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The Role of Culture in Mergers & Acquisitions:
An investigation from a selectionist perspective

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How Do Cultural Challenges Impact the Success or Failure of Mergers and Acquisitions?

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Abstract

Mergers and acquisitions concerns the activity of buying, selling or combining organizations as a tool to improve financial performance, establish a global existence and withstand or dominate the competitive market. In the current climate, globalisation has driven organizations to merge or acquire in order to survive the highly competitive environment. However, research has shown a high failure rate for M&As. Although culture has been identified as a main cause of M&A failure, many organizations have still yet to address this aspect in a functional manner. While considering the role of culture in M&A activity, it may be useful to visit the principles of selection in relation to this matter. By understanding the underlying mechanisms that drive the evolution of cultural practices, it may be possible to shape them in a favourable direction.

This thesis is divided into two articles, the first one addressing the general aspects of M&As, culture and selection, and the intersection between these factors. This article presents a comprehensive and theoretical account of these topics. The second article in this study presents an empirical paper concentrated on the affect of national vs organizational culture on M&A performance, also discussed in relation to selection. There were two case studies conducted which examining culture in a national unsuccessful merger, namely AOL-Time Warner, and an

international successful merger, Vodafone-Mannesmann. Four M&A practicioners have also completed written full-answer interviews regarding the role of national and organizational culture in M&A activity. The cases showed that a merger conducted in the same national culture failed, due mainly to organizational cultural differences. An international merger succeeded in some degree, as culture was an aspect to be considered. The interviews yielded data that indicated culture to be a dominant factor that should be emphasized as far more relevant than previously, and should be considered in the pre-integration phase of a merger. National culture may play a critical role in a combination, however organizational culture may be an equally influencial factor. The study is concluded with recommendations for further investigation within this field, and a recommendation to organizations to acquire knowledge on the principles of selection and utilizing these during combinations in order to constrain the natural occurences in the enviroment, and manipulate them so as to successfully realize synergies.

1. INTRODUCTION

1.1 Brief Introduction

Historically, evidence of merger and acquisition (M&A) activity can be traced back to the 18^{th} century, although it is likely that M&A activity has occurred in different forms all throughout history. The evidence of M&A activity starting from the 18^{th} century seems to have originated from American companies, and further becoming a global procedure adopted by many other countries as a tactic for growth (Enyinna, 2010, p.1). According to Yang, Wei and Chiang (2014), the practice of M&A activity is currently becoming more and more frequent, as companies are currently spending more than $2 trillion on M&A activity. Yang et al (2014) further claim that the worldwide value of M&A activity in 2012 reached close to $2.6 trillion, and 37,000 M&A deals were announced. These numbers are a further piece of evidence towards the statement that M&A activity is in high gear, and continuously increasing. On the other hand, the rate of M&A failure range from 66% to 90% (Christensen, Alton, Rising & Waldeck, 2011; Deutsch and West, 2010). This indicates that M&A activity may not create value for the shareholders of the combined organization (Selden and Colvin, 2003). This article will further investigate M&A activity, and more specifically one of the feasible causes as to why M&As are often prone to failure: cultural challenges that may occur during integration of the organizations.

1.1.1 Historical Remarks

While examining the history of M&A activity, it appears that the phenomenon has developed in waves, more specifically six separate waves (DePamphilis, 2014). These waves have usually occurred in accordance with periods in history of continuous economic growth, low interest rates, low inflation and a rising stock market. Each of these waves vary in terms of which specific period of economic growth is taking place at that time, such as emergence of new types of technology and developments within different industries such as oil, machinery and production of goods and services.

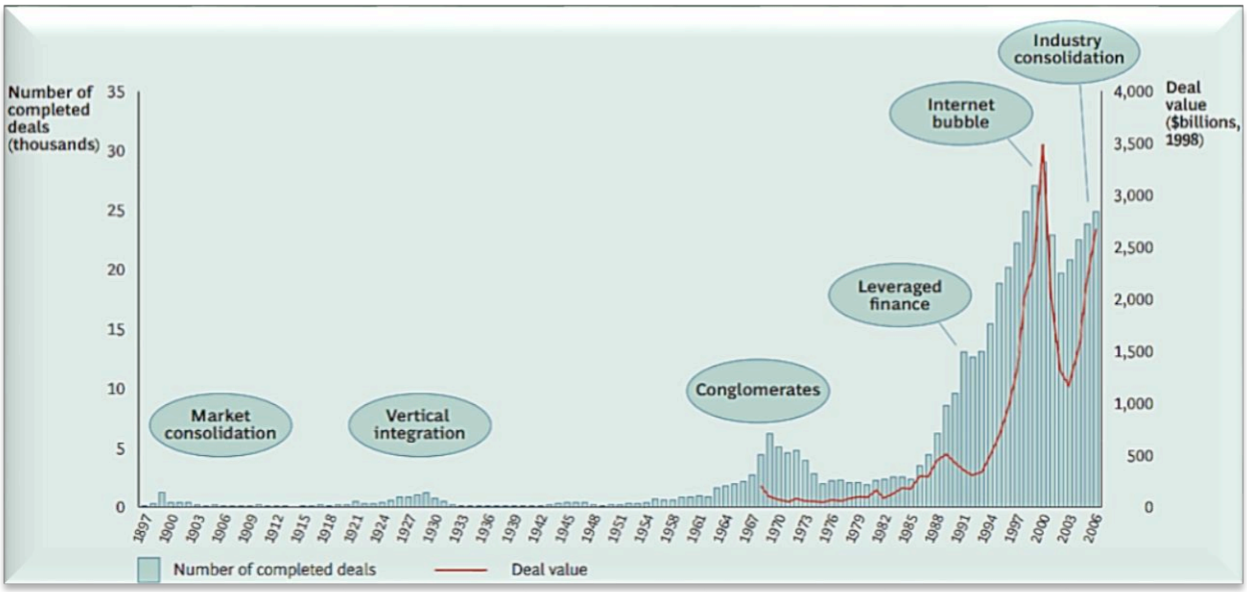

Figure 1 The six M&A waves (BCG, 2007; Depamphilis, 2014).

According to DePamphilis (2014), companies can take advantage of the current marketplace state by acquiring at the beginning of a period of economic recovery or at the beginning of a new industry M&A wave, and in this sense create greater shareholder value. This may explain why M&A activity has begun a new wave in the past decade, following the financial crisis of 2006-2007. In addition, the vast technological advances and the rapid rate of globalization occurring in these years have likely pushed companies worldwide to engage in M&A activity in order to survive in the increasingly competitive environment (Cooper & Finkelstein, 2014). This is further confirmed by the fact that global deals have increased by 53% from 2013 to 2014 (Mattioli, 2014).

1.1.2 Definitions

"Mergers and acquisition (M&A) are premised on the belief that the combined company will have greater value than the two companies alone. 1+1>2" (Daber, 2013; Marks & Mirvis. 2011, p. 161)

"Mergers and acquisitions are increasingly being used by firms to strengthen and maintain their position in the market place" (Daber, 2013; Schuler & Jackson, 2001, p. 239).

"It appears that it has become all but impossible in our global environment for firms to compete with others without growing and expanding through deals that result in mergers or acquisitions" (Rimestad, 2013; Schuler & Jackson, 2001, p. 239).

Marks and Mirvis (2011) define a merger as an integration of two fairly equal units into a new organization, and they define an acquisition as a purchase of a target company by a main company. More specifically, a merger occurs when two companies consolidate to create a new entity, with new ownership, and a new organisational structure. A merger can often give the impression of being a "friendly" interaction. However, in reality, so-called "mergers of equals" rarely occur. It is quite difficult for either of the two CEOs to willingly accept losing some authority. Integrating two different organizations and organizational cultures can be a challenge, and may include some aspects that are less than friendly. It is usual for the two companies to be of similar size, and it is also usual to use the term "merger of equals" for such combinations (Marks & Mirvis, 2011).

An acquisition takes place when a, usually larger majority, company overtakes another company, making it a part of the larger company. The acquiring company will in practice overtake all management decision responsibilities of the acquired company. An acquisition can often be viewed as a "hostile" interaction (Marks & Mirvis, 2011).

Although mergers and acquisitions are two separate forms of interactions, the two terms have become conflated over the years, and they are most often used in combination of each other. In other words, when discussing either a merger or an acquisition, it is usual to refer to the transaction as an M&A (Hillier, 2010). Throughout this paper the conflated term M&A will be utilized.

Gaughan (2011) claims that acquisitions occur in three different versions: merger or consolidation, acquisition of shares and acquisition of assets. These different versions will be further explored in section 2.2 of this article.

Sandaker defines culture as "a complex adaptive social system possessing several observed and agreed upon characteristics prevalent and recognizable over time even though members of the system are replaced by new ones" (2009, p. 288). This definition is complementary to other definitions of culture, such as Hofstede (1980), where culture is described as social systems where there are certain practices that the members of the system have agreed upon. Culture will be investigated thoroughly later on in this article.

1.1.3 Research Rationale

Although M&A activity has occurred in waves, and has in the later years been increasingly utilized, the results have been quite dismal. In addition, more than 50% of organizational combinations failed to reach their financial or strategic targets (Cooper &

Finkelstein, 2015). There may be several causes as to why the M&A failure rate is so high, such as simply incompatible combinations or conducting the combination at the wrong time; however, Marks and Mirvis claim that the main cause for this high rate is “the process through which the partner companies are integrated” (2014, p. 4). The article further defines and explains the stages of this process, and mentions integration of culture as one of the main factors that may influence the success or failure of a combination.

According to Panda “The study of culture in M&As is in its infancy and the current research is too inconsistent to support clear conclusions about the positive or negative role that culture can play during an M&A” (2013, p.5). Through this statement it is possible to consider the prospect that research in the field of culture in relation to M&As has not been sufficient, and this is an interesting approach to consider when examining the process of M&A activity.

This article will therefore attempt to examine the relationship of culture and M&A success or failure, specifically from a selectionist perspective.

In this context, it may be beneficial to consider the principles of selection presented by Skinner (1984) as a part of the explanation for why M&A activity has been utilized in accordance with these waves of M&A activity.

According to Skinner (1984), there are three levels of selection. It is especially the third level of selection, cultural selection, which may be pertinent to M&A activity, as this type of activity is a phenomenon that occurs when organizations attempt to remain competitive in an environment where the level of competition is continuously increasing. This indicates that some organizations may not survive in the competition unless they acquire certain cultural practices, which they may attain through the process of M&A. These three levels will be presented in this article in section 2.1, and deliberated in section 2.8, specifically in relation to M&A activity.

2. M&A and Culture

2.1 Selection

Skinner (1981) states that selection occurs on three levels: natural selection, selection of individual behaviour and cultural selection. A selection process consists of these steps: firstly variation, secondly interaction with critical environmental factors, and lastly differential success and reproduction (Lattal & Chase, 2013). The first level of selection, natural selection, concerns the selection of genes (Skinner, 1981). More specifically, the organisms with the most advantageous genetic traits, along with genes that are most prone to adaption, in a given environment will have the greatest odds of survival in that specific environmental condition, and will then in turn be replicated through reproduction.

The second level of selection involves organisms that acquire the capability to respond flexibly to events and conditions in their environment. The organisms learn from their interactions with their environment, and they learn to use the behaviours that are reinforced in that environment, while the behaviours that aren't, are discontinued (Mattaini, 1996).

