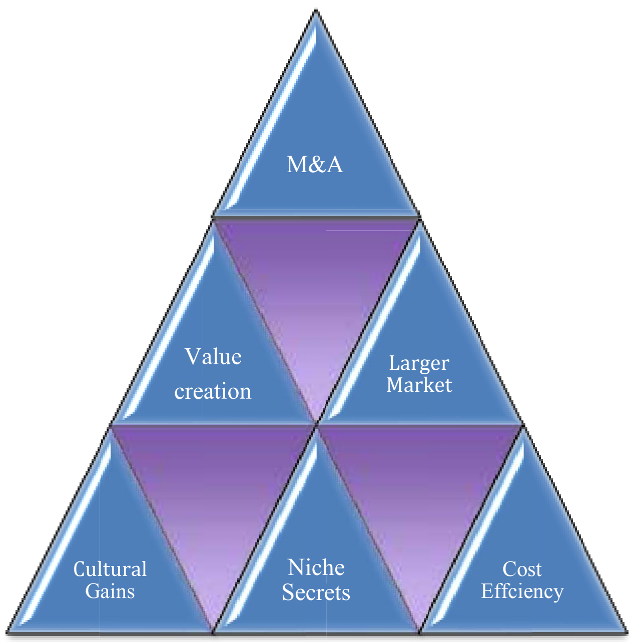
The goal of this thesis is to examine the connectedness of CSR and M&As in a multinational corporation with a high CSR reputation. Specific factors include the extent of these activities and how they're either benefiting or hindering the companies' employees and their performance. By understanding each process, we're then able to see how CSR and M&As are crucial to creating a responsible business. With the use of the selected company we can see how each transaction brings growth and strength to a thriving organization. Companies that have a high volume in CSR activities are rightfully more aware of their influence on their surrounding communities (D'Amato, Henderson & Florence). They will then make decisions based on their relationships and ties with sustainability that will better the organization and their future investment opportunities. Although a successful merger or acquisition is never guaranteed, when successful, M&As have the potential to bring new opportunities to a company, in regions that may have been unattainable before.

M&A's can increase market power; provide value creation, cost efficiencies, cultural gains and different niche market secrets. Each merger is a means of increasing companies worth, worth that is defined as: market value and net assets (Meckl & Theurkorn, 2015). The increased ability to broaden markets can be a benefiting asset for firms interested in pursuing M&As.

Primary benefits of CSR include: innovation, cost savings, differentiation and customer and employee engagement, CSR is instrumental when moving towards sustainability; it is a way to do good while improving an organization's reputation, as well as their brand equity (Taran & Betts, 2011). One of the luring factors of CSR is the potential it creates to add value to a firm.

Seeing both CSR and M&A's as influences in multinational corporations, we are able to see how each can contribute to a businesses success. The most important influences that mergers and acquisitions have on a company can be seen in **figure 1.**

Figure 1. Advantages of Mergers and Acquisitions.



A company utilizes the advantages listed above if the merger or acquisition is successful. The first tier of figure one is for mergers and acquisitions. On the second tier, you have value creation and larger market. These two elements exist on the second tier because they have the most potential of increasing the company's value and sustaining the merger. Cultural gains, niche secrets and cost efficiency are important assets to M&As, but listed on the bottom of the pyramid because they have a lower impact. Cultural gains, for example, are important to a company when considering a merger or acquisition, but they can also be blamed as one of the usual suspects of destroying a deal between two companies (Chakrabarti, Gupta-Mukherjee & Ayaraman). Each of these elements will be talked about further in later chapters of this paper.

M&As will affect more than just the stakeholders at a given company. They will influence the company's suppliers, employees, competitors and the local community (W. Frederick, 1999). CSR relationships are going to effect companies in a similar manner. When different corporations merge, they're likely to take on the CSR initiatives of the company they have merged with (D'Mato, Henderson & Florence, 2009). This means that two companies preparing to merge will do an evaluation of each other before agreeing to the deal. During this evaluation, each firm will analyze the others sustainability efforts, and what they have done in the past to benefit their employees, society and partnerships.

CSR is often interpreted as a solution to environmental and social problems within a company (Zhelyazkov, 2012). On the other hand, mergers and acquisitions are activities that can go against stakeholder interests creating a certain amount of uncertainty within the organization. This uncertainty stems from the various culture gaps that M&As can create. Each variable can have a different impact on the company, but they're both working towards a greater good of the organization.

Taran and Betts (2011) found that stakeholder's uncertainty with CSR stems from:

1) The vast number of possible CSR activities and programs an organization can partake in
2) Change in the way the organization is run
3) The range in scope of social and environmental problems which require solutions and could benefit from managerial actions towards CSR

CSR activities will have increased equity, but only if stakeholders are aware of each activity and believe them to benefit the corporation Multinational corporations naturally promote business conduct, which is respectful of human rights in institutional settings through a single CSR strategy (Lai, Chiu, Yang & Pai, 2010).

1.4 Levels of Research Analysis

CSR levels fit into many categories, but this paper will only focus on four of them. These four levels are: economic, social, environmental and individual firm level. Each of these levels of analysis was chosen with the case study in mind. The process through which they were chosen is as listed:

1) An evaluation of the Corporation was performed. This evaluation was based on the corporation's sustainability reports from 2011 to the present.

2) Previous research on CSR was taken into high consideration. Two of the most prominent sources come from articles by Herman Aguinis and Ante Glavas who studied the individual theory as well as organizational theory in correlation to CSR (Aguinis & Glavas, 2012) and Meckl and Theurkorn's article that discusses CSR in relation to Mergers and Acquisitions (Meckl & Theurkorn, 2015)

3) The triple bottom line (economic, social and environmental) was also taken into account for this analysis because it is one of the most widely used frameworks used to understand CSR at a corporate level. A table of these findings and the reasons they were pursued can be seen below in **Table 1. Research Reasoning's.**

Sustainability Reports on ThyssenKrupp, Schindler and KONE Elevators from 2014
Meckl & Theurkorn Aguinis & Graves Articles
Triple Bottom Line: Business Framework. Created the 3Ps for CSR. Planet, Profit and Performance.

These are the other CSR levels that don't apply to this case study, some of these levels include: institutional, organizational, philanthropic, ethical and financial (Tsoutsoura, 2004).

The economic level of analysis will discuss the influences that the surrounding communities have on CSR; environmental level will encompass the company's impact on their global environment. Finally, social responsibility level will depict how the company treats their employees and the companies daily concern for employee safety (Carroll, 1998). Individual firm level will discuss CSR from the perspective of the company.

The individual firm analysis was chosen to show relation to the case study and support to the article written by Aguinis and Glavas. The Individual level is rarely explored in CSR literature, in this context it is defined as: literature involving micro organizational behavior, human resource management and industrial organizational psychology (2012). Individual level addresses issues of work placement, workplace motivation, training and development, structure of work and work activities, quality of life and consumer behavior. The individual level issues in this paper will focus on: employee quality of life, workplace life and the impact the firm has on society. In relation to CSR, both workplace motivation and consumer behavior will be very important. This perspective will be seen throughout section 3.6 Case Company Overview. Where the 6 semi-structured case company interviews are explained in further detail. We will also discuss shareholder and stakeholder expense view. Looking at this lens can help us better determine why firms decide to make certain decisions.

In order to maintain a business, a company must make a profit. Mergers will not be performed unless an organization is sure they will not hinder their relationships with their shareholders (Jensen, 2002). Corporate social responsibility is an easy initiative to start, but it too requires a lot of funding and time. This will be covered in greater detail throughout the CSR chapter of this study.

In addition to the 4 levels of CSR, this paper will briefly mention two opposing views of CSR: the stakeholder value maximization view as well as the shareholder expense view. This research comes from an article written by Xin Deng, Jun-Koo Kang and Buen Sin Low titled Corporate *Social Responsibility and Stakeholder Value Maximization: Evidence from Mergers* (2012). This article will help us focus on the relationship between CSR and M&A's, and the post decisions companies make before a merger or acquisition takes place.

The stakeholder value maximization theory sees CSR activities as having a positive effect on shareholder wealth. By focusing on the interests of other stakeholders it increases their willingness to support a firm's operation, in turn increases shareholder wealth. In this case a shareholder is someone who owns part of the company through stock ownership, or another significant investment (The Economist, 2010). Stakeholder on the other hand could be an employee, director, customer or supplier.

Looking at Deng, Kang and Low's article: *Corporate Social Responsibility and Stakeholder Maximization: Evidence from Mergers* the authors formulate three predictions to the shareholder expense view (2013).

The shareholder expense theory consists of three predictions.

1) Compared with low CSR acquirers, high CSR acquirers realize higher merger announcement returns and higher announcement returns on the value-weighted portfolio of the acquirer and the target.

2) Because CSR investments are likely to increase firms intangible assets, the value of CSR might not be fully incorporated into the stock price around the merger

Given that high CSR acquirers are less likely to breach their implicit contracts with stakeholders, mergers by these acquirers are likely to receive more support from stakeholders.

Table 2. **Although there are various ways to define stakeholder and shareholder, for the sake of our case study we will be using the definitions listed below.

Source: Moir, Kennerly & Ferguson, 2007.

Stakeholder	**Internal**: employees, managers, owners
	External: suppliers, society, government, creditors, shareholders
Shareholder	Someone who owns a part of the company through stock ownership or another form of investment

1.5 Research Methods

This study is a qualitative thesis study, exploring a single case company. The primary empirical data was collected from **six** interviews. Five of the interviews were held with employees within the corporation (internal) and the sixth interview was with an everyday product user (external). Each interview will help us get a better look into how a multi billion dollar company is able to grow and adapt to continuous CSR demands and merger opportunities. Throughout each chapter of the study, we will look at the research questions below. In the CSR and methodology chapter, the data that was chosen will have theoretical justifications: where CSR and M&As are linked to environmental, social and economic and individual firm levels of analysis. We will also revisit shareholder and stakeholder theory. Each level of analysis correlates to the ever-prominent CSR pyramid by Archie B. Carroll created in 1991 (Schwartz & Carroll, 2003). Carroll's social responsibility pyramid has some relation to Maslow's hierarchy of needs in that it believes: in order to be a good citizen one must first fulfill other justifications like economic responsibilities.

Below are the research questions created for this study:

Will multinational corporations on an individual firm level have high employee awareness when their reputation is built on intensive corporate social responsibility initiatives?