The final level of selection, and the level most relevant to the application of M&As is cultural selection or the selection of cultural practises. In this instance the process usually begins at the level of the individual (Skinner, 1981). The article explains that better practices of certain activities, such as "a better way of making a tool, growing food or teaching a child are reinforced by its consequences" (Skinner, 1981, p. 213). When a behaviour or practice is reinforced by its consequences, the frequency of that behaviour or practice is in turn increased. Skinner further explains that the evolvement of a culture happens when practices occurring in this fashion assist the group in solving its problems. It is then presented that “It is the effect on the group, not the reinforcing consequences for individual members, which are responsible for the evolution of the culture” (1981, p. 213). This indicates that while the selection is occurring on the individual level, it is now occurring in a way that affects the behaviours of the collective. This occurs in this manner, because the group set conditions of social reinforcement that shape individual behaviour.

2.2 Mergers and Acquisitions

Mergers and acquisitions (M&A) is a strategy that has become increasingly prevalent in the last three decades. It is a tactic used by companies and corporations to expand their business, by either acquiring or merging with their competition and consequently, retaining a larger stake of the market, penetrating new market territory and/or grow globally (Buckley & Ghauri, 2002). It is utilized on both national and international scales. M&A activity is theoretically a highly useful strategy to be utilized in an increasingly globalizing and competitive market (Panda, 2013). With technological advances, and the development of the enormous phenomenon which social media has become, people all over the world are connecting and communicating in ways that have never been possible in the past. In accordance with these developments in society, businesses have had to make advances as well, in order to survive in the increasingly larger market competition. M&A could be a strategic way for companies to survive in the competitive environment (Grave, Vardiabasis & Yavas, 2012).

In recent times, companies have operated with mergers as strategy in order to boost synergy and financial gain, and at the same time growing their market position. Merger activity is continuously cumulating; in spite of evidence that the majority of mergers fail to meet the predictions and expectations regarding synergetic and financial success (Bligh, 2006). According to Cooper and Finkelstein (2015), M&A activity has been growing at a fast rate, as the consequences of the recession of 2006-2007 are lessening. Global deals are up 53% from 2013 to 2014, despite the fact that less than half of all business combinations reach their financial or strategic goals (Das & Kapil, 2012; Gomes, Angwin, Weber & Tarba 2013). The reason why M&A activity is still one of the primary strategies for organizations may be because it could be used as a tactic to preserve their competitiveness and produce transformational change in a market that is progressively globalizing (Cooper & Finkelstein, 2015).

Companies may have different motivations for utilizing M&A activity. As mentioned, Gaughan (2011) introduced three different types of M&A classification. The first type being a flat or horizontal acquisition, where the company either merges or acquires an opponent or competitive company. This is typically in the same area of business. The next type of acquisition is referred to as vertical, which would include firms concentrated on different stages of a production procedure, for example a motion picture company acquiring a motion picture camera brand company. The last type of acquisition is conglomerate, where the companies are unrelated and non-competitors (Cameron & Green, 2009; Gaughan, 2011). An example of this may be the AOL and Time Warner union, where AOL, which was a top Internet service provider, was practically acquiring Time Warner, which was an entertainment and media empire.

Once an organization has decided to engage in M&A activity, they may start the M&A process, which can be divided into different phases (Marks & Mirvis, 2001). The next section of this article will describe this process in detail.

2.3 M&A Stages

The process of M&A could be divided into 3 phases. These phases have been termed and defined differently by various authors. Marks and Mirvis (2001) have defined them as such:

- The *Pre-combination phase*: when a deal is conceived and negotiated by executives and then legally approved by shareholders and regulators.
- The *Combination phase*: when combined company planning ensues and integration decisions are made.
- The *Post-combinations phase*: when implementation occurs and people settle in to the new roles (Cooper & Finkelstein, 2015, p.4).

Marks and Mirvis (2001) have developed these terms through their work as researchers of M&A processes. These terms have been chosen to be utilized when addressing M&A phases in this thesis, as they are clear-cut and easily understood. Marks and Mirvis (2001) make it clear that these stages or phases are not definite as integration may often times transpire in the pre-combination phase, and so the phases might float into each other.

2.3.1 Pre-combination Phase

According to Marks and Mirvis (2001), driving a combination towards success begins in the pre-combination phase, and this may be the most important phase in creating successful combinations. In the article, organizational combinations are compared to organ transplants: "the surgery must be well thought out and planned, and the surgical team and patient prepped, prior to the operation, to allow for rapid execution and minimize the likelihood of rejection" (Marks & Mirvis, 2001, p. 82). In this sense, the emphasis is very much on preparation.

The process of preparation in the pre-combination phase includes both strategic and psychological factors. In the first factor, which involves strategic challenges, the main focus is on significant analyses that shed light on the sources that would bring about synergy in an M&A.

More specifically, conducting real life testing of prospective synergies, with the focus being on the structures and cultures of each of the two organizations, and creating the preferred relationship between the two organizations. The second factor, regarding psychological matters, concerns attempting to understand and bring awareness to the behavioural-repertoires (patterns of behaviour) that the individuals of the organizations bring with them and progress during the process of the combination (Marks & Mirvis, 2001). In other words, bringing awareness to the human experiences that may be expected to occur. When incorporating acknowledgement and action regarding these two factors, the process of preparation could allow the combination to steer towards a successful path. This could indicate that an appreciation for the fact that culture and the individual history of the individuals of the organizations may have an affect on the outcome of the combination may permit the organization to conduct a more well-prepared and thought-out combination.

It is important to mention that in the disappointing and unsuccessful instances, purchasers have often focused primarily on the numbers, such as what the target company is worth, what premium they will have to pay, how the transaction will occur, and how the transaction may impact taxes. The decision to follow through with a deal was based on expected synergy realization and value creation in regards to numbers only (Marks & Mirvis, p. 82). This is usually a process that occurs in the pre-combination phase, a period in which an organization is contemplating whether or not to combine.

Marks and Mirvis (2001) claim there are two human factors that contribute to this financial predisposition, the first one being that often times the individuals that made up the purchasing team came from economic backgrounds, and often worked within the financial sector of the firm. Their main outlook on the deal was from a financial stance. Marketing or distribution are examples of factors that were not taken into account when the team members were considering the potential synergetic outcomes. The second human factor is the overemphasized focus on numbers, which caused any matters regarding cultural or structural differences to be dismissed. In making the decision to go forth with making a deal was thus based solely on the joint values of the companies, the predicted cash flows, and what the return on their investment would be.

Contrastingly, in the successful instances, the purchasing team had a strategic outlook (Marks & Mirvis, 2001). They used the financial analyses as part of the investigation when strategizing how to reach the main goal, instead of only focusing on the financial aspect. Another factor that was typical in the successful instances was that the buying team had created a specific and clear definition of the synergies they were seeking in the union, and even tried them many times before starting negotiations. In these successful instances, human factors also played a role. The individuals of the purchasing team were from a variety of backgrounds, such as tech, operational and financial. This allowed the team to focus on many more components than only finances when considering a deal. The team also carried out a rather extensive due diligence, investigating the operations and markets of a potential contender when evaluating their fit. The potential risks and issues that might occur, that could spoil the deal, were thoroughly studied and considered. It is important to emphasize that the financial analyses or aspects were not by any means ignored or abandoned, nor that they lost importance towards the potential success. The financial investigation was actually an extremely important factor that drove the deal towards success, by having a comprehensive grasp of the financial aspect of a potential combination, but not limiting the strategy to only involve finances (Marks & Mirvis, 2001).

2.3.2 The Combination Phase

In this phase, the two organizations begin the process of integrating and combining. According to Cooper and Finkelstein (2015), at this stage politics often dominate. More specifically, it is usually a form of power politics, given that it is the purchasing company that decides the specifics of how the combination will occur. Many of the employees begin to compete for power and rank. The management teams may also withhold information in order to have the upper hand and retain control from the other side. In the unsuccessful instances, the transition teams come together to endorse the options of integration, however personal agenda and conflicting group forces get in the way of acquiring any form of real synergy. This is the point in which cultural clashes become evident as the focus of people within the organizations is on the differences between the organizations and what battles are won by which side rather than joining forces and putting in effort to unite in the best possible way and moving forward (Cooper & Finkelstein, 2015).

In this phase, the principles of selection will apply, as the different variation of practices will combine during this phase, and the conditions of the newly combined environment will select the practices that shall survive (Sandaker, 2009).

In the success instances, politics and schemes for self-protection are still factors that occur, however most of the energy that in the usual cases go towards dishonest actions are in these instances directed towards more positive channels such as combination planning. Top management defines the Critical Success Factors in order to give a guideline in relation to decision-making, as well as managing the integration process, making certain the sources of synergy are realized. Managers and employees are unified in deliberating the different options of combination, and if this process is thoroughly managed, advantageous combination decisions may occur (Finkelstein & Cooper, 2015).

2.3.3 The Post-combination Phase

Marks and Mirvis (2015) mention that they received updates from combined organizations a year and a half post-combination claiming that they lost their top talents, lost productivity and struggled with cultural clashes. The main explanation for this is the impatience of leadership. By rushing planning and implementation, the integration has failed, and has produced negative results across the board, from employee drive to consumer satisfaction. It is possible to salvage the combination through damage control in this type of situation, however it is of course preferred to eliminate the need for damage control, by taking the more precise and patient path that may lead to success from the beginning.

According to Cooper and Finkelstein (2015), in the successful cases, leadership and employees from both organizations welcome the strategic logic, and appreciate their own positions and duties in making the combination successful. In practice, many organizations in the process of combining have involved a high percentage of their employees in the process of planning the integration, and also play a role in the implementation process that they themselves have assisted in creating. In the successful instances, organizations use this phase to examine the work that has resulted from team building in combined divisions, and create a joint culture. The final factor that may enable a union to achieve success is that many combined organizations apply key midway adjustments that can change the combination from an unsuccessful course to a successful one (Cooper & Finkelstein, 2015).

In conclusion, factors of the pre-combination phase are vital in putting the combination on a successful path, and determine the course of the final two phases. It is important to have a greater understanding of why M&As fail, and why organizations still proceed to use this practice despite the high failure rate.

2.4 M&A Failure

Utilizing an M&A may seem like a wise step for companies to take, however studies show that the failure rate for M&A is high, and international M&A have an even higher failure rate (Lyckhult & Olsson, 2006). In spite of the increasing amount of research into the M&A phenomenon, the high failure rate remains the same (Hitt, King, Krishnan, Makri, Schijven, Shimizu & Zhu, 2009). This could be due to disagreement within research on the causes of failure of M&A.

There are several factors that may come into account when investigating the high M&A failure rate, such as: buying the wrong business or paying the wrong price. Merging or combining at the wrong time could also be a cause of an M&A failure (Cooper & Finkelstein, 2015). Marks and Mirvis (2015), however, claim that they discovered through their research, that one of the main causes of M&A failures could be found in the process in which the two companies combine and are integrated, more specifically; during the 3 phases, previously discussed, of combining companies.

According to Panda (2013), most M&As fail to achieve their objectives because organizations many times fail to predict the difficulties that may occur in the process of conducting an M&A, both during and after. It is further argued that although issues concerning strategy often times steer deals or combinations, cultural challenges are what mainly decide whether the deal ultimately is successful or if it is a failure with regard to attempting to create value. The traditional estimation suggests that 2/3 of deals fail in the integration stage.

Although the role of culture in affecting the outcome of a combination seems to be appreciated by organizations, managers regard it as too abstract of a concept, and difficult to comprehend (Panda, 2013). Another point to be made is that cultural issues are usually only experienced once the deal is implemented, therefore managers may not put adequate effort towards avoiding these types of issues (Panda, 2013). Another claim in the article is that organizations in general rarely address and evaluate the effects cultural differences may have or they choose to simply not do anything about the matter.