Will multinational corporations get the most out of mergers and acquisitions when they take into account their CSR initiatives when considering an opportunity?

After analyzing each interview, it can be stated that when employees within a company are aware of their CSR standards or initiatives, the more educated the companies' consumers then, in turn, become. This analysis will be talked about in more detail in further chapters (CSR firm value and Case company overview). The case study will help determine if transactions are beneficial with the results of the two research questions. It will also help determine whether or not other large corporations should also pursue similar methods. Because this is a case study, we will be observing Company A at the individual company level examining what is going on within the corporation in relation to their CSR strategies and mergers and acquisitions.

The two research questions above were constructed based on sustainability reports from three elevator companies (ThyssenKrupp, Schindler & KONE), the four levels of analyses, shareholder and stakeholder theory and previous research on this phenomenon. One article in particular is by Dr. Reinhard Meckl and Dr. Katja Theurkorn, titled: *Corporate Social Responsibility as a Success Factor for M&A Transactions.* In this article, they predict that the higher the social responsibility of the purchasing company, the higher the success of the M&A. Taking it one step further we examine how CSR and M&As influence multinational corporations at the firm level. By taking Meckl and Theurkorn's research one step further, we can see how this phenomenon affects one individual firm in the elevator industry.

In an individual case study analysis, the higher the commitment and sensitivity, the stronger the CSR outcomes relationship. Research that has been done at an individual analysis suggests that several normative motives influence CSR such as personal concern with the issue. Second the involvement in CSR activity and policies positively influences employee performance, behaviors and attitudes. The third, the outcomes relationship at an individual level of analysis are followers' perceptions and organizational pride (Aguinis & Glavas, 2012). By looking at the empirical data on an individual level, we are able to see how each employee interview contributes to the research questions. The individual level of analysis creates a lens into the lives of Company A's employees and how they view the corporation. It also creates the opportunity to get a look into the CSR programs and standards that influence a firm's CSR reputation.

1.6 Study Structure

Following the introductory chapter of this thesis, we will discuss multinational corporations and their advantages throughout the global marketplace. The research questions above helped serve as the platform for this paper. By questioning the overall effects of CSR and M&As we're able to establish whether or not each one is helping or hurting the organization at large. After the chapter on multinational corporations, we will then discuss the history of social responsibility, how it fits into the case company and its relation to M&As in chapter *three*.

In the methodology chapter, the research strategy will be reinforced with respect to the beginning chapters. An analysis of the data collected will be given with an overview of the case company, as well as an explanation of how all the supporting materials were allocated. The corporate social responsibility chapter will give an internal view into the social responsibility strategy and why corporations are concerned with CSR. It will also provide information on stakeholder influences and why they can make or break an organizations strategic decision-making process.

The final chapter will discuss theoretical contributions and final conclusions. The empirical data is cross-referenced with current sustainability methods to see how the example corporation is growing with the demands of society. The paper concludes with topics for further research and an idea of where social responsibility research is heading in the future.

2 RESEARCH ON A MULTINATIONAL FIRM

2.1 History on Multinational Corporations

A company that is considered a multinational corporation is a worldwide enterprise that owns or controls production of goods or services in one or more countries other than their home country. According to Soni, this is the most common definition of MNCs to date (Soni, 2012). Multinational corporations or MNCs have origins back to 10^{th} century Italy and Rome when investors hired traders to work for them overseas. Back then, there was no such concept of multinational corporations because such business ventures were not yet titled. Multinational corporations arose from the opportunity for trade. Without trade, the history of such business ventures would be increasingly different. Early trade was characterized by the difficulty of transaction across borders: bringing to realization how can markets develop between distant cultures (A.A Lazarus, 1997)? Trade then, in turn, creates an unequal distribution between each individual involved. One individual may have to travel longer distances in order to trade with another, etc.

In the early 1970's, MNC's accounted for sixty two percent of exports and thirty four percent of imports (Helpman, 1984). In the *International Business Journal*, Aggarwal, Berrill, Huston and Kearney discovered that: MNC's are traditionally thought of as successful firms that have grown over many years into large corporations that are international in their operations, vision and strategies. It is important to note that many operational and theoretical definitions have been proposed, but none of them have become the standard definition (Aggarwal, Berrill, Huston & Kearney, 2010). This being the case, when defining multinational corporations researchers believe that there is some room for interpretation.

Further development of MNCs finds that there must be certain characteristics of management in order for the structure to survive. There has to be some outlet of trade between at least two different entities and a strong management structure to oversee each transaction in order for the organization to survive. MNCs have a long history of evolution. Evolution that varies from region to region; take for example the U.S, a larger majority of multinationals in the United States has chosen the route through "international divisions" to global line responsibility When European firms on the other hand went directly from a functioning business structure to a divisionalized global structure. This is a structure that allows functional and divisional operation to work simultaneously. Comparative studies analyzing U.S multinationals and European multinationals indicate how certain characteristics of MNCs, at a specific point in time, have long term influences on how the evolution of an organizational structure will be conducted. It is interesting to see how different regions have evolved their multinational firms.

In 2003, it was estimated that twenty-nine to fifty-one percent of the world's 100 largest entities were multinational corporations (McLean, 2003). As the multinational enterprise evolves, the chain of strategies surrounding it evolves as well Entering the late 1990s and early twenty first century, it became crucial for MNCs to adapt technology and the use of the Internet into their business ventures (Wilkins, 1974). This was sometimes difficult when they were doing business in areas that haven't caught up to the newest forms of technology. This development can be prominent even now. Having first evolved from tradition and trade, MNCs are continuously shaping and molding their businesses. The hardest decision for a business isn't whether or not to go abroad, it's a matter of: *will the business survive when they go abroad?* Multinational firms have developed immensely since their early beginnings and will continue to do so. Each individual firm will have to figure out their strengths and whether or not they can evolve enough to compete with existing businesses abroad.

2.2 Multinational Corporation Advantages

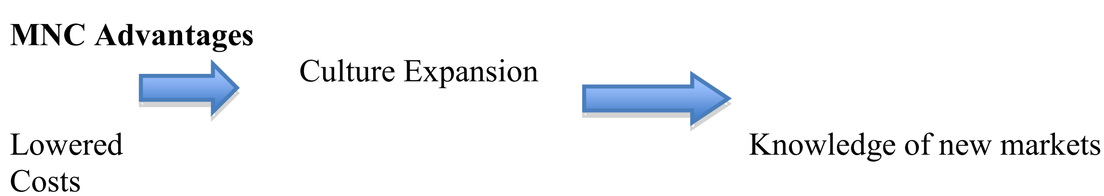
Advantages of multinational corporations include: exports and imports, access to consumers and labor and tax reduction costs (Helpman, 1984). Firm specific advantages of MNCs can be divided into several categories. The first most important category is: asset advantages and transaction advantages, which reflect the firm's ability to economize on transaction costs as a result of multinational coordination and control of assets (Birkinshaw, Hood & Jonsson, 1998). The second is technological advances; when a company is able to compete outside of its home country; they advance their technology and resources. The third benefit to MNCs is: better allocation of human capital. MNCs can move their best employees to where they are most valuable much easier than the labor market can. Other advantages of multinational corporations include: easier access to raw materials, new skills sets and of course value creation that helps enhance the firm. Firms engaging in overseas production have some form of advantage to compensate for the natural disadvantage of competing with established firms in a foreign land (Dunning, 1988). Dunning concludes that firm-specific advantages can be divided into three types of categories: asset advantages, income generating assets, and the firm's ability to economize on transaction costs as a result of multinational coordination and control assets.

The advantages MNCs offer are vast and often heightened by the promise of globalization. John Dunning created the OLI framework in 1977, and it soon became one of the most important attributes to multinational corporations (Dunning, 1977, 1988). OLI stands for: ownership, location and internationalization, three benefits when becoming a multinational firm, organization or corporation. There are specific advantages to each element in the OLI framework. This framework or eclectic paradigm (a theory that provides a three tier framework for a company deciding to pursue FDI) looks at multinational enterprises and foreign direct investment (FDI). Ownership refers to how several multinational businesses have to overcome uncertainties before they can establish their company abroad. Location has to do with the address that companies chose to open their expanded operations. If the address is established based on consumers and their need for the company, location will create several new advantages for the organization. Finally, internationalization is the strongest element in the OLI approach. Internationalization influences how an organization operates in a new country, their exports and any joint venture the organization may be a part of (Dunning, 1988). Much like our hypotheses and its commitment to the individual firm level of analysis, OLI focuses on the incentives facing individual firms. Culture expansion or internationalization, lowered costs and knowledge of new markets have proven to be the three most critical advantages of multinationals.

Gene Grossman, Elhanen Helpman and Adam Szeidl provide a suitable summary for this chapter in their article *Optimal Integration Strategies for the Multinational Firm* (2003). This article concludes; multinationals are firms that replicate their production process in several locations, are motivated by trading cost, potential savings and internationalization. Although there are several advantages to a firm becoming a multinational organization there are also some notable disadvantages. Disadvantages of MNCs can include: restrictive laws, money flows and transfers of capital.

With firm expansion, comes both uncertainty and opportunity. An example of a company who didn't due well internationally is Target. They spent billions trying to develop a presence in Canada and failed. Regardless, each business transaction carries it's own amount of risk factors.

Figure 2. Advantages to multinational corporations.



2.2.1 MNC Advantages- Reduced Cost of Capital (Lowered Costs)

One of the most controversial topics within current development of MNC's is the debate over economic development and how to expand in a new market. As mentioned above, MNC's have the potential to help global economies by modernizing them, this is done through the transference of technology, skills and providing assess to export markets that are cheaper than those offered by their local producers (UNCTAD, 1999). However, MNC's also have the potential to suppress economic development by confining host economies in low value added activities and pushing out investments and jobs (Rugraff & Hansen, 2011).

In the article *Multinational Cost of Capital and Capital Structure* the authors mention; when a firm has made the decision to go abroad, host countries undoubtedly fear that the new corporation could interfere with their jobs, and benefits. It is a fear that comes with globalization and company expansion. Multinationals are lured to international markets through capital markets. Since the costs of funds can vary among markets, multinational corporations access to international capital markets may potentially allow them to obtain funds at a lower cost than what they might have paid previously. Additionally, subsidiaries may be able to obtain funds at a lower cost, if the interest rates in the host country are relatively low as well (Cengage Learning, 2009). Job security can cause a large amount of insecurity when a firm has made the decision to integrate with another one.

When MNCs increase their amount of foreign sales, they are then able to reduce the return required by investors, this is turn can reduce the cost of the firms capital (Cengage Learning, 2012). Referencing capital asset pricing theory, the cost of capital is generally lower for MNCs than for domestic firms. Although, with any form of investment, there are risks involved. Using investment theory, or pricing theory can lead to a operational definition of cost of capital where it can be used in the rational decision making process. The investment theory in particular is looked at in the article *The Cost of Capital, Corporation Finance and the Theory of Investment*; the authors hypothesize that if the average cost of capital to any firm is completely independent of its capital structure and is equal to the capitalization rate of pure equity steam in its class (Modigliani & Miller, 1958). In this theory the author realizes that one way for a firm to reach a reduced cost of capital is by buying and selling stocks and bonds in such a way to exchange one income stream for another, identical in all relevant respects but selling at a lower price. When countries have relatively shallow markets, a multinational corporation maybe a good solution to lowered cost of capital and an internal capital market. Investment theory can be used to see how capital affects a firm, and how it can potentially be a beneficial pull for multinational corporations. However, it is important to note that each firm decides on a plan that fits their needs, and then fulfills the demands of their stakeholders.

2.2.2 MNC Advantages- Culture Expansion

Another potential benefit to MNC's is cultural expansion; the opportunity for a company to learn new skill sets they weren't previously aware of. There are several reasons a company can benefit from cultural expansion. To begin, most markets are far from being perfectly integrated, that being said, being involved in more than one market, can help balance out trends that are not perfectly connected. As markets for goods and services begin to become more global in scope, creating and maintaining alignment among market expansion and management decisions becomes a critical aspect of business strategy in MNCs (Rugraff & Hansen, 2011)

When firms enter international markets, they have to decide how to adapt their management structures in order to succeed in that new market. Culture expansion isn't an attribute that firms earn instantaneously; it takes time to evolve and development. Past research suggests that firms stay away from a straight-line approach when expanding into other countries. Management strategies that have served Western European or North American firms well in home markets could be the wrong strategies for markets in China, Argentina or Brazil, where culture and business practices vary significantly (Lovett, 1999). By adapting the firm's organizational structure they can become more acquainted with a new markets culture and ultimately, have more success marketing their product or service. Though firm alignment is painful, if it is successful firms can gain a lot from international expansion. A difficult task, but a firm that achieves strong global culture though an MNC will posse a set of core values that will be shared worldwide. Companies have to establish ‘cultural hubs’ in order to achieve this advantage of MNCs. Cultural hubs incorporate diversity, and a set of organizational entities, by maintaining a strong global culture (Forbes, 2010). In doing so, companies can harness cultural capabilities that reach various locations. Culture expansion is a difficult pursuit for many MNCs, because it is hard to break out of the norms of their existing firm. But once it is achieved, it brings added value to the company. Looking at the work that Schindler and KONE elevators are doing in China, shows that an expansion on cultural knowledge can be very beneficial for a company. For example, in China all elevators have to be green certified, or they will not be placed into a building. This has to do with China’s large population and pollution problem. When KONE elevators did a deal with China in 2015 they have to make sure their product fit the Chinese market, not the other way around (KONE, sustainability report, 2014). In order for an MNC to succeed at cultural expansion, they must often adapt or cater to the needs of the abroad markets.

2.2.3 MNC Advantages- Knowledge of New Markets

Internationalization is a key factor for multinational corporations, and success in new markets. The reason for this is the strong competition that comes with these expanding markets. To sustain certain advantages companies have to find new markets. The more knowledge a company has of the new market, during the decision making process, the bigger advantage they will have. Information and knowledge play a large role in reducing the risk of making the wrong decision. One of the biggest challenges multinational companies can have is the transfer of knowledge within their organization (Haghirian, 2003). Although knowledge of new markets helps MNCs expand, and acquire more information, there are several stages they must take into consideration first. A firm can look at the organizational and individual aspects during the decision making process. The organizational aspects of a firm focus on the transfer of knowledge between firms.

2.3 Summary

By understanding the history of multinational corporations and highlighting some of the important features they can create, we can start to understand MNCs effectiveness in business. As mentioned above lowered costs, culture expansion and knowledge of new markets can be advantages to multinational corporations. We will see later that MNCs are prominent in the elevator industry. From my analysis I can conclude that multinational corporations have the potential to expand markets, create knowledge in new, previously unfamiliar areas and in some cases offer lowered prices.

3 CORPORATE SOCIAL RESPONSIBILITY

3.1 Consumer Recognition

With the increase in globalization and concern for social responsibility it is important to see where this demand comes from. Previous research funnels corporate social responsibility into three different channels. It is believed that multinational firms can view it as: positive, negative or believe that there is no CSR relationship in the firm whatsoever. Each belief stems from the firm's customer awareness. If a firm's customer awareness is high then their view of corporate social responsibility is as well. If their customer awareness is low their relationship with CSR is negative or non-existent (Servaes & Tamyo, 2013). Because CSR is still in the early stages of development it is hard to define its definite impact on multiple corporations. It is easier to define when it's broken down into one individual firm. This type of individual analysis will be discussed in the case study section of this paper.

Previous literature also heavily suggests that the more aware a customer is of the firm's social responsibility the larger the correlation between CSR and positive customer perception becomes (Barnett, 2007). Therefore this perception heightens consumer's reactions to companies with a positive correlation to CSR and hurts companies with a questionable reputation of CSR. But, this paradox also creates pressure for the firms with good CSR credit because they will be consistently forced into the spotlight (McWilliams & Siegel, 2000). Meaning that anything they do to hinder their reputation will be projected as extremely negative through the eyes of the customers purchasing the product or supporting the company. A similar situation can be seen with Nike. The case of Nike is a great example of the benefits as well as the risks that come along with globalization. In this case globalization was thought to be a good beneficiary for Nike until the allegations against their factories and working conditions arose (Locke, 2002). It is also important to note that poorly instituted CSR initiatives can work against a corporation. Nike is a prime example of this. Though this is rare, businesses should always be aware of the shifting behavior that consumers exhibit. Consumer behavior is one of the least controllable variables in the business model, a firm must do everything it can to help persuade consumer X, that their product is better than the competition.

In the article: *CSR practices and consumer perceptions* the authors identify that CSR has had an impact on consumer's attitudes, purchase intentions, consumer-company identifications, loyalty, and satisfaction (Öberseder, Schlegelmilch & Murphy, 2013). There is also the small consumer group that purchases their products based on CSR criteria. The communication of social responsibility is important to consumers so that they become aware of it, and have positive attitudes towards it. If consumers aren't aware of the matter, it can create obstacles for the organization. Each organization will have various levels of CSR management. One firm may commit their entire mission to being socially responsible, when another firm has just started to discover the benefits of CSR. In this case it will take firm two longer to catch up to firm one. In most cases firm 2 will never reach the same socially responsibility level as firm 1. The reason for this has to do with the organization's commit to each initiative. If firm 2 has recently been introduced to this domain it is likely that they don't have intentions of changing the structure of their entire company. Instead, they're interested in instituting a few CSR related programs such as recycling, providing employees with the best tools possible and partnering with non-profits to give back to the community.

It is hard for CSR to exist on a non-bias level. Two large corporations could both be involved in programs that better their environment, but one program could have a larger impact than the other. For this reason a lot of CSR based research is focused on the consumer and how they may react to different products, or company intentions (Öberseder, Schlegelmilch & Murphy, 2013). But there is still quite a bit of research to be done on this matter. Previous contributions to CSR will often fixate on going green, the environment and child labor and factory issues, like the case example mentioned earlier. Instead, it might prove to be beneficial if more information was focused on the firm's ability to institute social responsibility.

In the article *Institutionalizing Idealism: The Adoption of CSR Practices*, the authors take a further look into how CSR creates a cognitive process for managers, consumers and the institutional environment (Haberberg, Gander, Rieple, Helm, & Martin-Castilla, 2010).

Looking at the consumer's cognitive response to social responsibility is another helpful tactic when doing research into the inner workings of CSR. Much like marketing analysts observing new markets before integration, looking at social responsibility through a cognitive lens can give a corporation a better understanding as to how consumers see and affiliate different products (Taylor, 2015).

3.2 Firm Value

This thesis contributes to the discussion of CSR and whether or not it enhances a firm's overall value throughout the integration of various mergers and acquisitions. In this case, we're looking at Company A and the different ways social responsibility plays a part in its daily decision making process. Due to the complexity of social responsibility it is considerably hard to measure. Although this is the case we will see how hard integrating CSR into the fabric of a corporation can b later. Hoje Jo and Maretno Harjoto came to the conclusion that: CSR is an extension of firms' efforts to foster effective corporate governance, ensuring firms' sustainability via sound business practices that promote accountability and transparency (2011). If a firm can create value based upon their solid business practices, it becomes evident to the consumer that they are a committed, strong organization. From this point on, the consumer will see the firm as having high value. The firm value will stay with the organization unless they do something to jeopardize that relationship. In most cases, once the consumer sees an organization as having high firm value, the firm will continue to endorse them and purchase its products.

Firms that are early adopters of CSR are often driven by some desire to improve their company performance (Haberberg, Gander, Rieple, Helm, & Martin-Castilla, 2010). Inspiration for each adoption of CSR will generally come from external variables outside of the firm. As mentioned earlier, firms can be motivated by an array of different external factors; these factors often include: social movements, going green campaign and moral justifications. Regardless of the firm's internal or external motivations to create stronger firm value through CSR, they will do so slowly to see how it affects their overall firm value.

Take for example the case of Cadbury Brothers and Cadbury. When Cadbury accepted a deal from Kraft Food Company in 2010, CEO, Tom Stizer gave his final resignation speech, ' I absolutely love what this company stands for, the whole idea that doing good, is good for business'. To name just a few of their CSR initiatives, Cadbury invested in underdeveloped farming areas and sold Fairtrade chocolate. Beyond each internal commitment Cadbury also made external decisions to invest in Human Rights and Ethical Trading (HRET). Cadbury is a strong example of a prototypical company during the Age of Management (Visser, 2011). The Age of Management is defined, both from the macro, enterprise-level and individual perspectives. The concept is gaining ground, predominantly in managing and retaining near-retirement employees (Fabisiak & Prokurat, 2012). Essentially, the Age of Management is a strategy put into place to measure firms' competiveness in the mist of a demographic decline. Being a good representation for other corporations is an important factor in business. Firm Value is hard enough to create, but it's even harder to keep. With the demands of consumers changing on a daily basis, companies must adhere to their needs while still maintaining the organizations mission. Christopher Laszlo's book *The Sustainable Company: How to Create Lasting Value Through Social and Environmental Performance,* believes corporations should adopt planetary ethics (2003). By adopting this set of ethics, the company then commits to social sustainability that encompasses stakeholder value. Though Laszlo looks at the relationship between CSR and firm value as an amendable one, it can be difficult for corporations who are late CSR adopters, to catch up to other corporations with early adoption methods. The most unique aspect to the relationship between both social responsibility and firm value is that; the decisions made towards CSR comes from the organization, and can range from one program to several different programs.