According to a survey by McKinsey and Conference Board, 50% of managers claimed that so-called “cultural fit” is an essential factor in a value increasing M&A. In the same survey, around 80% of the participants claimed that culture was hard to define (Engert, Schaninger & Jocelyn, 2010).

A large part of corporate history is designated to M&As failing due to culture clashes. There are many examples to mention in relation to this, such as the failed merger of AOL and Time Warner, Daimler-Benz and Chrysler and Monsanto and American Home. In many of these examples, the importance of cultural matters had been ignored or underestimated. Another example is the failed merger between Indian airlines and Air India, which, according to experts, failed due to weak cultural integration (Panda, 2013).

In many cases, cultural issues can make or break a combination. If culture is evaluated, handled and integrated in a beneficial manner, cultural diversity could lead to value enhancement. Successful organizations that have expanded through the use of M&A activity often put culture as one of the main criteria in their strategy when attempting to distinguish a target organization (Panda, 2013).

Although there are many factors or even a combination of a few factors that can drive an M&A towards failure, corporate culture is a key factor that should not be ignored in this context. As presented, an understanding and appreciation of the importance of organizational culture, and cultural fit can in some cases facilitate the success of an M&A, or at least be a helpful contribution when commencing the process of a combination.

2.5 Organizational Culture

Organizational culture involves the behaviours, perspectives and values of the individuals that make up the organization. These behaviours and values add to the distinctive psychological and social environment within an organization (Martin, 2004). Culture is an important aspect to consider when examining an organization. As Alvesson put it: “the cultural dimension is central to all aspects of organizational life and how micro and macro connect” (2016, p. 262). This statement illuminates the impact of organizational culture. Fine and Hallett also emphasize the importance of the cultural aspect: “Everyday life in organizations is not peripheral; it is central to how affiliation, allegiance, and conflict develop, channel and organize larger structures” (2014, p. 1774). In other words, by examining everyday events in organization, you may uncover how allegiances, conflicts or other workplace situations occur and develop. It is important to mention that in corporations where cultural matters are allocated little consideration, and the members of the corporation encounter a low degree of cultural uniqueness, how the individuals of this corporation behave, think, feel and value are all formed by the beliefs and meanings of a collectively socially common nature (Fine & Hallett, 2014). The importance of culture is not reduced by the possible administrational belief that culture is too elusive or too intricate. In the majority of present-day corporations organizational culture is assigned a great deal of attention, and is considered a vital factor of the organization. As Grey put it: “culture management aspires to intervene in and regulate being, so that there is no distance between individuals’ purposes and those of the organization for which they work” (2008, p. 69). It is clear to see that the importance of culture within an organization may have begun to receive the significance it deserves.

The concept of organizations entails an understanding that they are systems of shared meanings in differential degrees. A common understanding of the ideas, beliefs and meanings of the system makes it possible to continue with efforts without constant confusion, misunderstanding and over-analysis. Understanding and contemplation may be utilized when attempting to motivate employees to behave in a beneficial way in regards to the goals of the corporation, however it is also important when desiring to promote independent stances, within the employees, in relation to domineering philosophies of the workplace (Fine & Hallett, 2014). Culture is a crucial factor to learn about, so that it is possible to promote and enable critical thinking in all aspects of the organization relating to values, beliefs and assumptions of said organization.

It is clear that organizational culture has been an underestimated factor that has been overlooked in the history of corporations; however, it is now an issue that is seemingly given more attention.

2.6 Due Diligence and Culture

Due diligence is an important part of M&A, and can often play a significant role. Due diligence is aimed to be an investigation of the target firm, that is conducted in an objective and impartial sense (Angwin, 2001). “The process of investigating different aspects of a business or a person prior to signing a contract is called due diligence” (Panda, 2013, p. 5). This quote clearly defines the purpose and process of due diligence; it is an investigation of a subject prior to committing to that subject through a contract. While there are various types of due diligence, there are three main areas that are often emphasized during the investigatory process that takes place prior to a potential M&A: commercial, financial and legal (Angwin, 2001), while cultural aspects often remains as a less important addition (Koob, 2006). Nevertheless, this investigatory process should be extended beyond the simple financial and legal examination of the target company, and should include a comprehensive analysis of the company's intangible means (Panda, 2013).

Due diligence is essential in the process of uncovering potential or current problems, which is more preferable than discovering issues during the post-integration phase of an M&A (Rankine, Bomer & Stedman, 2003). A due diligence process carried out efficiently should reveal difficulties that could disrupt negotiations or cause a failed M&A in the post-integration phase. The intention of conducting an investigatory process such as due diligence is to uncover all information of relevance, in order to provide the organizations and other potential parties involved in the M&A (such as investors and advisors) assurance, and provide them with a complete comprehension of the value and potential risks connected to the target organizations (Angwin, 2001). It is also mentioned by Hitt, Harrison and Ireland (2001) that inadequate due diligences may be one of the causes of failed M&As. Therefore a thorough and precise due diligence may be key when attempting to carry out a successful M&A.

Denison, Adkins & Guidroz (2011) explain that cultural issues of M&As are often overlooked by many organizations. They do not understand its significance until serious damage has occurred. It is further claimed that management of the aspect of cultural integration could be challenging, however the pattern of failure is obvious; failure often occurs when cultural issues are repeatedly categorized as less important than the other main aspects such as financial and strategic issues. Therefore, it is advantageous to consider the significance of including a cultural aspect in the investigational process in order to uncover the cultural practices, issues and potential compatibility of a target company, namely a cultural due diligence.

Iacono (2011) claims that the research on cultural due diligence process is limited, despite how important and complex this process is. This claim presents that cultural issues are often ignored in the process of M&A deals, therefore the practice of cultural due diligence is restricted, and subsequently research would logically also be quite limited.

In relation to conducting an M&A, Denison et al (2011, p. 102) have explained that:

> A crucial, and often overlooked first step is to begin the M&A process with an understanding of how M&A activity fits with the culture and growth strategy of the organization. Beginning here ensures that cultural issues remain on the table through the acquisition and integration process rather than emerging towards the end when an integrated and unified organization is desired (2011, p. 102).

In this sense, Denison et al (2011) highlight the importance of acquiring knowledge of a target company's culture from the very start of a M&A process, and this would in practice be a cultural due diligence which would be utilized throughout the entire M&A process.

According to Panda, these are the questions that a cultural due diligence usually would be centred around:

- Is the acquisition a good cultural fit for both organizations?
- Do the employees of both organizations share the same beliefs and values (which should be non-negotiable)?

- Do both organizations respect each other?

(2013, p. 6)

It is important to mention while financial and legal due diligence is statutory, contrastingly, cultural due diligence is not (Panda, 2013). It is therefore up to the organizations whether they choose to conduct a cultural due diligence or not. A cultural due diligence is primarily “the process of defining, investigating, and assessing the cultures of two or more distinct business units through a cultural assessment to discover areas of similarity and difference that will impact integration efforts and achievement of strategic objectives” (Panda, 2013, p. 6). This statement clearly explains the process and motivation of a cultural due diligence.

To sum up, due diligence is a process of investigating the financial, operational and strategic aspects of organizations in order to have a comprehensive account of a target company when considering an M&A. The importance of including cultural aspects in the process is evident, and can potentially affect the outcome of a combination.

2.7 Culture Clashes in M&As

One of the reported causes of failed mergers has been cultural clashes, generating a new branch of research. In recent years, part of the research on mergers has been concentrated on the role of organizational culture and the process of merging organizational cultures (Bligh, 2006). These so-called culture clashes in regards to mergers may occur during the process of integrating two different organizational cultures, whilst lacking an adequate integration process procedure. These cultural conflicts often consist of company identity, communication difficulties, human resources issues, ego clashes and inter-group conflicts. As a result of these potential conflicts, culture is often held responsible when mergers fail (Bligh, 2006). In regards to the M&A phases previously described in this article, it is most often during the post-combination phase, as it is here the efforts or potentially lack there of, for integration are completed, that culture clashes occur. In this phase, the real day-to-day work-life commences, interaction between the individuals of the system and the environment occur, and the cultural differences become more apparent (Bligh, 2006).

According to Cooper and Finkelstein (2015) M&A activity started to increase dramatically as the consequences of the recession of 2007 started to settle and the economies of the West began to redevelop. M&A activity has been employed in order to facilitate struggling economies in becoming more competitive.

During the second half of the 1980's, there was a change in research regarding M&A, and the focus shifted towards the organizational fit of the companies merging. This indicated that corporate and national cultures became a part of the research on M&A. This focus was, and still is, important, because there are individuals, groups and cultures that are merging in the integration of this strategy. Through the emergence of the research on the process of merging individuals and cultures, many theorists conclude that culture clashes are the reason behind the majority of M&A failures. According to Weber and Fried (2011), despite the large amount of research on cultural differences within M&A, cultural issues that usually occur during the post-merger integration period continue to be poorly comprehended.

This knowledge of how cultural differences effect the results of the integration of a merger or acquisition, should effect the way corporations conduct the due diligence process prior to a potential merger or acquisition. The reason for this inclusion is to uncover how the corporate cultures should merge, or even if the corporate cultures are compatible at all, as mentioned in the previous section. Makhlouk and Shevchuk (2008) go as far as claiming culture as the make or break factor in a merger. It is further mentioned that 70% of mergers fail to accomplish their planned synergies, and a drop to 50% overall in productivity in the first 4-8 months after a merger, and credit this to the lack of understanding of the instrumental effect of the human factor in the corporations, and in the mergers. A company's neglect of the human factor, the failure to recognize the costs of attempting to integrate a merger strategy of incompatible corporate cultures, could inhibit the merged company's ability to realize their planned synergies. Consequently, this would prevent the company from realizing any planned or anticipated capitalization of the merger.

As Makhlouk and Shevchuk (2008) show, "people problems" was the biggest factor playing into the failure of mergers, as shown by a study of some 45 Fortune 500 companies that had in recent times undergone a merger or acquisition. However, the human factor is still the last factor that is taken into consideration during due diligence, the planning and integration phases of an M&A. Leaders are often more concerned with shareholder value, planning financial synergies and other aspects of the market business. As a matter of fact, 75% of top executives participating in a survey acknowledged that they had no plan in place for managing the merging and possible clash of cultures in an M&A. In the same survey, 70% disclosed that their companies had not evaluated their corporate culture. There are many other studies examining these aspects that have similar results (Mahlouk & Shevchuk, 2008). Many managers and leaders view cultural challenges as something that will work itself out, however this type of approach is what can often times result in the failure of an M&A. The corporate culture of a company is not taken as a serious and important segment of that company. Companies should utilize tools of culture measurement in order to get an overview of their corporate culture before considering a merger or acquisition.

2.8 Selection in Relation to M&A Activity

According to Skinner (1988 p. 16), “it is the effect on the group, not the reinforcing consequences for individual members, which is responsible for the evolution of the culture”. According to this explanation of the progression of culture, the development of a culture depends on how it affects the group as a whole. Skinner (1988) further claims that the source of cultural practices stems from the reinforcement of the individual’s behaviour, in order for development and maintenance of the group to be substantiated.