3. 3 Social Responsibility and the Elevator Industry

Being a part of both the building, and construction industries, the elevator industry has become very aware of their impact on the environment. This awareness has been a driving force in the industry's motion towards sustainability. The sheer size and power of the machines produced by this industry are a sure indication that they can have serious repercussions on the environment. Elevator companies like ThyssenKrupp are designing programs to minimize this impact by: focusing on developing processes and systems that reduce waste and ensure the use of efficient technology (ThyssenKrupp, 2014). We must also understand that this arena is one that is highly technical and deals with complicated machinery. This machinery must run smoothly or there will be distress between the industry and its stakeholders and policy makers (2014). In 1917, the Elevator Manufactures Association (EMA) published its very fist elevator code, which helped serve as the starting point for developing further safety codes for elevators and escalators (EMA, 2016). This notion has helped enforce social responsibility initiatives throughout the elevator/escalator industry. In a phone interview conducted with our case company Director of Compliance, we get a better look at how deeply embedded this concept really is:

> *Social responsibility within the elevator industry is about doing good, while building your business. It has become something that is embedded into Company A's culture* (4.11.16).

CSR is crucial to decision-making process of the company. The interviewee also concludes:

> *Every time the firm is involved in the decision making process, Company A tries to have a compliance director present, or someone from human resources (HR) there. This is done to maintain a certain level of balance during meetings. That way if something doesn't seem compliant the SP (social performance) representative can speak up and say Company A needs to rethink this strategy* (4.11.16).

After realizing this you begin to wonder:

> *Don't other multinationals have the same obligations to environment and their employees?*

In an article by Parsa, Narapareddy and Jang they make the assumption that not all companies should advertise CSR actions in the same way (Parsa, Narapareddy & Jang, 2015). We begin to see CSR isn't just a driving factor in our case company, but in the entire elevator industry as well. This phenomenon helps us better understand why it is important for players in the elevator industry to remain sustainable. The demand for safety and regulations instituted by the EMA helps shape the people moving industry.

3.4 CSR Hub

In a closer look, we examine examples of CSR scores accumulated from the sustainability tool, CSRHub. This website is responsible for generating social responsibility scores for more than 7,000 companies worldwide. Companies are scored based on a scale of 0-100 based on four categories: employees, environment, community and governance. These 4 categories come from 12 subcategories that include: board, community development and philanthropy, compensation and benefits, diversity and labor rights, energy and climate change, environmental policy and reporting, human rights, leadership ethics, product, resource management, training and safety and finally transparency (CSRHub, 2013).

Looking at the top four elevator companies, we see that each one has a high global CSR score. In the table below company A is the firm used for the case company analysis.

Table 3. Source: CSRHub, 2016.

Company	Environment Score	Community Score	Governance Score	Employees	Overall Score

A	65	59	51	65	60
B	55	52	50	62	55
C	62	55	66	66	58
D	56	54	62	62	57

A score anywhere from 50-59 is considered good, 60-69 is stronger and then 80-100 is very high. From the chosen data it can be determined that elevator companies tend to have high social responsibility scores according to CSRHub (2016). This could be attributed to the safety policies put in place by the EMA, or as we will later see, it could be attributed to individual company expectations.

In order to fully understand an industry, such as this one, it is important to know where the need for corporate social responsibility comes from. This way we can better understand how CSR reputations are created, and activities are used to enhance them. Following the phone interview with the Director of Compliance at Case Company A, the interviewee ended by adding:

> *It is important for the company to take social responsibility into high consideration. Before each business decision is made Company A analyzes, and reanalyzes the company involved in the merger or acquisition. If the other company doesn't feel like a good fit, Company A will likely pass on the deal. There was once a situation like this, another firm came to Company A, interested in pursuing a business offer. After further examination of their company, it was decided that the firm's motivations were unethical; Company A then pulled the deal. There is a reputation to protect here that will always be important to the organization* (4.14.16).

We will later see how corporate social responsibility and mergers and acquisitions are implemented into the framework of the case company. By focusing on the elevator industry, we open up the possibility for future research that could potentially do a cross culture analysis on an industry with high CSR, versus an industry with low CSR. Several articles have touched on industry specific conflicts, such as Jenkins 2004 article on CSR and the mining industry. But very few studies have been done looking at two different industries CSR programs, and comparing the two.

The connection between CSR and M&As in Company A is evident. It seems the two create a push/pull effect where it's hard for one to exist without the other. This is particularly true with mergers and acquisitions. In a company, like Company A, CSR is gradually built into the firm's framework. Being a part of the company's framework, M&As are an important aspect when the company is considering growth. If the company takes into consideration its framework and ethical decision making process, it seems CSR must be included in business negotiations when a merger or acquisition takes place.

4 METHODOLOGY

4.1 Previous Research

Corporate reputation is fairly existent in CSR activity, but it also plays a role in the M&A process as well. By acknowledging the growing role of social responsibility and M&A activity, it becomes apparent how much importance firms place on their role in corporate performance. M&A research has looked at the risk management approach to measure how much of an impact each variable can have on one another, in the firm's final decision-making process. The risk management approach is a prioritization of the risk factors in different business scenarios. This approach is very much a pros and cons list, looking at how much good the purchasing company, initially believes the M&A will do, and how much R&D will go into the entire proposition before they agree to the deal. In this case we're dealing with a companies willingness to purchase or acquire a company once they have examined their CSR motives.

Meckl & Theurkorn analyzed this phenomenon proving that the higher the social responsibility of the purchasing company the higher the success rate of the merger or acquisition (Meckl & Theurkorn, 2015). The extent to which these activities work as signals in reducing the disconnect throughout the integration period is dependent on whether or not the purchasing company is successful at communicating the general nature of their existing CSR activities (2015). In 2009 Deloitte, consulting company wanted to see how mergers and acquisitions influenced CSR if at all. They published an article titled 'How Green is the Deal' the growing role of sustainability in M&A's. The company's thesis stated: the profitability of increasing worth during an M&A is increased with the integration of relative CSR activities (Deloitte, 2009). Deloitte saw M&A's from a purchaser's perspective. Finding that if the purchaser has a timely consideration of the company's engagement with CSR it should enable a comprehensive appraisal of the integration problem, content and organization of CSR activities, the company's culture, and finally the norms and values it leads by (2009).

Deloitte consulting company determined that: purchasing companies with a distinct CSR engagement are often in a position to assess acquisitions risks more during the course of the business decision making process because of the integration of ecological and social aspects that come along with the risk management approach. Previous hypotheses have stated: the higher the social responsibility of the purchasing company, the higher the success of the M&As (Meckl & Theurkorn, 2015). Taking their hypothesis one step further one might ask: the higher the social responsibility of the purchasing company and the purchased company the higher the environmental success of the entire acquisition. When the purchasing company as well as the purchased company both believe in the integration of CSR then the outcome of the M&A is very likely to favor CSR. If we stick to Deliotte's hypothesis is the purchasing company involved in a merger or acquisition has a high CSR.

Take for example the case of the acquisition between Cadbury and Kraft foods. When Kraft acquired Cadbury they committed to upholding their set CSR programs. This agreement was not immediate it took Cadbury nine months of negotiation time in order to agree to a deal with Kraft Food companies. The main factor being, the brand name. Cadbury a 186-year-old British company was very hesitant to merge with an American multinational. Would Kraft food company understand how important sustainability is to them, would like work as hard if not harder to uphold their reputation? The primarily reason the negotiation took several months had to do with Cadbury's hesitation against being delocalized. The acquisition was decided on the terms that Kraft would net import jobs in Britain, and continue to engage in purchasing Fair Trade chocolate, as well as benefiting low grade agricultural famers (Kraft Cadbury Merger, 2010; Visser, 2009). In Kraft's 2016 sustainability report they vowed to protect the world's greatest resources-resources that include: land, air, water, and people. Though well stated, it is quite broad what the company plans to do. In any case it is between the purchasing company and company being purchased to decide how they will continue to take CSR into consideration.

A lot of the difficulties in understanding the link between CSR and M&As can be explained by the following:

1) The lack of research on the topic
2) The way that the research is being analyzed

The extent to which CSR activities can work as signals for reducing discord during the integration period is dependent on whether the purchasing company is successful in communicating the nature of its own existing CSR activities.

4.2 Data Collection

The data collected for this study comes from 6, semi-structured, case company interviews, conducted from February 8- April 14, 16. After contacting the interviewees through LinkedIn, as well as the company website, it was decided that the company would remain anonymous. For this reason, the elevator company is referred to as Company A throughout this paper. Each interviewee was asked if their title could be used, and each one consented. In **table 1** the title of each of the six interviewees will be identified. They will also be referenced using their titles in remaining chapters. It should also be noted that each interviewee was given a copy of their parts in this paper before publication. Due to distance, and geographical location, each interview was conducted through three different methods: phone interview, personal on-site interview and one email response. The method chosen for each interview was based on each participants schedule and availability. Company anonymity allowed for each interviewee to be able to talk about the subject matter openly, allowing for an exploratory study to take place.

Each employee was emailed a formatted list of interview questions before each interview took place. This way they could become acquainted with the questions before the initial interview. In three of the 6 interviews, participants filled out the questions before we discussed them in further detail. The other three interviewees had seen the questions prior, but answered them during the initial interview stage. Although one of the phone interviews was done outside of the U.S, we were able to speak in English, so each of the 6 interviews was conducted in the same language. As you will see below each interview lasted from 30- 101 minutes. This data was kept in a logbook that was dated and timed before the beginning of each interview session. To make sure all of the data was collected; each response was reviewed several times. After this process, each response was transcribed. In a book by Sharan B. Merriam *Qualitative Research: A Guide to Design and Implementation,* the author states:

> "Qualitative research is an effort to understand situations in their uniqueness, as a part that it is not attempting to predict what will happen in the future necessarily. But to understand the nature of that setting- what it means for participants to be in that setting, what their lives are like, what's going on for them, what their meanings are, what the world looks like in that particular setting and in the analysis to be able to communicate that faithfully to others who are interested in that setting. The analysis strives for depth of understanding (2014)."