The third level of selection, previously presented in section 1.2, may be relevant to the increase of M&A activity in different societal waves, such as the period of industrialisation or oil discovery, seeing that during these periods the conditions of the environment had changed in some way, and so the environment required variations of practices in order to survive the new conditions of survival. M&A activity might add variation to the practices of the joint organization. By adding variation, the organization is more equipped to manage and conform to changes in accordance to the survival conditions of the environment. It also increases the ability of transformational change in the progressively globalized business realm (Cooper & Finkelstein, 2015). In this sense, the organization is able to diversify, and thus have better odds at surviving and thriving in the marketplace. Different organizations operate with different conditions of reinforcement for the individuals, as the organizations have their own specific climate that has created the reinforcement conditions within their organization. These conditions will have to be coordinated when the organizations have combined, with the purpose of allowing the successful variations of the different cultural practices to be implemented in the whole of the organization. However, an important factor to consider in relation to this theme is that it may be costly for organizations to attempt to discover successful variations of behaviour and/or procedures, as the organization is often required to apply much energy and dedication going through failed variations before successful ones are discovered.

The selectionist perspective makes it possible to study functional relationships between different actors, cultures and groups, independent of whether they belong to the same organizational unit or not (Sandaker, 2009). Changes in a system will often times have major effects in other parts of that system. Simply describing the changes that are desirable is not sufficient, there should be a functional analysis, and conditions should be facilitated in order to reach the desired goals (Sandaker, 2009). This approach corresponds with other perspectives presented in this article that indicate that imply acknowledging and describing possible issues is not enough, there also has to be a plan put in place on how to tackle these issues.

Selection is one of the main concepts within complexity theory, along with interaction and variation (Axelrod & Cohen, 2000). Typical characteristics of complex systems are that they are difficult to predict, but there are still some elements of the structure that allow for them to be influenced and improved. Rhodes and MacKechnie (2003) claim that it is common, while working with complex adaptive systems, to start with viewing the individuals as the key-actors in the system, and the system itself is the object to be studied, however it might be beneficial to study the continuous overall activity of communication, rather than simply looking at organizations as a system. This would make interaction the main object to be studied. Interaction can occur between actors in the system and/or artefacts, such as technology or policies. These interactions create occurrences that may create or destroy variation (Axelrod & Cohen, 2000). This indicates that the interaction occurring in a system or an organization may create or destroy variations of cultural practices. Once the actors are in each other's proximity, the probability for interaction increases. Technology such as mobile phones and social media also create nearness in which the actors in the system can and, most likely, will interact with one another. This interaction will enable variations of cultural practices to occur (Axelrod & Cohen, 2000). These cultural practices may be beneficial or detrimental to the organizations.

When applying these principles to the area of cultural challenges in M&As, it is clear that when cultural challenges occurs, the environment in which the cultural practices are present, is two-folded. The environment consists of two organizations, in which members of maybe one or both of the organizations may feel that they are forced into an environment with another party. While the environment is divided in two, it would be impossible for selection to occur, as the group has not jointly agreed upon the characteristics to apply to their culture. This would therefore result in an adverse situation that would cause problems to the combined organization realizing its synergies. A possible way for this adverse result to be avoided is by meticulous planning in the pre-combination phase, in order to create a successful integration process, where the individuals of both organizations accept the new environment as a whole, rather than divided.

2.9 Conclusion

Through different perspectives presented in this article, it is clear that the significance of culture is a factor that has often times been overlooked in M&A activity, however it seemingly has an affect on the outcome of M&As. According to Marks and Mirvis (2001), most mergers don't experience culture clashes until the post-combination phase, where it becomes clear whether integration has succeeded or failed. They further claim that the appropriate time to take into consideration the cultural aspect and design a plan on how to deal with it is in the pre-combination phase, after they have conducted a thorough due diligence that should have uncovered possible clashes that may occur.

When linking this with the selectionist perspective, a combination may be on the path to failure if the organizations have not conducted exhaustive and detailed planning in the pre-combination phase, taking into account the many cultural and behavioural factors that may have an impact on the potential success or failure of a combination, and implementing a plan to join the two environment into one in a way where the individuals of the two organization accept the joint environment, which would allow for interaction to produce variations of cultural practices that would be selected in the joint environment of the combination.

There are also other factors that may be interesting to consider in regards to culture and the potential success of a combination, such as the level of culture, i.e. whether there is a difference in cultural challenges and merger success between companies that merge within the same national culture or companies that are culturally disparate. The second article will investigate this question in depth, through the analysis of case studies and interviews.

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The Effect of Culture on National versus International M&As

A Comparative and Exploratory Analysis

1. INTRODUCTION

1.1 Background

The procedure of conducting mergers and acquisitions (M&As) is an extremely complex transaction, and can often times be the determinant factor of whether a business will flourish or fail (Reed, Lajoux & Nesvold, 2007). According to Thomson Financial, at the end of the year 2006 in excess of 30 000 deals were completed, valued at $3.8 trillion. It is clear that M&A activity is a substantial part of corporate society, and affects the market in significant manner. M&A activity has occurred for at least a hundred years, and it has usually increasingly occurred in waves that were initiated by different situational factors, such as industrial and/or technological development that may increase market competition, and it continues to be the main strategy for growth within the worldwide corporate society (Koi-Akrofi, 2016). The fundamental premise of any merger is that the merging entities will be more valuable together than they are separately, which would categorize the merger as synergetic. In some instances organizations may cause each other adverse results in their separate entities, however by combining they may create synergetic affects.

Although the number of M&A deals decreased during the economic crisis that occurred in 2006-2007, and affected the market for a number of years following, it is clear that a new wave has already begun (Bauer & Matzler, 2014). One of the causes of this wave may be the level of globalization that has occurred during the past decade. With the extremely rapid evolvement of technology: people and business are now connecting at a pace and in ways that have previously been unimaginable. As a result of this steep societal development, many organizations have had to look to M&A activity in order to develop, however, some have had to utilize it just to survive and keep up in the rapid corporate and technological developments (Bauer & Matzler, 2014).

The motivation behind the desire to grow and develop is, often times, increasing shareholder value. M&As are usually utilized in order to expand an organization or business that is seeking to increase their part of the market and strive for lasting profitability (Friedman, Carmeli, Tishler & Shimizu, 2015). It is also a tool employed in order to survive in the market competition. According to Grimpe and Hussinger (2008), in the technology market, many firms use M&A activity as a means of pre-empting competition. By acquiring a competitive company, the combined entity has a greater market power, and greater chances of survival in the competitive market. However, research has suggested that despite the large quantity of M&A deals and activity in the corporate field, a large number of these deals yield adverse returns for the shareholders of the acquiring firms (Agrawal, Jaffe & Mandelker, 1992; Eckbo & Thorburn, 2000; Franks, Harris & Titman, 1991; Friedman et al, 2015; Schoenberg, 2006). There are many possible explanations for the failure of M&As presented through the literature. Jemison and Sitkin (1986) present factors such as strategic misfit, which revolves around whether the target corporation is aligned with the acquiring entity. According to organizational scientists, unsuccessful post-merger integration and weak cultural fit are factors that may result in failed M&As (Cartright & Cooper, 1993). Researchers within the field of human resource management have highlighted the role of human resources in the different stages of the M&A process, and also highlight factors that may affect M&A performance, such as individual, organizational and managerial factors (Friedman et al, 2015, p.2339).

Financial experts, however, have put their focus on how financial factors, such as payment method, amount and numbers in general may result in failure for an M&A, while somewhat ignoring the 'soft' issues such as people and culture. Although all these different disciplines have attempted to uncover the reasons for the high failure rate of M&As, the answer has yet to be fully discovered.

When deciding on a potential company to merge with or acquire, the selection decisions have often focused on financial and strategic factors (Cartwright & Cooper, 1993), however they fail to consider whether the companies are culturally compatible, and many combinations may fail as a result of this disregard, due to unsuccessful merging or integration of cultures.

According to Whitaker (2016), "in 2014, the M&A market reached its highest level since 2007 with \$3.3t of announced deals in value. This climbed to \$4.7t in 2015" (p. 5). This clearly shows that there is a huge market for M&A activity. An important factor to consider is the international out-spreading of the M&A market. During 2014 and 2015, all regions of the world grew at varying fast paces, which highlights the trend of globalization and the utilization of similar business strategies worldwide (Whitaker, 2016, p.6).

Cartwright and Cooper (1993) stated, "between 1984 and 1989, the number of European cross-border mergers and acquisitions was £33.5 billion" (p. 57). This makes it clear that cross-border M&A has been highly utilized for a long period.

1.2 Research Rationale

Ahammad, Tarba, Liu and Glaister (2016) explain that some studies over that past two decades have indicated that cultural differences may have a negative effect on M&A performance, however they clarify that other studies have indicated that cross-cultural differences could both positively and negatively influence M&A performance (e.g., Ahammad & Glaister, 2011a, 2011b; Reus & Lemont, 2009; Sarala & Vaara 2010; Slangen, 2006; Vaara, Sarala, Stahl & Björkman, 2012; Weber, Tarba & Rozen Bachar, 2011; Weber, Tarba, Stahl & Rozen Bachar, 2012). These are interesting findings that could be further explored, why are cultural differences in some instances useful, while in others destructive? Stahl and Voigt (2008) found, through a meta-analysis, "that cultural differences affect sociocultural integration, synergy realization, and shareholder value in different, and sometimes opposing, ways" (p. 160) Stahl and Voigt further argued that the inconsistency in findings related to the impact of culture on post-acquisition performance could be due to the fact that "M&A researchers have compared apples and oranges in making conclusions about the impact of cultural differences without distinguishing between different levels of culture (national or organizational), performance measures (accounting- or stock market-based measures, and organizations studied (acquiring or target firms)" (2008, p. 160). It is clear here that researchers may not have precisely defined what they consider to be culture, or which type of cultural level they are looking at, thus resulting in inconsistent findings. It would therefore be meaningful to divide culture into at least two levels in this respect: national and organizational, and examine how each level may affect national and international M&As.

In this context, it may be useful to visit the selectionist approach to cultural practices, and how unifying disparate cultures may be useful in some occurrences, and harmful in other cases.

"A culture is defined as a complex adaptive social system possessing several observed and agreed upon characteristic prevalent and recognizable over time even though members of the system are replaced by new ones" (Sandaker, 2009, p.288). According to this definition, culture is maintained by a number of characteristics that may be upheld regardless of whether the members of the system are exchanged. Sandaker (2009) explains that cultural change occurs "when contingencies that change the social system are stronger than competing contingencies on an individual level" (p. 288). In other words, change occurs through contingencies competing, with the one most beneficial surviving. Skinner (1981) defined three levels of selection, natural selection as the first, operant conditioning as the second level and the final level being selection of cultural practices. According to Skinner (1981), it is "the third kind of selection by consequences, the evolution of social environments and cultures. It is the effect on the group, not the reinforcing consequences for the individual members, which is responsible for the evolution of cultures" (p. 502).

Sandaker (2009, p. 289) further explores the term metacontingency, which was introduced by Sigrid S. Glenn. Metacontingencies are described as associations of three mechanisms, the first being interlocking behavioral contingencies (IBC), which is described as instances where there is a mutual dependability between individuals or groups in order to create the second mechanism, which is a collective aggregate product (AP). This product is selected by the third and final mechanism: a receiving system. Metacontingency as a term was developed in order to precisely describe analysis of selection by consequences on the group level.

Sandaker explains that:

> The systems approach in combination with a behavior analytic perspective may contribute to the understanding of how a system of reinforcers (or interlocking behavior

> contingencies) constitutes a favorable environment for certain (systems of) behaviors to be selected. Thus, the systems of reinforcers are prerequisites for behaviors to be selected and hence the causal mode for cultural traits or cultural properties to be maintained. To the extent that these properties seem to fit the environment (receiving system), both the behaviors *and* the systems of reinforcers are selected (2009, p.289-290).