This paper strives to do exactly that: capture each interviewee's opinions on CSR & M&A's, and how they see it working internally inside the company and externally through other driving forces. Previous articles back the empirical data collected from each interview by: providing theories, a lens into the individual level of analysis and the readily available corporate social responsibility reports from multinationals in the elevator industry.

Another form of supporting secondary data was collected from sustainability reports within the elevator industry, as well as CSRHub, a sustainability management tool that will be explained in greater detail later. The exploratory nature of this thesis calls for a focus on the interviewees rather than fixating on business reports.

4.3 Data Analysis

In **table 1**, all the information taken from the logbook, as well as the titles of each employee is presented. We see six categories that show in detail what time and date each interview was conducted. Merriam's book on qualitative data mentions that it is crucial for data to be inductive, meaning researchers gather data to build concepts and hypotheses or theories for positive research (Merriam, 2014). Qualitative researchers build toward theory from observations and intuitive understandings gained from involvement. In this case we are looking at research question one and two; *Multinational corporations on an individual firm level will have high customer awareness when their reputation is built on intensive corporate social responsibility initiatives. Multinational corporations will get the most out of mergers and acquisitions when they take into account their CSR initiatives when considering an opportunity.* We look at four different levels: economic, social, environmental and individual- firm level (first referenced in section 1.3). In Merriam's book on qualitative research he lists three ways to properly group and analyze data. The steps are as follows: form a theoretical framework, problem statement and purpose (2014). To analyze interview data he suggests:

1) Category construction: looking at each interview transcript separately and making notes on each.
2) Sorting categories and data: at the beginning it is normal to make several tentative categories at this stage of data analysis, you should eliminate the ones you don't need.

3) Categories should be exhaustive and mutually exclusive.
4) How many categories? : Now that you have organized the interview data, you can begin to compare it to previous literature. This process should be performed when you are still in the interview process, this way you know which literature fits best with the information you have collected.

Taking each step into consideration, we look at **table 1**. In the next section, the data category will be revealed. Categories were grouped based on the interviewee's position in the company, and their relative perspectives on CSR and M&A's.

Table 4. Interviewee data collected during a three-month period.

Interviewee	Interview Type	Interview Date	Interview Time	Duration of Interview
Global Communications Manager	Phone	February 8, 2016	7:00 AM EDT	65 minutes
Service Superintendent	In person	March 8, 2016	10:30:00 AM EDT	92 minutes
Director of Mergers and Acquisitions, The Americas	Phone	March 11, 2016	10.00 AM EDT	55 minutes
Marketing and Communications Manager	Email response to question outline	March 17,2016	Email received at 10:45 PM	Email response*
Director of Compliance, The Americas	Phone	April 14,2016	10:30 AM CST	30 minutes

The chart above represents the first data entry logged for each interview. Next, we will examine the specifics from each interview and why they were paired into the respective categories. *The email response will be handled separately, because it's a one-dimensional response.

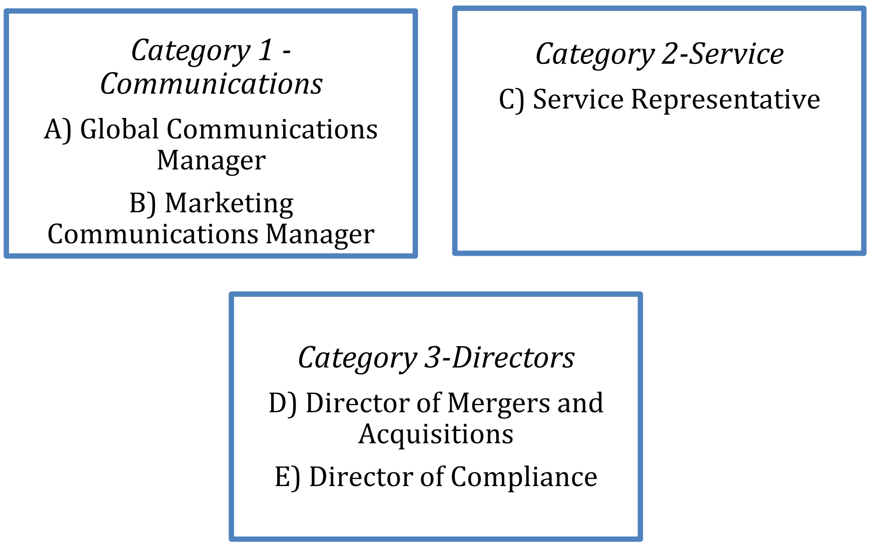
Data obtained from each interview has not been directly quoted. Instead, the extensive data recorded has been transcribed and explained. Semi- structured interviews are best used when you need to get data out to multiple people in order to receive comparable data. For this purpose, a semi-structured interview style was chosen, primarily because we interview a large group of people asking each employee intensive questions. This structure allows for specific data retention based on a list of organized questions (See **Appendix 1**).

4.4 Interviewee Categories

Interviewees have been grouped into **4** different categories and separated into **2** groups: the internal group and the external group. Each category is organized by the employee's job title. This was done to see how four divisions of the same business see CSR and M&As within their organization. The first category consists of the global communications manager and the marketing communications manager for the Americas. This group was categorized based on 'communications'. Both employee A and employee B are responsible for matters such as: developing and implementing communication plans and activities. They oversee communications programs, be it internal or external, and make plans that effectively describe and promote the organization and its products. Category 2 is the 'service category' and it is made up of the service superintendent. This position is hands on dealing with the consumer and performing elevator installations. Because this position is B2C, it makes up the second group (3.8.16). Category 3 is made up of two directors, the Director of Mergers and Acquisitions, as well as the Director of Compliance. This is the 'directors' category. The director of mergers and acquisitions is in charge of acquiring independent elevator companies; while, a director of compliance is in charge of human resource strategies by enforcing values, policies and procedures. This category was created based on its role with M&As.

The fourth, and final category is the 'consumer group' it is the only category in the external group. This is because: it consists of an everyday product user. This is the only interview that was not with an employee from the case company, but a day-to-day product user. The reasoning behind the organization of this category has to do with the consumer's perspective, and their perception of the brand (brand recognition). This interviewee was chosen based on product location. For the elevator industry, airports are a big market: this interviewee works at the SDF airport in Louisville, KY. Because the participant uses the case companies products on a daily basis, they are an especial person for the final category. Below in **figure 3** we see the **3 internal** interviewee categories listed and organized.

Figure 3. Internal Interview categories.



The interview categories are crucial to the development of the four levels of analysis chosen for this thesis. Each interview provides a new lens into the economic, social, environmental and individual levels. With economic level we will see: traces back to Adam Smith where better economic performance occurs when capital allocation is operated under conditions that are relatively free and offer competitive markets (Windsor, 2006). In this case the elevator industry will serve as the competitive market. Being constructed of several multinational corporations, the elevator/escalator industry is quite competitive. With social level we will see that most social communication typically focuses a company's involvement in various social causes (Bhattacharya & Sen, 2010). The empirical data will look at the impact CSR has on the firm, and why it engages in each social initiative. Environmental theory is increasingly being viewed as a pillar to CSR. Recent research has looked at the adoption of environmental management practices by organizations indicating that companies are increasingly paying attention to their impact on the environment and adopting management practices to reduce their negative impact on the environment. The individual level analysis will reveal the relationship between the firm and the employee; looking at how each individual sees the organization and it's decision-making process; this level of analysis relates well to the empirical data.

Categorizing each interview makes it easier for the data to be sorted. Product selection in the elevator industry is specific, but the industries business departments are vast. Schindler elevators, assures the public that their elevators and escalators are always available, by delivering maintenance experts, global networks and customer satisfaction (Schindler Services, 2014). In order to offer each one of these services, a company has to have several internal business departments, the same in true for ThyssenKrupp: a firm that employees more than 13,500 employees (ThyssenKrupp, 2014). Because firms within the elevator industry are so enormous, gaining an internal perspective on the organization can be difficult. For this reason, interviewees from the case company are broken down into categories. By interviewing various members of the firm from separate departments, we can begin to see how the corporation functions as a whole.

4.5 Case Company Overview

As mentioned earlier, the empirical data for this paper consists of six interviews that were conducted from a wide range of Company A employees. Five of the interviews were with employees within the company; the sixth interview was with an everyday product user. The decision to interview employees from various fields was a simple one. In order to get a proper consensus and determine the presented hypotheses, it was important that several different employee titles were represented. Each interviewee was asked a set of six to ten questions. The questions chosen for each interviewee were chosen based on his/her title and position in the company. Ultimately, the interviewees were interviewed with the research questions in mind: *what is the relationship between CSR and M&A's in a multinational corporation?*

Each interviewee had a long history, 'ranging from six to twenty nine years' at the corporation. The majority of the interviewees started with the company many years ago and stayed on the team because they liked the global feel of the firm and the work they are doing all around the world. Interviewee positions ranged from Service Superintendent to the Director of Mergers and Acquisitions.

The people interviewed mentioned that social responsibility was an orchestrating factor in Company A's operations. Each of the six individuals discussed its focus, mentions that it's built into the entire companies reputation and internal organization. For a company that solely produces elevators and escalators, it was obvious that social responsibility is a crucial element to the wellbeing of the firm: primarily because their product diversification is small. After conducting each of the interviews, the data was analyzed.

4.6 Interview Background & Structure

The interviewees came from a variety of different departments; this was done intentionally to draw opinions from a wide variety of respondents within the company. The list of interview questions was typed out and sent to each participant before the phone or in person interview took place. This helped each party observe and interpret the questions before they were later discussed. To make sure all the data was accounted for, interviewees were asked to email their physical responses as well. A decision was made to conduct semi-structured interviews with broad questions, since they allow open, yet focused discussions. Each interviewee was assured of their anonymity.

In the article *Qualitative Evaluation and Research Methods* by M. Patton he says; "One way to provide more structure than in the completely unstructured, informal conversational interview, while maintaining a relatively high degree of flexibility, is to use the interview guide strategy." Much like Patton suggests the interview guide strategy was used throughout each interview process.