Through this statement, it is possible to conclude that in some instances cultural differences may be advantageous, as they contribute to a variation of cultural practices to competition, that may be more beneficial, and may therefore be selected by the 'receiving system'. In other instances, it may be destructive as the cultural practices presented may be weaker than others presented by the other part in a combination, and therefore not selected, leaving the members of those cultural practices out of place, and an integration may be problematic.

A meta-analysis has shown that cultural differences may have an effect on socio-cultural integration and synergy realization, and may in fact increase shareholder value (Ahammad et al, 2016, p. 67). It may be useful to incorporate different cultural integration mechanisms like communication and the use of expatriates between the two merging organizations (Ahammad et al, 2016, p. 67). Ahammad et al stated "The influence of corporate cultural differences and other human resource-related factors on the effectiveness of the post-acquisition integration is complex and varies across different industry sectors" (2016, p.67). A number of research studies displayed the effects of national and organizational culture differences and of post-acquisition integration mechanisms (Sarala, 2010; Sarala & Vaara, 2010). For example, Sarala (2010) indicated that organizational culture differences upsurge post-acquisition conflicts, which could lead to inferior post-acquisition performance. Organizational culture analysis can lessen the tensions between the acquiring and target firms during the M&A process (Weber & Tarba, 2012; Weber, Tarba, & Rozen Bachar, 2011a, 2012b).

Stahl and Voigt (2008) suggest that a great deal of research has concluded that cultural differences can cause major complications while merging companies are attempting to conduct a successful integration. However, it is also claimed in the article that there is much empirical support for the opposing view; cultural differences may in fact be a resource when creating value, and may also initiate an interest for learning.

The framework surrounding national culture values as presented by Hofstede (1980), which indicates that national culture values are shaped by the political, social and psychological conditions of the particular nation, has been utilized in studies in a number of disciplines such as management and psychology (Ahammad et al, 2016). Some of the studies that have examined the relationship between national cultural distance, which can be defined as the distance between the national cultures of the organizations combining, and cross-border M&A performance have indicated positive effects, while other studies underline the negative effects that may occur. It is further claimed by Ahammad et al (2016) that there was no direct effect of national cultural distance to be found, in their study, on cross-border acquisition performance. Angwin (2001) conducted an explorative study where cross-border M&As were investigated, and the study established that national cultural distance might play an important role in relation to the acquiring organization's perceptions of the target organization, which may affect post-acquisition performance. Other researchers have confirmed this finding, such as Chakrabarti, Gupta-Mukherjee, and Jayaraman (2009), which discovered that the performance of an M&A might be better in terms of a long-term perspective if the acquiring entity and the acquired entity are placed in different countries that are culturally more dissimilar. It is also presented that national cultural distance as opposed to dimensional differences appears to drive these results. On the other hand, Reus and Lamont (2009) claim that national cultural distance hinders the ability of understanding significant capabilities that will have to be transferred, and limits communication between the two parties, consequently creating a negative unintended effect on the performance of the M&A.

Uhlenbruck (2004) concluded that national culture distance decreases the degree to which acquiring parties can learn from experiences abroad and limits the level of sales growth of acquired entities.

According to Ahammad et al, "National cultural distance can prompt learning in the context of CBAs (cross-border acquisitions) because differences in beliefs, values, and practices have the potential to promote learning and innovation" (2016, p. 68). It is clear, through this statement, that national cultural distance may have a positive impact, enticing interest and curiosity. This could drive the parties towards learning about each other's culture. Also, cultural familiarity theory argues that firms are less likely to invest in culturally distant countries and subsequently have poorer performance post-integration (Chakrabarti et al, 2009). The resource-based view of the firm, in contrast, hypothesizes that more culturally distant M&As will actually be more successful because the cultural differences enhance potential synergies between the two partners (Chakrabarti et al, 2009). As presented, the research on this issue has been inconclusive with contradictory findings (Panda, 2013). In this context, it would again be advantageous to consider the selectionist approach in relation to this topic. By having culturally distant organizations combine, the variation of cultural practices could rise, therefore increasing the probability of progressively successful practices taking place in the variation, and also allowing the combination to have a better chance of survival, by having a high degree of variation when responding to an unpredictable and ever-changing environment or market (Sandaker, 2009). However, having a large range of variation may also entice unwanted responses and may also consume a substantial amount of energy and resources by selection occurring in a considerably large amount of variation in cultural practices, thus it may not always be favorable to have too much variation. The best practice would be to attempt to constrain the variation to an optimal level. An important question may then be raised: How can we identify an optimal level? The answer to this may be relative to the individual combinations; however incorporating analysis in order to uncover the optimal level may be a useful tool in the process of combining organizations. The organizations should facilitate the criteria or mechanisms of selection in order to accomplish selection of successful practices, for example Cooperation of the month or similar procedures.

A study by Park and Ungson (1997) on the effects of partner nationality, organizational dissimilarity and economic motivation on the dissolution of joint ventures showed that, although cultural distance in general had no effect on dissolution, it was clear that U.S.-Japanese joint ventures were longer-lasting than U.S.-U.S. joint ventures. This could be an indication that in some way, national cultural distance may in fact have a positive impact on combinations, although one study would not be sufficient to generalize this finding. However, the finding is supported by Chakrabarti et al (2009), whom concluded through a sample of over 800 cross-border acquisitions that long-term performance was better in cross-border acquisitions where the two entities are from countries that are culturally disparate.

National cultures influence corporate cultures. The elementary values that a national culture is built upon are also shared by the corporate cultures within that nation, albeit corporate cultures may vary to some extent in that nation. The different corporate cultures in a nation are not identical, but most would say they are less diverse than when compared to corporate cultures in other nations. This brings forth the main research topic of this article: Is it easier to avoid culture clashes in national M&As as opposed to international M&As?

2. METHODOLOGY

2.1 Research Approach

According to Saunders, Lewis & Thornhill (2012), the design of the research is the general plan in which the researcher will attempt to answer the research questions. The methodology of the research is imperative as it offers a sense of vision and what the researcher aims to achieve with this study. The methodology is, in a sense, viewed as a tool that will aid in analyzing and categorizing all of the data that will be gathered. The methodology will also allow the reader to understand the construction of the thesis, thus providing a better understanding of how the research question is being addressed (Strauss and Corbin, 1998). This study can be described as an investigative and exploratory study as the researcher aims to clarify and understand the role of culture, both national and organizational, in M&A activity by conducting literary searches, gathering case studies to be examined and analyzed, and conducting written online interviews with M&A practitioners.

2.2 Qualitative Method

When conducting research, there are two types of methods that can be employed; either quantitative - or qualitative research design. It is also possible to combine these two methods if it is appropriate for the type of research conducted. For this research, a qualitative approach, with two different methods of data collection has been utilized due to the nature of the research, as this approach would create more meaningful data when attempting to answer the research question. The qualitative method can uncover meaningful and explanatory data regarding the general aspects of M&A, such as concepts, motives, causes, and more importantly cultural aspects.

The qualitative approach will yield more in-depth data analysis as it allows for a better understanding of the nature of the research topic (Strauss and Corbin, 1998). It is stated by Strauss & Corbin (1998) that the term qualitative research as any type of research where the results are not concluded through statistical procedures. This indicates that meanings derive from words and not from numbers (Saunders et al., 2012). An additional advantage with employing this method is that it allows the researcher to have more independence/freedom in collecting data and information with fewer restrictions.

2.3 Case Study

In this study, multiple case studies method has been employed, using both firsthand and secondary data. Saunders et al gave the following explanation for case studies: "A case study explores a research topic or phenomenon within its context, or within a number of real-life contexts" (2012, p. 179). Case studies may include rich and revealing insights of the specific case chosen. The case study research method also aids in gaining a wider understanding of the context of the research (Saunders et al, 2012).

Due to the nature of the research question in this study, the researcher has selected and examined two separate cases. One case study illustrates an unsuccessful national M&A, while the other case exemplifies the opposite, a successful international M&A. The aim is to compare and contrast the role and handling of culture, both national and organizational, in a successful and unsuccessful merger, in order to acquire knowledge on the part culture may play in both national and cross-border mergers, and whether there is a difference, or if it is simply dependent on organizational cultures, and the way in which they are managed and integrated. This information may be useful for companies planning either national or cross-border M&A processes, as it may uncover the role in which culture may play in the potential success or failure of an M&A, and the best practice in managing it.

2.3.1 Selection of the case studies

The case study representing the national unsuccessful merger features AOL-Time Warner, which it was infamous for its massive failure as a merger, and their lack of management in cultural matters.

The second case study involving an international successful merger introduces the Vodafone-Mannesmann, as this merger is known for its success and for being a massive international merger. These particular cases were selected, due to their acknowledgements as being the archetypes of failure and success, and as a result of one being national and the other being international, allowing the researcher to examine the differences and similarities of national and cross-border M&As, as well as analyze the role of culture in this sense.

The case study overall is an additional contribution to the theoretical aspect by examining the rationale of the deal, identifying realized goals and assessment of the integration process.

2.4 Data Collection and Analysis

2.4.1 Primary data

Primary data consist in collecting original information from direct sources. There are various ways of collecting primary data, such as through observation or in-depth group interviews, or by using questionnaires (Saunders et al, 2012). In this study, the primary data was collected through online interviews, using an anonymous questionnaire. Other primary data collected have been acquired through the websites of the combined companies.

2.4.1.1 Interviews

Online interviews were conducted with people that operate with or specialize in the area of M&A activity, as it would be an important contribution to this study. It has also made it possible to include the practical aspect of M&A activity, through the accounts of these participants, as opposed to strictly the theoretical perspective presented through the literary search. The participants were selected based on their extensive knowledge and experience within the area of M&A.

The interview was structured through a list of ten questions, with open space under each question for the participant to write down a full-answer response. While the questions focused on a particular theme, the role of culture in national and international M&As, the last question opened up the possibility for the participants to state any thoughts, ideas or comments they had regarding M&A activity in general. The interview questions were derived through the literature review in this study and the interview questions are available in Appendix 7.2.

The written interview was conducted through an online form (nettskjema.uio.no), in which the participants' identity was completely anonymous, as there is no possible way to link a completed form to any particular participant. The researcher was directed to the NSD (Norsk Senter for Forskningsdata) website, to take the test that would signify if the method of data collection required the study to be registered and approved with the NSD. The result of the test clearly stated that the study wasn't required to be reported to the NSD.

The researcher chose to conduct the interviews in this written manner in order to obtain a greater number of participants, as most would be more willing to partake in a written interview which they could fill out at their convenience, and in order to protect the participants identity. Many participants might not have been open to participate in the interviews, due to their job positions, as it might in some way affect their employment.

Prior to the questions, the participants were presented with a consent form (see Appendix 7.1) explaining the research, the aim of the study, what their participation would entail, assuring their anonymity, and providing them with the contact information of the researcher, should the participants have any queries. They were then presented with a question regarding whether they would give consent to partake in the study, and two alternatives of response, either yes or no. It would not have been possible to obtain written consent prior to participating in the interview, as the identities of the participants was to be held entirely anonymous, to anyone who might read the thesis and to the researcher as well. The decision to conduct the interviews completely anonymous was made in order to make participation in the interviews more appealing to possible participants.

The participants were found through the online professional platform LinkedIn, where it is possible to find profiles of individuals working within the area of M&A. The researcher upgraded to a premium account in order to be able to send out emails to candidates that might be interested in participating in an interview. 30 emails were sent out to appropriate possible interviewees, in order to further protect the anonymity of the candidates that chose to participate. The link to the interview was also posted in three separate groups relating to M&A activity with thousands of members. Despite the efforts to recruit a large number of participants, only 4 participants answered the interview. When a participant had completed the interview, an email was sent out with the anonymous responses.

2.4.1.2 Ethical consideration

The consent form consisted of informing the participants of the overall purpose of the investigation and the main features of the design, as well as the benefits from their participation in the study. The consent form further involved obtaining the voluntary participation of the subjects, and informing them of their right to withdraw at any point they might wish to. The consent form also informed of confidentiality, and who might have access to the interview, the researcher's right to publish the whole interview or parts of it, and the analyses of the interview. The informed consent of the subjects to participate in the study was given through clicking yes on the form at the beginning of the online interview.

As there were only 4 number of participants that completed the interview, it would not be representative enough to be able generalize the findings of the analysis, however it may give an indication to what the important factors to regard are.

2.4.2 Secondary data

Data collected through books, articles and journals presented by others on the subject of M&A activity are categorized as secondary data. The theoretical part of this thesis is predominantly based on academic books, articles and journals from various scientific disciplines. Utilizing this method of data collection has both advantages and disadvantages. The primary advantage is that reanalyzing the data could lead to new discoveries. According to Saunders et al (2012), the disadvantage may be that the data gathered could differ with the purpose of the project.

2.5 Analysis

The data was analyzed by categorizing related interview questions and responses into three main themes. The responses for each theme were then presented and discussed. The case studies were analyzed by comparing and contrasting the two cases in relation to the three main themes.

2.6 Reliability and Validity of the Research

Reliability and validity signify two separate concepts, employed as a reflection on the quality of the research design. Firstly, *Reliability* concerns whether the data collection methods and analytical procedures would produce consistent results if they were to be repeated on a different occasion or by another researcher. *Validity* refers to the degree of which the data collection methods accurately measured what they were aimed to measure (Saunders et al, 2012).

As the written interviews had a set of questions to be filled out by the participants, it was impossible for the researcher to probe the subjects' responses, which may have limited the responses. However, this also allowed the interview to be impersonal, and limit the effect the researcher may have had on the subjects' responses.

Although the participants were completely anonymous, they may still have been hesitant to answer fully and truthfully, due to the sensitivity of the area of M&A, and may therefore reduce the reliability of this study. On the other hand, the researcher attempted to take this factor into consideration, and made the questions general rather than corporation-specific, thereby increasing the reliability of the responses. The subjects might have still been exceedingly affected by subjectivity, and this was taken into account while analyzing the data. The responses of the subjects were sometimes ambiguous as the responses could be interpreted in various ways.

However, it is important to note that the aim of the interviews were not to acquire quantifiable results on the themes in focus, rather to gain a more practical perspective on the area of M&A generally, and the role of culture in this area.

In order to increase the validity and reliability of the online interview, an introductory text was included with the consent form, which explained what the participants should focus on while giving their responses (Appendix 7.1). This was meant to decrease the risk of misunderstandings that may occur. The *content validity* is satisfactory as the online interview covers important aspects of national and organizational culture in M&A activity, which links back to the literature review.

The case studies have contributed to delve deeper into the research area through comparison and by contrasting the differences between a successful/unsuccessful and national/international merger. It is important to mention that the information available from the respective companies' websites may be highly affected by subjectivity. Yet, the case studies demonstrate a solid base of subsequent research, thus increasing the validity of the research.

Still, there are only two cases investigated, and it might not be enough to be able to generalize the findings. Based on this, the aim of this study is to investigate the role of culture in M&A activity, and contribute to the theories already presented, by specifically looking at different levels of culture, and successful ways to manage culture. It would have been sounder if this study included two case studies in each category, a successful and an unsuccessful national M&A, and a successful and an unsuccessful international M&A, in order to be able to compare within each instance of national vs international, and between, however due to the length and time limitation of the thesis, this was not possible.

3. CASE STUDY

The researcher uses the AOL-Time Warner and Vodafone-Mannesmann mergers to demonstrate an appropriate framework for the analysis of the cultural aspects of a national and an international merger. The case studies will attempt to present the history of the companies involved, examine the rationale of the deals, present the cultural aspects and challenges, and the outcome of the mergers.

3.1 Case Study: AOL-Time Warner

3.1.1 Introduction

AOL Inc. and Time Warner Inc. announced January 10th 2000 that they were planning to merge in order to form the first fully integrated communications, media and entertainment company (TimeWarner, 2000). Both companies were situated in the US, which made it a national merger. The original valuation of the deal was set at $166 bn (Malik, 2014; Gaughan, 2005). The initial expectation of the public was that this would be the beginning of a new era. However, it was clear early on that there were troubles in the union (Arango, 2010). The AOL and Time Warner merger has become the archetype of a failed merger, as it is one of the most significant failed mergers in recent times (Malik, 2014; Clougherty and Duso, 2011).

3.1.2 Brief Overview of the Companies

Each company will briefly be presented.

AOL:

According to Ray, AOL was established in 1983, and was named Quantum Computer in 1985. They renamed to America Online (AOL) in 1991. By 1992, the company had gone public in the

National Association of Securities Dealers Automated Quotations (NASDAQ), and the share prices increase many folds in just two years (2012, p. 39-40).

Time Warner:

Time Warner is a result of a $14 billion dollar merger between Time and Warner brothers. Time was established in 1922, and their main business endeavour was magazine publishing. During the 1970s, Time ventured into the cable television market by acquiring an American television and communication company. Warner brothers was founded in 1923, and their main business is film production, and later cable television during the 1960s.

3.1.3 The Merger

The merger between AOL and Time Warner was announced on January 11th 2001. The merger was valued at $105 billion, combining AOL, the world's largest Internet Service Provider, with Time Warner, a media and entertainment empire. The aim of the merger was to innovate the first fully integrated media and communication company for the Internet century. The combination initiated a vertically integrated company that stretched across industries and economic models (Ray, 2012, p. 40). The merger was presented as a "merger of equals", however, due to AOL owning more valuable stock than Time Warner, AOL was in practice acquiring Time Warner. AOL would therefore own 55% of the united company, while Time Warner would own 45% (TimeWarner, 2000). Despite the divide in ownership percentage, both companies would have an equal amount of representatives on the new board, while Mr Levin from Time Warner would be Chief Executive and Mr Case from AOL as Chairman. When the merger was announced, the market capitalisation of the union was stated at $350 billion. There were made predictions that the combination would generate over $1 billion in cash by the end of 2001 (Applegate, Miller & Rei, 2002). For Warner, it was considered more effective to merge with an existing company that could distribute its contents via online channels than having to create their own capabilities in this particular sector (Ray, 2012).

The merger represented a parting from prior attempts by Time Warner to enter the realm of the Internet. AOL was the largest Internet service provider in the world at that time, with 34 million customers. By combining these two companies, the merged organization would be able to deliver many products and services online. The organizers of the merger viewed the deal as a marriage of content, in which Time Warner had the media products and services, while AOL provided the distribution (Malik, 2014; Gaughan, 2005). The merger was attractive to AOL, as they could enhance the status of their web portal due to the plentiful content of their partner Time Warner. This merger could be considered as related because the two companies shared some customers.

It was stated through the announcement that the combination would unite the valuable assets of Time Warner, for example Sports illustrated and Fortune, with AOL's wide-ranging Internet franchises, technology and infrastructure. While the management were correct regarding the assets of Time Warner, they were entirely wrong about AOL's assets. AOL's market valuation far surpassed its true value. Mr Case succeeded in exchanging overinflated AOL shares for valuable Time Warner shares. In 2002, it was reported by AOL-Time Warner $54 billion goodwill to be written down, which resulted in one of the worst cases of awful M&A due diligence in history (Gaughan, 2013).

3.1.4 Cultural Aspects

In addition to the financial and market difficulties the merger encountered, the union also experienced major culture clash. AOL-Time Warner and Levon, Pittman and Parsons were lead by Case. While AOL was a fairly new business and had more of a loose culture, Time Warner's culture, on the hand, was much more structured and conservative (Gaughan, 2005). According to Arango"The companies had another problem: both sides seemed to hate one another" (2010, p. 3). It was clear that the two companies had very different cultures, however the degree of difference was majorly underestimated. There is a constant debate whether the merger failed because the idea was flawed from conception or whether the cultures were too different which caused the execution of the merger to be a failure. Mr Levin claimed that at the time he thought the failure of the merger was due to the clash of cultures combined with a misreading of the dot-com bubble (Arango, 2010). It is clear that several of the people involved in the merger believe that it was a combination of the business model collapsing and the cultural aspect that ultimately doomed the union. One of these individuals, Mr Parsons, claimed, "it was beyond my abilities to figure out how to blend the old media and the new media culture. They were like different species, and in fact, they were species that were inherently at war" (Arango, 2010, p.4).

McGrath (2015) stated that the process of merging the cultures of the two companies was difficult from the beginning, and although a conventional due diligence in regards to numbers was conducted, there was no necessary cultural due diligence performed. The culture at AOL was much more aggressive and arrogant, which clashed with the more serious and corporate culture at Time Warner. Teamwork and planned synergies failed to occur as mutual disregard and lack of respect came to colour their relationships. This is also supported in an article by The Market Mogul (2014), which claims that the reason for the failure of the merger could be due to an inadequate due diligence process that should have uncovered the level of organizational compatibility. This factor along with the lack of implementation of the growth strategies could ultimately have sealed the fate of the merger. As the cultural differences of the two companies were so immense that the businesses never truly merged, and the integration had only occurred on a shallow/superficial, business level (The Market Mogul, 2014). Insiders claimed that the two cultures were too different, and that there was a lot of resentment between the employees of the two companies. It is clear that the initial difficulties that faced the merger, such as the decrease of adverts and subscribers following the negative effect of 9/11, were problematic, however what truly escalated the issue was the absence of cooperation within the combined company as a result of the culture clash prompting executives and employees to strongly resist the growth strategies implemented by the company.

The dimension of cultural differences between AOL and TW could be divided into several different aspects (Ray, 2012). AOL had a central management structure, while TW utilized a decentralized management system, which allowed for a greater sense of autonomy at divisional levels. TW was a large company with millions of magazine and cable TV subscribers, and was established almost a century ago. AOL, on the other hand, was a smaller and younger company, as it was established in 1991. AOL also had a top-down management style, while TW had more of an improvisational style.

Unitary culture of AOL was concentrated on only providing Internet services among subscribers. TW was a diversified company, with different interests within media and entertainment such as magazines, film studios, cable TV and news and magazine production. AOL utilized the compensation stock option trend, while TW conducted profit sharing. While TW spent money profusely, AOL was more economical.

3.1.5 Assessment of AOL's acquisition of Time Warner

The due diligence process conducted by the companies included teams of lawyers from two different law companies in Manhattan (Arrango, 2010). According to Gaughan (2013), the negotiations were conducted at a hotel for quite a few hours, and the conversation was centred on philosophy and values. It could be argued that this may not be how a comprehensive and conventional due diligence process is carried out.

The primary intention was to increase royalties for Time Warner's recording artists played on the Internet radio stations. Time Warner anticipated that the radio stations would continue with the royalty increase because of AOL's subscriber base. The Internet radio stations, however, cut their ties with AOL and their subscribers ended up with only AOL radio stations. It seems as if the issue of royalty had not been carefully considered during the negotiation process prior to this source of revenue being considered as synergy (Chatterjee, 2007).