During each case company interview, the individual was asked: *How do you see CSR reflected in the operations of company A?* This question in particular gives an insight into the internal work life within the company. This theory will be the hardest to conceptualize due to the lack of previous research. Although this is true, the variety of questions asked during each employee interview will give us a better look into the workplace life of each employees and the first hand experience they have with social responsibility. It is also important to note that the titles of each individual interviewed varied significantly. This was done intentionally to receive data from several business sections. The locations of each employee vary as well. At the end of last year Company A employed close to 50,000 people. By interviewing employees from different disciplines we are able to gain a larger scope of company as a whole. Economic, social and environmental theories make up the triple bottom line and are a textbook sustainability group that have been around since the recognition of corporate social responsibility in the 1930's (Evolution of CSR). But they're rarely used to depict both mergers and acquisitions as well. Because the modernization of CSR is growing rapidly it is important to be aware of the areas of business that it affects. Each theory will help bring to light how these propositions make way to new global business opportunities. When exploring the shareholder theory one of the most prominent themes will be looking at the different groups that it affects. These groups include investors, consumers, employees and board members. This theory will be important to the study because it determines whether or not an organization will go through with a new transaction.

Five questions on CSR were created, and four questions on M&A's. Questions were created before each interview took place; we were able to guide the interviews to receive the best data possible (See Appendix, pp. 69). Throughout the next section we will see some of the interview questions organized into 'interview charts.' Each chart was constructed after the six interviews were completed. Once the interviews were compared, they were intentionally put into a chart format, grouped by their common similarities. You will see employees with similar titles and responses listed in the same chart. This was done to see the running theme of CSR being an integral part of each of the employee's perspectives in the case company. To begin we will look at **Table 4**, in this table we have the first two interviews with the Global Communications Manager, and Marketing and Communications Manager. The interviews took place a month and a half apart. The first (A), was a phone interview and the second an email response (B). Interview B, the email response was a conclusive one time response. The interviewee was emailed the interview questions and responded back to them via Gmail. Interviewee A was emailed the questions beforehand, and then followed up with a Skype conversation. Although interview B, with the Marketing and Communications Director, in The Americas is different from the other five interviews that took place via in person or on the phone, the interviewee is still represented in the table below. The reason for this is: to show the relationship and connection between interview A and B. Regardless of their distance in location and positions, both interviewee A and B can be seen as having a very similar viewpoint to CSR. A connection found within the communications department of case Company A. A connection that is particularly interesting because of the employee's distance, and overall differing titles. Below we can see how each employee feels about CSR in relation to Company A and the elevator industry.

Table 5. Case company interview chart/ Interviewee A and B.

	A	B
Questions	**Global Communications Manager** (February 8, 2016)	***Marketing and Communications Manager, U.S.** (March 17, 2016)

How is CSR related with your work?	I have been the project manager for company A. Working on the Sustainability Report, and also several different sustainability related matters.	CSR is an integral part of my job as a marketing communications professional.
What does CSR involve in your opinion?	It is made up of three main areas: social, environmental and economic responsibility. For Company A social responsibility is the way we treat employees, how we look after the safety of our employees, as well as our end users. It is also how we conduct business in the most ethical way possible.	CSR is how a firm takes responsibility for it's environmental effects and social wellbeing.
How Do you see CSR reflected in the operations of Company A?	It is in everything we do. In the products, starting with R&D where eco-efficiency is incredibly important, all the way to maintenance. In HR, we want to make Company A, a wonderful place to work. That means working environments must be safe. We follow high ethical principles. Finally, we build long-term relationships with our suppliers. We assess supplier performance, and always insure that we're offering the most efficient products to our customers.	The company is always working to make products more efficient and easier to use, and making the process sustainable and streamlined. Additionally, we focus a great deal on our employees and our end users. Safety is key; we even set up safety a safety week once a year. Through safety week we can teach the general public about the importance of riding safely on all our equipment.

Each interview has been transcribed. The following is the consensus of A and B:

> *CSR is how a firm takes responsibility for environmental, social and economic responsibility. It is in the way you treat your employees, the safety of everyone in the company and the safety of the end user. It is also in how you conduct the most ethical business possible.* (Data comparison completed on: March 20, 16).

Here, it is evident that both employees see the involvement of CSR as a critical variable that should cover economic, social and environmental well-being. Companies with high CSR recognition recognize that each of the elements above must be met in order for a company to be completely sustainable. An example of this can be seen in the article *Corporate social responsibility: Implications for performance excellence* (Foote, Gaffney & Evans). The article states: "Organizations need to practice good citizenship. These responsibilities include business ethics, protection of public health, safety and the environment" (2010). The first initiative for a company in terms of CSR is to become aware of it and the different elements it can pertain. With the first two interviewees from Company A, you can see that both believe CSR involvement is critical to the organization. So critical that two employees from different regions, recognize that they're being held accountable each element (economic, social and environmental).

In the third interviewee question employees were asked how they see CSR reflected in the operations of Company A. After analyzing each response we can conclude:

> *CSR is in everything the Company A does. The Company is always working to make products more efficient and easier to use. It also focuses a great deal on employees and the safety of the end user. Safety is key. Additionally, Company A builds long-term relationships with suppliers. The company also assesses supplier performance, and always ensures that they are offering the best product.* (Data comparison completed on: March 20, 16).

When a company's reputation is built on CSR it is stressed throughout the entire organization, from the research and development team to the service superintendent that makes sure each machine is running properly. As mentioned in section 1.4, the main objective of this paper is to look at CSR and M&A's with the use of 5 levels of analysis: environmental, economic, social, individual and organizational. With the representation of interview A, and B we begin to see how important the implementation of environmental, economic and social methods are to an organization with a high CSR reputation.

The concept of CSR is a means by which companies can frame their attitudes and strategies towards, and relationships with, stakeholders, be they investors, employees or, as is salient here, communities, within a popular and acceptable concept (Jenkins, 2004). When companies are able to use CSR strategies effectively, it can help shape the firm's strategies. This can then provide benefits for: profit, people and the planet. Profit for the company as a whole, benefits for employees, and help for the planet, and it's environment. As mentioned earlier, CSR initiatives are often geared towards the environment. But they are also pursued to help employees and consumers. In the figure below the 3Ps of CSR that make up the dimensions of triple bottom line are illustrated. The TBL is used by businesses to accumulate anecdotal evidence of greater long-term profitability (Slaper & Hall). The importance of the triple bottom line and CSR has to do with the with the social and environmental perspectives of the framework.

Figure 4. Corporate Sustainability Model. Adapted from: Erasmus University, Wempe & Kaptein in Marrewijk 2003).

Understanding how and why companies encourage CSR, is a crucial to better understanding the benefits it can create for a firm. Looking at interview A and B we see elements of the triple bottom-line framework. Employees are concerned with environmental, social and economic aspects of the corporation, as well as the safety of each consumer. We also see how corporate reputation helps build the framework for the company. When we interviewed the service superintendent the interviewee mentioned that CSR is reflected in the way that Company A interacts with their customers, and that it gives them pride to be able to tell them:

> *Company A's transaction elevators are environmentally friendly and conserve energy* (3.8.16).

Pride plays a big role in instituting social responsibility. Emotions in the workplace are often defined from a social perspective. Mainstream literature stresses the importance of a shared responsibility. In the article *Corporate social responsibility as a source of employee satisfaction* the authors mention that the most exclusive role CSR serves is in the lives of employees, by providing them a greater sense of meaning from their work

(Bauman & Skitka, 2012). According to Bauman and Stika employees' needs for safety, security, distinctiveness and belongingness can be satisfied in many ways (2012). CSR is an outlet for employees to be able to directly help others, this in turn can help enhance the meaning employees find in their relationship in the company. This scenario creates a win- win for the employees, consumers and the entire firm.

In the **table 6** below, five of the questions from interview C can be seen. The interviewee has a heart for the corporation and the social responsibility that is being incorporated. This interview in particular is a good presentation of the pride that exists in Company A. When asked: *How do you see CSR reflected in the operations of Company A?* The employee concludes:

> *It can be seen when interacting with consumers. It gives you a good feeling to be able to tell them: Company A's traction elevators are environmentally friendly, use less horsepower and conserve energy* (3.8.16).

After analyzing the information from Interviewee C we can further examine the relationship between CSR and M&As. M&As have given Company A the opportunity to expand. Looking at the question: *In your opinion why have M&As been a salient feature of Company A's development?* We can further see the correlation between CSR and M&As. This question in particular helps analyze the phenomenon of why M&As are important to a company with a strong CSR framework or reputation.

Table 6. Case company interviewee C.

C

Questions	Service Superintendent March 8, 2016.
How is corporate social responsibility related with your work?	It is in everything the firm does. From the elevators installed, and cared for, to the vehicles we drive.
What does CSR involve in your opinion?	It's the way you treat the environment around you, and how the machines we install are efficient and use less energy. Safety is also a big key. It is important to make sure the consumers are always the top priority, and they're able to get from point A to point B safely.
How do you see CSR reflected in the operations of Company A Elevators?	It can be seen when interacting with consumers. It gives you a good feeling to be able to tell them: Company A's traction elevators are environmentally friendly, use less horsepower and conserve energy.
In your opinion why have M&As been a salient feature of Company A's development?	A lot of the time when interacting with our buyers, they don't recognize the company. But when they hear the previous company that Company A merged with, they're automatically on board. Brand recognition is huge; merging with a company that has a good brand reputation is a positive for any company.
How have the M&As influenced the operations of the firm in general?	They have allowed our company to expand into areas where the firm may not have had any business before.

4.6.1 Mergers and Acquisitions in the firm

Past research by Meckl and Theurkorn says that the higher the CSR engagement of the purchasing company, the higher the success of its M&As (2015). When a corporation is committed to CSR, they're more likely to continue integrating it into their company's, once a merger or acquisitions is complete. This creates the question: *when a firm acquires another firm, do they also acquire its CSR reputation practices as well?* Meckl and Therkorn also considered CSR in the context of employee integration. Implying that in order to integrate CSR into a merger or acquisition there would have to be a creation of a code of conduct, which would be written out during the transaction phase and based on human resources as well as integration measures at the time. In table **6 below** the viewpoints of both the Director of Mergers and Acquisitions and the Director of Compliance are compared. Each employee works closely with M&As and compliance strategies. For this reason, it was decided that employee D and E's responses to M&As

would be highlighted. When asked: In your opinion, *why have M&A's been a salient feature of Company A's development?* The response was:

> *Company A has grown through acquisitions. Acquisitions have helped the organization gain more share and growth. The company has remained a debt free, cash rich company, so acquisitions are a natural way of promoting shareholder value* (3.11.16 & 4.14.16).

Wondering further, if Company A obtains the CSR reputation of the company it is acquiring, we look at another question developed from the interviews with employee D and E: *Would it be possible for you to describe a merger or acquisition in the history of Company A that is connected with CSR?*

> *Every acquisition the firm has ever done is critical in terms of CSR. Company A has to be very aware of its actions. CSR is part of the firm's entire reputation: reputation as a manufacturer, service provider, partner and employer. Every time a merger or acquisition takes place, Company A makes sure to have an HR rep or compliance director present* (3.11.16 & 4.14.16).

After analyzing the interviews by employee D and E, it is apparent that Company A tends to acquire companies with reliable social responsibility standards: firms that could easily be integrated into the firms CSR structure and overall reputation. Below the three questions on mergers and acquisitions can be seen.

Table 7. Interviewees D and E.

D E

Questions	Director of Mergers and Acquisitions March 11, 2016	Director of Compliance April 14, 2016
In your opinion, why have M&As been a salient feature of Company A's development?	Since the early years of the company we have grown through acquisitions. A lot of our growth comes from acquisitions. We have been a debt free, cash rich company so acquisitions are a natural way of promoting shareholder value.	They have helped us gain more share, and growth throughout the company.
How have M&As influenced the operations of the firm in general?	They bring organization and the ability to gain access to new markets.	By bringing growth and new opportunities.
Would it be possible for you to describe a merger or acquisition in the history of Company A that is connected with CSR?	Every acquisition ever done is critical in terms of CSR. Present day especially we have to be very aware of our actions, because of social media. It is part of our entire reputation. Our reputation as a manufacturer, service provider, partner and employer we have to be aware of our impact on society.	It is an important factor in everything we do. Every time we perform a merger or acquisition, we make sure to have a HR rep or compliance director present. This way we can step in if we think that the deal will not promote our image positively.

After examining interviews D and E, it can be concluded that both employees recognize the importance of incorporating CSR into the process of a merger or acquisition. It can also be said that: M&As bring growth to the organization, but are thought about immensely, before making a decision. Our case company, takes CSR into high consideration during this decision making process as well.

Interview F Everyday Consumer

Figure 5. External Interviewee Category.

Category 4- Consumer

F) Every day Consumer

As mentioned earlier the sixth interviewee was chosen based on product location. Because they're an external user they cannot affect any decisions made within the company, for this reason the consumer has been grouped separately. This user was based on product location. In this case the interviewee works at the Louisville, KY airport. The external users interviewee data can be seen below.

Everyday User	In person	February 16, 2016	9.00 AM EDT	101 minutes

The interview conducted with the everyday product user, an employee at the Louisville, KY airport, revealed that customer service is another key factor to Company A's business strategies. When asked: *How do you see CSR reflected in the operations of Company A?* The product user responded:

> *Every time there is damage to one of the machines at work, the service men are here normally within a few hours. It is rare that we wait more than a day for the machines to be fixed, unless the company is waiting on parts. It seems the company is very concerned with their consumers and the traffic that the machines control. It's one less thing to have to worry about* (2.16.16).

A large part of CSR comes from the consumers and the company's ability to meet their needs. In the article: *Consumers Overwhelmingly Want CSR,* in Forbes magazine, two public surveys were conducted on consumer and employee perspectives on CSR issues.

Some of the highlights included that: 88% of consumers thought companies should try to achieve their business goals while improving society (Reeves, 2010).

Seeing social responsibility through the eyes of the consumer helps us look at the perspective the firm may have on society. As mentioned previously, Company A employees take into high consideration the safety and efficiency of their products. Having a strong company reputation can be important for the business as well as future decisions the business may make, like performing a merger or acquisition.

5 EMPIRICAL ANALYSIS

5.1 Research Strategy

In this chapter, our methods used are described. Using a combination of employee interviews and previous literature, we're able to see how both phenomenon's' affect multinational corporations. In the data collection chapter we discussed the relative methods taken to retrieve all the data from the 6 interviews.

As mentioned previously, the system of methods used to bring this thesis together consists of: the economic, environmental, social and individual level of analysis. Looking at each interview that makes up the empirical data, we're able to see how the 4 research levels are presented in our case company. After analyzing each level and employee perspective, two hypotheses can be formulated. We will see the results of both hypotheses below in chapter 6, final conclusions.

This thesis aimed to discover the impact of CSR and M&As on a multinational corporation. In section 4, I describe the methods used throughout this paper. Referencing research question 1, we wished to gain a greater understanding of the link between a firm's intensive corporate social responsibility initiatives and its employee awareness. Research question two seeks to combine this strategy with mergers and acquisitions and examines how the relationship can be applied to a specific corporate strategy- its effect on firms' mergers and acquisitions.

The decision to use a qualitative approach was quite simple. As mentioned earlier, qualitative research is an effort to understand situations in their uniqueness (Merriam, 2014). The lens chosen for this study looks onto the growing topic of social responsibility in the workplace, and how it has the ability it has to affect an entire company. As research on social responsibility continues to develop and grow, new opportunities are being created to revisit earlier literature to expand on previous thoughts and ideas. This study was born out of the gap between CSR and M&As. Studies on both topics are vast, but rarely are they looked at together. Throughout this process, 6 articles were prominent in examining each process together. We mention the article by Meckel & Theurkorn quite frequently throughout this paper (2015). The reason for this has to do with its relativity to the topic and the fact that it was published just last year. Which means the research is still relatively fresh. Another avenue that is visited often throughout this paper, is the question:

> *What impact do CSR and M&As have on a firm? Are they business propositions worth pursuing together?*

By focusing on this we can determine how each entity works in the case company, and whether or not it's worth it for other companies to pursue the same methods.

5.2 Summary of Empirical Analysis

The empirical data for this study uses interviews, as well as previous literature as a means of data collection, and contribution. The reason behind this has to do with the strong advantages that they can offer. Interviews, especially, can offer several different perspectives while helping us understand the inner workings of a firm. CSRHub was also used to look at the CSR scores of four of the top elevator companies; this sustainability tool generates a global CSR score. Being able to compare all the data created a larger scope for hypothesis one and two. Although the exploration of CSR and M&As is fairly new, the uncharted territory is quite exciting. Looking at each of the interviews A-F, it can be concluded that: a corporation with a high CSR reputation is sure to instill these values throughout each facet of the organization. We see this through various departments. We saw how the superintendent of Company A felt the same way as the everyday consumer. Company A institutes CSR with the firms employees, consumers, manufactures, suppliers and distribution leaders.

The literature used for this study consisted of previous studies that examined the relationship between M&As and CSR, as well as studies on the four structural theories used: economic, social, environmental and the individual level of analysis. We also built upon articles by: Meckl and Theurkorn and Aguinis and Graves. In both articles; *Corporate Social Responsibility as a Success Factor for M&A Transactions* and *What We Know and What We Don't Know About Corporate Social Responsibility* (2013, 2012), the new phenomenon examining the relationship between CSR and M&As is researched. In this paper however, it is taken one step further, looking at each concept from the perspective of an individual firm within the elevator industry. The results for this study indicate that a firm that is built on corporate responsibility initiatives is more likely to stress this throughout the entire organization, than a firm that has not been built using an intensive CSR structure.

5.2.1 Bringing Value to the Firm

Customers are one of the most important stakeholders for companies and represent a central feature of every CSR report, as they are vital for a corporation's long-term survival (Clark, 1995). Because stakeholders are vital to a firm, it may be in the company's best interest to keep CSR in mind during a merger or acquisition. In the article, *Merger deal breakers: when operational due diligence exposes risk,* the authors mention Cisco Systems as a case study (Morrison, Kinley & Ficery, 2008). Cisco Systems has mapped out the integration process at their firm, and it's a decent plan to follow. The first two integration process steps concern discovery and due diligence. Each one should be completed before the pending merger or acquisition is complete (2008). In this case the integration process includes: employee assignments, evaluation of short-term procedures, interviews with key stakeholders, customer commitments, contracts for manufacturers and services and legal considerations. Integration takes months of preparation and delegation. Referencing interview D with Company A Director of Merger's and Acquisitions we see how this process affects our case company. *When asked why do you think half of M&A's fail*, the interviewee responded:

> *Poor planning, and inadequate due diligence on the part of the buying firm, and having a poor process for transition and integration into the company. Additionally, everyone must be committed to the deal, from the bottom of the company to the top. It must be a solid process, and you have to have the resources to do so* (3.11.16).

The due diligence process leads naturally into the planning of the actual integration activity (Cisco n.d.; Morrison, Kinley & Ficery, 2008). Having a solid integration plan, it helps reduce the risks that can arise during any part of the pre merger or acquisition stages.

5.2.2 Risk Factors and Market Selection

There are several risks factors that mergers and acquisitions can create: with only a 50% chance of being successful, they can put excess pressure on a firm, and it's shareholders. Much like social responsibility (CSR) the expectations for M&A's have changed significantly over the last decade. In the 1990s, a merger or acquisition was expected to deliver cost reductions (Perry & Herd, 2004). Now they're often a core growth strategy for firms (2004). The new reality for firm buyers is that they must have stronger post merger planning. If the purchasing company doesn't have the full perspective of their potential partner before the acquisition takes place, the deal will be difficult to accomplish.

The job of mitigating risk can fall to management and require a plan of attack based on the potential impact of all risk scenarios that arise. Success for each risk factor will depend on determining both the probability of a major risk occurring and the impact if it does (Thomas & Herd, 2004). Post – merger it can be in the firm's best interest to use measure each risk and case scenario, before coming to an agreement. Often managers must weigh the risk factors of each process. In Thomas and Herd's article *Reducing M&A risk through improved due diligence* they look at the risk factor of M&A's through an example; an acquirer that wants to penetrate new markets may have to retain key talent in the their target company, i.e., the brain trust and channel experts needed for long-term industry dominance. In order to reduce certain risks the company has to determine what compelling incentive programs are needed to encourage the brightest employees, so that they will remain with the company once the integration is complete (2004). Essentially, if a firm has intentions of integration, it could benefit from incentive programs to reduce the risks of failure throughout the merger process.