Unexpectedly, Gerald Levin did not, during the negotiation phase, take into account that the AOL stock had been valued at 231 times cash flow. Although AOL only contributed with less than 20% of the entire revenues and less than 1/3 of the merged company's cash flow, Gerald Levin compromised with a 55-45 deal with Steve Case (Gaughan, 2005). The merged company decided to separate in 2009.

3.1.6 Results from the merger

By 2002, the new CEO Richard Parsons, deserted the notion of achieving the merged synergy and stated that each separate firm would concentrate on what they individually are skilful at. A frequent mistake in synergistic mergers is overestimating the potential of a collective good (Chatterjee, 2007). AOL separated from Time Warner in 2009, close to 10 years after making the deal to merge, thus ending the largest merger in media history (Quinn, 2009). AOL's performance was poor, pulling down Time Warner and its shareholders.

3.2 Case Study: Vodafone-Mannesmann

3.2.1 Introduction

Vodafone initiated a merger with Mannesmann, as it was considered an opportunity to expand in the rapidly evolving communications and technology sector. Vodafone's take over/acquisition of Mannesmann was initiated by conversations regarding a potential merger between the two corporations in October of 1999. A number of offers by Vodafone to acquire Mannesmann were refused by shareholders on the recommendation of the CEO of Mannesmann Klaus Esser, thus turning the deal into a hostile takeover (Halsall, 2008).

Both Mannesmann and Vodafone conducted media promotions to persuade shareholders and the public to either refuse or accept the takeover. These tense campaigns turned the deal into a hostile takeover, and at the end of a nearly two month long negotiation, Mannesmann shareholders accepted the increased final offer by Vodafone in December of 1999 (Halsall, 2008).

3.2.2 Brief Overview of the Companies

3.2.2.1 Mannesmann AG

Reinhard and Max Mannesmann invented a rolling process for manufacturing seamless steel tubes in 1885 in Germany, thus creating the Mannesmann AG company. The company continuously expanded, becoming a main competitor (Berger, De Jong, Mühling, Van Cauwenberghe & Vorobyev, 2013).

The company continued growing through the 20th century, and in the 1970's management took several steps in order to secure the future of the company. By the 1980's the company had accessed the electronics market, and during the 1990's they had successfully entered the telecommunications industry.

During the mid 1990's Mannesmann commenced their rapid transformation, by selling off a great deal of the subordinated businesses, while retaining 50 subsidiaries and divestures (Berger et al, 2013). Simultaneously Mannesmann was successfully attempting to enter the markets throughout Europe. By the end of the 1990's, Mannesmann had become the largest provider of mobile phone services in Germany. In 1998 the company share prices had increased 78% as a result of inclining income and renewed corporate structure.

3.2.2.2 Vodafone

Vodafone was created in 1981, and was a joint venture between the UK based Racal Strategic Radio Ltd with Millicom and the Hambros Technology Trust. "By 1991 Racal Telecom was demerged from its global head company Racal Electronics, which was the start of an independent mobile giant, Vodafone. The company was providing a wide range of communication services, such as voice calls, messaging, data and fixed-line solutions" (Berger et al, 2013, p. 5).

3.2.3 The Merger

Right from the beginning, Vodafone was searching for opportunities to expand across borders, and into the new geographies. Throughout the 1990's Vodafone completed a number of acquisitions, enhancing itself into a top contender role within the telecommunications industry. Vodafone acquired many British telecommunications companies, which made them a key British mobile phone player that controlled a large share of the UK mobile phone & telecommunications market.

Assertive expansion policies and the hunt for a new market drove the company to look beyond the UK. After an acquisition of the company AirTouch Communications Inc, the newly named company Vodafone AirTouch plc placed a friendly bid for Mannesmann, which was the largest German mobile operator during that time. The offer was, however, instantly refused by Mannesmann's CEO, Klaus Esser.

Mannesmann acquired the British company Orange in October of 1999, in hopes that this would avoid Vodafone placing a hostile bid. However, antimonopoly regulation required Vodafone to separate from Orange in order to be able go through with the Mannesmann merger (Berger et al, 2013). Vodafone then placed a hostile bid, and was able to acquire Mannesmann.

3.2.4 Cultural Aspect

The media coverage of takeover was on both sides cultural or nationalistic in its discourse. Both British and German media presented the takeover as a "clash of corporate cultures". As the German interpretation of the takeover offer was considered hostile, some of the British press related:

> This to a reflection of the deeper cultural differences between 'Anglo-Saxon' and 'Rhineland' capitalisms: The Battle by Vodafone Air Touch for Mannesmann has been a hard-fought affair.… It came to be seen as a struggle between Anglo-Saxon and Rhineland capitalism, between unfettered market forces and corporate consensus. … As to the conflict between rival brands of capitalism, the Anglo-Saxons can claim victory …

It is clear that hostile takeovers in Germany will become a fact of life.' (Halsall, 2008, p. 795; Observer, 28 November 1999).

This assertion of triumph for 'Anglo-Saxon' capitalism in this instance is not only evidence of a type of strategy of dissimilation (Halsall, 2008;Wodak, De Cilia, Reisigl & Liebhart, 1999) utilized in the construction of the cultural identity of the UK, however it is also an association between the cultural and the economic discourse, which in a sense confirmed that the UK was correct in its acceptance of neo-liberalism and hostile takeovers, and that these elements would be a part of reality, even in Germany (Halsall, 2008, p. 795).

The German press combined the UK and the US cultural discourse, in a sense, by defining them both under the label of "Anglo-Saxon capitalism", which again clearly highlights a strategy of dissimilation, in which the cultural similarities between the UK and US are emphasized due to the fact that they have both embraced the same type of capitalism, while Germany and other European countries have embraced another (Halsall, 2008).

The values that have shaped Germany's social market economy include stability, solidarity and fairness (Garrett, 2001, p.83). It was also stated that: "Mario Monti, the EU Commissioner in charge of competition policy, referred openly to the battle in an interview with the *Financial Times* as representing a 'clash of cultures'" (Garrett, 2001, p. 84). Which indicates that the concern of cultural challenges and the consequences of the merger might be faced with also spread and was shared by representatives in the EU.

While Vodafone's offer seemed like a typical case of 'galloping globalisation', and of Anglo-Saxon capitalism with its voracious hunger now looking to feed on hearty German fare, the Vodafone-Mannesmann merger did indeed emphasize development towards a new model of capitalism in Germany, and played a critical role in driving this development along (Garrett, 2001, p. 84). It is clear that the reception of the news of the merger was characterised by an "us-versus-them" mentality, where the differences in national capitalistic conduct was very different in the two countries, and the Germans seemed to feel a sense of violation as a result of the hostile takeover.

Mario Monti also accepted the fact that there were elementary differences between the more daring economic style of the Anglo-Saxon model versus the more "consensus-driven underpinning of the Rhenish model. Indeed, as Monti argued: "The clash of cultures is something which EU integration is built on and is a dynamic force"" (Garrett, 2001, p. 87). This seemed to be a more welcoming and inclusive approach to the merger, while recognizing that there would be a clash of cultures occurring in the merger.

Garrett further claims "The variances in takeover rules in the UK and Germany highlights the question regarding to what extent one can indeed still speak of national cultures of capitalism in a globalising economy" (2001, p. 92). In this sense, it appears that the evolution of globalization may force nations and economies to have corresponding cultures of capitalism, and have further interaction and acceptance of the cultures of capitalism in other nations.

Another national dissimilarity apart from standards and stereotypes that became apparent through the takeover bid was in the institutional dissimilarities that created the supervisory boards. The German alternative had 50% of the seats in large corporations reserved for representatives of workers and the other 50% for representatives of shareholders, thus representing a strong labour existence/presence in the decision-making process. This type of institutional structure is strongly rooted in twentieth century Germany history and the hunt for social stability. The primary German union representative that was on the Mannesmann board, IG Metall, opposed the Vodafone bid strongly, claiming it was not at all clear how it would create more jobs or uphold job security (Garrett, 2001).

The cultural differences between Vodafone and Mannesmann seemed to be huge, and many were sceptical regarding the integration of the companies. From the onset, the public opinion in Germany opposed the hostile takeover, as they view hostile takeovers/acquisitions as destructive of organizational culture (Berger et al, 2013). Trade unions and work councils also expressed strong resistance towards the merger on account of these cultural differences. On one side was the German organizational culture, which had strong employee involvement and co-determination, while on the other side was the aggressive Anglo-American culture that induced fears that Mannesmann would be unable to have much influence.

According to Berger et al:

> The Anglo-American model targeted ‘high share price valuations as a major source of leverage in global expansion and consolidation.’ Within the Anglo-American model, the board conducted decision-making, which was comprised of executives and external directors. On the other side, you had the German model, which was described as ‘consensus in decision-making and partnership between capital and labour.’ This is apparent when considering that decisions were taken by both a management and supervisory board. The trade unions and work councils strongly opposed the deal due to these cultural differences (2013, p. 33).

With cross-border operations, cultures can be very dissimilar and difficult to integrate with each other. The general level of risk is heightened due to the nature of the merger being hostile. The fact that local governments and EU representatives started to get involved in the deal made it even riskier. It seemed almost likely to turn into a dispute between nations.

It was stated by Vodafone management to Mannesmann employee representatives that the organizational culture at the German company would be upheld, including the co-determination principle with the election of employee representatives. The CEO of Mannesmann, Dr Esser, agreed to resign from his position and received multimillion-dollar payment. This indicated that the organizational force of Mannesmann had to be integrated into the Vodafone Group (Berger et al, 2013). The organizational culture within Vodafone had undergone a transformation during the 90's, where the company had gone from "command and control and micromanagement to coaching and collaboration" (Berger et al, 2013, p. 34). Mannesmann, however, did not have a well-defined organizational culture, due to the fact that the company had several different business areas. The employees belonging to the mobile phone section of the company were receptive towards change, and there was a young age range in that section. There was a "Vision and Value Programme" implemented, which had the purpose of attempting to create cultural changes, and arranged "top down events for the German employees, where top management lived changes as role models in a top-down approach" (Berger et al, 2013, p. 35). The communication and meeting culture changed as meetings and communication was now conducted in English, and video-conferencing activity was grew (Berger et al, 2013). Incentives were created for the employees such as attending sporting events. There were increased measures taken to facilitate team-building, yet no action was taken in regards to the language barriers between native and non-native English speakers, which created a sense of inferiority for the non-native English speakers, and they also felt as if they lacked opportunity. There was not any intercultural management implemented in order to facilitate and support international collaboration of the Mannesmann employees. Moreover, there were no employee surveys conducted to evaluate the impact of the merger in employees (Berger et al, 2013).

Prior to the deal, there was an exhaustive due diligence conducted, which indicated that potential cultural challenges may have been uncovered in this process. However, it is indicated that there were insufficient measures actively taken in order to overcome the potential cultural challenges (Berger et al, 2013).

3.2.5 Results from the merger

It is problematic to assert the actual synergies that were achieved due to the timing of the union. Only a few months after closing the deal, the tech stock market collapsed in what is commonly known as the dot-com bubble. The Vodafone share price after the deal was around €353bn. At the end of that year, the share price had declined to €280bn, and a year later, the share price had fallen even lower to €205bn, with total market capitalization plunging (Berger et al, 2013, p. 27).