Market selection is another difficult process companies can encounter post merger. Market selection often depends on the firm, and the number of risks they think may occur. If the interaction between markets is beneficial, the potential to create synergies exists (Gaur, Malhotra & Zhu, 2013). These synergies (the interaction of two or more organizations) work best when they're operational, and each firm benefits from the value and performance of the merger or acquisition. The difficult part here is for two firms to be operational. Research must be done by both corresponding parties to make sure positive outcome is plausible.

Wright, Pruthi and Lockett found a large scale study of internationalization suggests that rather than environmental uncertainty, the decision to invest internationally is driven by the availability of the innovative investment opportunities ideas that are perceived to offer the opportunity to earn superior returns (2005). The work that goes into choosing an international market venture is extensive, and will ultimately help grow the firm abroad or put them at risk for the loss of capital. In section 3.4, Relation to M&As, we began to see how important it is for a purchasing firm to take into account the reputation of the firm that they're going to merge with or acquire.

5.2.3 M&As and Stakeholder Interaction

Considering the concept that the higher the CSR engagement of the purchasing company, the higher the success of its M&As, it's important to remember the relationship between a companies stakeholders as well. The stakeholder interaction is at the core of all CSR activities; the company often considers stakeholders first. Referring to Company A, we look at the fourth interview that took place on March 11th with the Director of Mergers and Acquisitions (Category 3/ interviewee D). The interviewee was asked: *Would it be possible for you to name some merger or acquisition in the history of Company A that was connected with CSR questions?*

Every Acquisition the company has ever done is critical in terms of CSR. Evidently, in years gone by there was a little bit less focus in this particular area, but in today's society, with the growth of social media, it is critical that companies be extremely mindful of everything they do. This topic touches everything Company A does. The company's reputation as a manufacturer, supplier, service provider, employer, partner and mover of people requires us to be vigilant and aware of our impact on the society around us. Focus on this area is both internal and external. But it primarily highlights the environment, employees, our customers and the quality of Company A's product (March 11, 2016).

In order for any firm to be profitable it must please its stakeholders. CSR can cause stakeholders hesitation if it isn't implemented correctly. For this reason, companies often safe their CSR programs to meet the demands of stakeholders.

5.3 Corporate Reputation

Corporate reputation can be seen in many ways. An organization is often seen as something that has form. When we are looking at our case study, and the elevator industry, we see that as a corresponding group, their corporate reputation (CR) is quite high (EMC, 2010). In return, we wonder; *how exactly is corporate reputation measured*? In the Handbook of Communication and Corporate Reputation by Craig Carroll, he explains what corporate reputation means and how many ways it can be interpreted through several scholarly articles. There is the actual reputation, communicated reputation, conceived reputation, and finally, the ideal reputation (2011). Actual reputation is the companies current attributes, communicated reputation is the source of media and advertising, conceived reputation is through the eyes of the company, and reputation is the image the firm is striving to become. For matters of safety, and efficiency the corporate reputation of the elevator industry is relatively high. Reputation is a strategic approach that is adapted for each firm. In this case, each MNC in the elevator/escalator industry has an enormous responsibility to consumer safety.

Drawing from the book by Carroll we begin by looking at the communicated reputation of firms within the elevator industry. The communicated reputation of CSR in the elevator industry shows companies marketing and advertising new machines benefits. The conceived reputation of a firm within this industry often times reflects CSR, and it's counter parts. Referencing Interview B, with the marketing and communications manager, when asked: *are there particular CSR related programs internally in Company A?* The interviewee responded by saying: there is a certain set of standards that are Company A follows. *We want to respect one another, and the environment around us.* In this case conceived reputation and ideal reputation overlap. Although every firm is always improving, when responsibility is put into motion it can help a firm go from; being the company they one day hoped to be, to actually being that company. In many cases the communicated reputation can be the most significant in terms of company success. This has to do with the consumer, and how they perceive the brand through advertising and use, word of mouth marketing. In any form corporate reputation is incredibly important to the organization.

5.4 Brief Overview

The main purpose of this paper was to figure out: the relationship between M&As and CSR in a multinational corporation, in the elevator industry. The interest for this topic arose from the question: *Is there a relationship between CSR and M&As?* Below in figure 600 a brief summary of the main topics discussed can be seen.

Figure 6. Summary of main topics discussed.

As you can see the four main elements discussed were: M&As, business ethics, corporate reputation and the elevator industry. Primarily, how CSR and M&As function in the elevator industry. Looking at the sustainability reports from: ThyssenKrupp, Schindler and KONE elevators in 2014 we can see that each company has a particular approach to CSR and business acquisitions, but the themes between each tend to overlap. At Schindler the firm practices the methods of: people, planet and performance (Schindler sustainability report, 2014). At KONE it is all about People Flow, responding to consumer needs and providing the best possible user experience (KONE CSR sustainability report, 2014). Finally, ThyssenKrupp looks at green rating systems, material transparency, products and services, environments and corporate citizenship (ThyssenKrupp sustainability report, 2014). Being aware of the strong CSR reputations in the elevator industry becomes a representation of its importance throughout the entire corporation. This can be seen through the case company interviews, previous literature and the important values of each elevator company represented through sustainability reports in 2014.

6 DISCUSSIONS

6.1 Final Conclusions

The results of this study lead to the conclusion that a multinational corporation with a high CSR reputation will benefit from the use of social responsibility and the implementation of various mergers and acquisitions. This can be seen through the CSR index and the interviews conducted with Company A. The empirical findings show that CSR can be a crucial factor in the success or failure of the merger and or acquisition of firms with a high CSR reputation. Based on the case company we see that social responsibility is a prominent feature in all business activities: from the supplier to the everyday user.

This paper was motivated by the desire to gain a better understanding of how firms with a high CSR reputation enforced behaviors that enhanced its reputation throughout the firm. While we expected some organizational enforcement, we were quite surprised by the level of attention given to the firm's CSR reputation at all levels of the firm. After analyzing the case study, and seeing the overwhelming amount of employees' mention that CSR is represented in every single aspect of the company, we can conclude that the first hypothesis is true. This lends a hand to further research, challenging researchers to interview employees from two firms: one with high CSR involvement and the other with low CSR involvement, to see how they interact during the merger and acquisition process. The second hypothesis provided some limitation. Based entirely on the case company, it is true that a firm with high CSR will benefit from utilizing social responsibility during a merger or acquisition; we saw this in the interview with the Director of Compliance (4.14.16). What hasn't been explored is: whether or not a firm with low CSR can benefit from this strategy.

Based on my analysis and the two research questions mentioned in chapter *one,* two hypotheses can be formulated:

H1: Multinational corporations on an individual firm level will have high employee awareness when their reputation is built on intensive corporate social responsibility initiatives

H2: Multinational corporations will get the most out of mergers and acquisitions when they take into account their CSR initiatives when considering an opportunity

Hypothesis one can be concluded as true. Looking at Company A through an individual firm analysis we see that the firm has high employee awareness, based on intensive corporate social responsibility initiatives. Through the six interviewees conducted within the case company it can be concluded that: each employee highly valued CSR. It was valued from the perspective of the employees and through various M&As. We can also conclude based on the interview with an everyday consumer from Company A that: the firm takes the safety and opinions of their consumers very seriously.

Hypothesis two states that when considering a merger or acquisition, a firm must take into consideration their own and the purchased firms CSR programs, for the merger or acquisition to be profitable. The conclusion was: yes, the CSR initiatives of both firms need to be taken into consideration when merging or acquiring another firm. However, we cannot generalize this onto other firms, because; each firm must be analyzed on a case-by-case basis, to determine their own CSR initiatives and what value should be placed on those initiatives. Where one firm may be on the high end of the CSR spectrum, the other may be on the low end.

6.2 Theoretical Contributions

Looking at this phenomenon proves that social responsibility can be beneficial to a company, if it is implemented correctly. With M&A's in a multinational corporation looking at this process using an individual firm in the elevator industry helps prove its impact on a firm. Looking at this phenomenon through a narrowed lens allows us to contribute to research on CSR, by concluding that companies with intensive CSR programs will enforce social responsibility programs throughout the entire company: from suppliers to consumers.

6.3 Limitations

Because this study was based on a single case study, there were a few limitations when it came to comparative data. Although hypothesis one was tried and true, one avenue we didn't examine is the relevance of CSR in a company with low social responsibility. This would have been difficult to accomplish with a firm in the elevator industry: seeing as each firm has a justifiably high CSR score (CSRHub, 2013). This could lend a hand for further research to do a cross-industry analysis, where the elevator industry is analyzed on one side, and say, the petroleum industry is analyzed on the other hand.

Other limitations came as a result of the second hypothesis. Through the empirical data we were able to determine that Company A has high CSR relevance that helps the firm make decisions when deciding to perform a merger or acquisition. But what was not looked at was: the effect this notion has on other multinational corporations. Therefore, it can be said that Company A, will get the most out of mergers and acquisitions when they take into account their CSR initiatives. However, what is left to be determined is how exactly other firms will act when they institute the same concept.

6.4 Topics for Further Research

Topics for further research could include a comparison of two companies: one with low CSR and the other relative to our case study, with high CSR. The two companies could be compared to see how each one is affected when performing a merger or acquisition. The research collected throughout this paper For future research we must establish a guideline of standard on how to analyze an individual firm on the individual firm level that has not been studied so much. So that we can determine whether or not that firm will be as highly affected by CSR when merging when another firm.

Appendix:

Interview Guide Strategy/ Interview Questions

To begin: could you tell me a little about your background and experience at Company A:

1. Could you first tell about your own professional background, in general, and your experience at Company A, in particular?
    a. How did you become a member of the staff of the firm?
    b. When did you start in the firm?
    c. What are your primary responsibilities in the firm's operations?
2. How is corporate social responsibility related with your work?
    a. In what kind of situations do you deal with CSR related issues?

II Your definition of CSR:

1. What does CSR involve in your opinion?
2. How do you see CSR reflected in the operations of Company A?
3. What are the explicit elements that CSR at Company A covers?
    a. Are there particular CSR related programs internally?
    b. Does Company A participate particular CSR activities in the society at large?

4. I noticed Company A is dedicated to people flow and providing safe and efficient machines
    a. How is this aimed to be achieved in practice?

III Mergers and acquisitions in the firm & their strategies

1. In your opinion, why have the M&As been a salient feature of Company A's development?
2. How have the M&As influenced the operations of the firm in general?

3. Why do you think half of M&As fail?

IV Examples of particular M&A cases related with CSR

1. Would it be possible for you to name some merger or acquisition in the history of Company A that was connected with CSR questions?
    a. Could you describe this case in terms of the parties and process involved?

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