However, it could be argued that several strategic synergies were achieved. Prior to the merger, Vodafone had not been successful in completely piercing European markets outside of the United Kingdom. Post-acquisition, Vodafone reached 42 million customers and have significant market shares in other countries. By integrating IT-services, the company was able to offer better services, pricing and network capacities. Moreover, time-to-market for new products and overall production costs were reduced. These improvements increased the company's opportunity for growth.

4. DISCUSSION

In the following section, a discussion is developed based on practical knowledge acquired from the interviewees. The case studies presented above will also be compared and contrasted in order to explore and examine the cultural aspects of the national merger and the international merger. The researcher analyzed the data by categorizing the interview questions and responses into three separate themes, going from the more general role of culture on an M&A, followed by looking at how preparation and prediction of cultural matters may affect the combination, and lastly, specifically looking at the aspect of culture in national versus international unions which is directly related to the research question. The case studies were then used to illustrate real life events of the abstract themes. It is important to investigate and discuss the general aspects of culture within M&A activity, before specifically addressing the research question, as these aspects are related to the research question, and they may explain the underlying processes that interact with the factors of the research question itself. Some of the data has yielded contradictory findings for some of the themes, with literature supporting each side of the findings. It was determined that rather than having a separate Results section, presentation and analysis of the results were incorporated in the discussion section, as analysis and discussion worked hand in hand in the study.

4.1 The Effect of Cultural Differences on Synergy Realization

3 of the 4 interviewees that participated in the online interview agreed that cultural differences, both on an organizational and country level play a significant role on synergy realization in an M&A. It was also specified by one interviewee that although it is important, it is a factor that is often undervalued during the screening phase.

After the merger of AOL and Time Warner, it became clear that the merged synergy would not be achieved, and so the separate firms within the merger would focus on their areas of expertise (Chatterjee, 2007). As there was a sense of resentment and disregard from each side, co-operation and thus intended synergies did not take place (McGrath, 2015). This would indicate that the cultures did not integrate, and the cultural differences taking place caused resentment between the two parties, which did not allow for an actual partnership to occur, and therefore it was difficult to realize the planned synergies. As stated in the case study, it was clear that the extent of cultural differences was highly underestimated, effectively influencing the preparations made for integration, which were then obviously not sufficient. By underestimating the extent and effect of cultural differences, real integration is problematic, and without real integration synergy cannot occur, as the separate parts remain separate. For the AOL and Time Warner union it ended in separation in 2009 (Quinn, 2009).

The cultural differences in the Vodafone and Mannesmann merger were vast, specifically on a national cultural level. As the merger was highly controversial, due to its hostile nature, it gained public attention (Berger et al, 2013). This indicated that the focus on the differences between the national cultures involved was heightened, and included both the media and general public. It is possible to imagine that this could have influenced the merger to become even more antagonistic. It is also clear that although the companies uncovered a great deal of information related to possible cultural challenges that could occur, there were little measures taken in order to avoid those (Berger et al, 2013). In this sense, it is clear that the integration of the two cultures was difficult, however the merger did manage to realize some synergies, such as Vodafone entering the European market and being able to offer better services. This finding is contradictory to the other data produced, as the merger was able to survive and realize some synergies, although the merger experienced major culture clashes. This could indicate that there are other unidentified factors that, in some instances, have a stronger influence on the potential success or failure of a combination.

A review study by Teerikangas and Very (2006) also found that culture and M&A studies have yielded contradictory results, in some instances indicating that cultural differences have a negative influence (Datta, 1991), while in others having a positive impact (Krishnan, Miller & Judge, 1997). It is possible to relate this finding to the perspective of selection, as presented earlier in this article, whether cultural practices are deemed successful or harmful is contingent on the conditions of survival in the particular environment where the practices occur (Sandaker, 2009). There are also selecting mechanisms within the organization, as individuals may have optimal practices or solutions for organizational challenges, however they may not always surface, as the social environment may not tolerate the variation.

This indicates that the impact cultural differences may have on synergy realization is dependent on the particular environment in which the occurrence takes place. Thus, the effect of cultural differences on synergy realization may vary.

4.2 Culture and the Connection Between Pre-Merger Planning and Post-Merger Performance

All four interviewees agree that culture is an aspect that should be taken into consideration when planning a merger. However, the degree of importance is disagreed upon, as some of the interviewees consider culture to be a simple factor that is not of higher importance than other factors such as organization design and sizing. The other interviewees maintain that culture is a crucial factor that could affect the success or failure of a merger. Although there is some disparity between the participants, it is clear that they are of the same mind in that culture should be considered pre-merger.

When presented with the question of whether culture should be investigated during due diligence, the opinion is again divided. Half of the participants do not consider culture to be one of the main areas to be examined during a due diligence process, one even claiming ‘I don’t believe that culture should be one of the MAIN areas to investigate in a DD. Both because there are so many other areas that will be more important and since the strategical rationale behind a M&A process should be stronger than cultural issues.’ (Appendix 7.3.2) This statement shows that there is still a mentality amongst some M&A practitioners that culture is a matter that is on the sidelines, and needn’t be given major attention.

The other half (n=2) of the interviewees consider culture to be a vital factor to investigate during due diligence, and it is claimed that, in their personal experience, culture is discussed and investigated during the preparation process. It is clear that the interviewees are divided in this matter as well, while some consider culture to be of crucial importance, the others claim it is not something that should be allocated a lot of time and energy.

The interviewees were also asked how they believe the aspect of culture should be approached during an M&A process. Most of the participants agree that it is an important factor to take into account when planning the integration of the organizations. One of the interviewees specified that the correct approach is dependent on how strong the cultural difference is. One participant explained that both parties should meet and brainstorm potential issues and collectively agree on a detailed execution plan. Another interviewee made a similar statement by explaining that interviews with the employees should be conducted. In this context, it may be useful to include the principles presented in an article by Wilson, Ostrom and Cox (2012), which describe 8 separate principles that facilitate groups to effectively handle their resources. One of these principles is named "collective-choice arrangements", and asserts that group members should assemble and create some of their own rules, and collectively agree on matters and solutions. This is inline with the responses of two of the interviewees. These findings imply that the participants agreed that culture is an aspect that should be addressed during the premerger phase.

The due diligence process in the AOL-Time Warner merger was conducted over the course a number of hours, and the focus of the process was on philosophy and values (Bahari, 2017; Gaughan, 2013). Culture was not something that was investigated thoroughly, and the merger experienced major culture clash during the integration and post-integration process. It is likely that parts of the culture clash could have possibly been avoided if the parties had given the aspect of culture greater consideration during the due diligence process.

The Vodafone-Mannesmann due diligence process, however, was comprehensive, and revealed potential culture conflicts (Berger et al, 2013). There were some procedures implemented in order to facilitate a somewhat smooth transition, however they seemed insufficient in dealing with the magnitude of the problem (Berger et al, 2013). While the merger did indeed investigate the matter of culture, yet it was not a main theme in the preparation phase. The merger itself has not been considered a failure, although by enabling a greater amount of preventive procedures, it could have possibly increased the success of the combination. This is of course simply a possibility, and impossible to conclude.

A study by Caiazza and Volpe (2015) claims that in order for the integration process to be able to solve issues arising between the cultures of the merging organizations, there ought to be a cultural gap-analysis, which would be an analysis that has uncovered the cultural dissimilarities between the companies. It is also claimed that integration success is dependent on the manner in which operations concerning cultural integration issues are managed. These operations must be defined and planned during the preparation process, and executed during the integration phase. These assertions by Caiazza and Volpe (2015) are in line with the findings in this study, that implementations regarding cultural matters should be planned in the pre-integration phase, and may affect the degree of failure or success of the combination.

Weber and Tarba explain “unfortunately, merger integration consultants are not brought in until problems arise late in the post-combination aftermath stage, long after the merger or acquisition has been consummated” (2012, p. 288). This indicates that integration advisors are not consulted until problems have already arisen in post-merger, which may have been avoided if they were brought in sooner, during the preparation phase, and could plan implementations in order to avoid problems post-merger. An example is given with the company Teva that have perfected, in some way, the M&A process, and experienced growth as a result. Once an acquisition by Teva has been approved, the focus is primarily on cultural and monetary issues in regards to integration (Weber & Tarba, 2012).

Gomes, Angwin, Weber and Tarba (2012) also support this finding by examining the connection between pre- and post-merger phases. It is claimed that studies have shown “that if both strategic fit (synergy potential) and organizational fit factors (cultural differences and national culture of the acquiring company) are known premerger, and are taken into account in the choice of integration approach postmerger, M&A performance is superior to those deals that did not consider premerger factors for postmerger decisions” (Gomes et al, 2012, p. 15; Weber & Tarba, 2011; Weber, Tarba & Rozen Bachar, 2011; Weber, Tarba & Rozen Bachar, 2012; Weber, Tarba, Stahl & Rozen Bachar, 2012).

These findings are in line with the selectionist approach as well, as by identifying and conducting prevention planning for possible cultural issues, it is possible that the number of various cultural practices could be constrained, and so the cultural practices presented are more favorable, as measures have been taken to eliminate to some extent unproductive cultural practices (Sandaker, 2009).

4.3 Effect of Culture in National VS International M&As

A vast cluster of the interview questions was centered on national and international combinations. Firstly, the questions focused on whether national culture has an influence on the organizational culture of a business. All the interviewees agree that national culture definitely affects organizational culture. It is claimed that many different cultures have their basis in national inheritance. There are examples given in that national culture might affect company culture in that it may influence the organization to be hierarchical or consensus-driven. One participant even claims that national culture may overpower organizational culture to a certain extent, which was exemplified by comparing the more consultative style in Norway with the US, where the style is predominantly top down management led.

The interview questions moved on to focus on what the main challenges are when integrating two organizations that are culturally disparate. In this instance the participants all presented different factors they believed to be the main challenges, such as differences in bureaucracy, work style, decision-making processes or ensuring the feeling of engagement within employees and ensuring leadership have a unified strategic view. One participant also considered being allocated enough time to create personal relations and to learn about each other's culture as main challenges. It is clear that the opinions amongst the participants in regards to challenges in this regard are diverse. This may indicate that M&A practitioners are not unified in their beliefs in what the main challenges are when combining cultures that are disparate. A reason for this may be that the challenges that occur could be individual to the specific mergers, and that it may be difficult to give a general account for all mergers of disparate cultures. It is also possible to speculate whether it might be difficult to tackle challenges in these types of mergers, if planners do not know the typical issues, and may not know what they are looking for when assessing possible problems that could occur. By conducting studies, theories on typical challenges in cross-border mergers could be developed, and utilized by M&A practitioners.

The interviewees were asked if they believed that the chance of a merger succeeding might be impacted by whether the merger is national or international. 3 of the participant agree that this might affect the success of a merger. One stated that ‘so much day to day administrative and organizational/management work is influenced by national unique cultures’ (Appendix xx, p. x). The interpretation of this could be that many of the aspects of the workplace is influenced by national culture, which will in turn mean that it might be easier to integrate organizations that have the same national culture compared to integrating organizations that have disparate national cultures. Another interviewee claimed that ‘differences in operations, corporate culture, way of working, governance structure can have just as significant impact’ (Appendix xx, p. x). In this sense, national vs international culture may just be one of many factors that may affect the outcome of a merger, rather than being the main factor.

One of the participants maintained that there might not really be a difference in the effect that national vs cross-border mergers has on the outcome as ‘organisational differences nationally may still play an important part as a differentiator between companies’ (Appendix 7.3.1). Thus, organizational cultural differences may be as substantial as national cultural differences. Lastly, the final participant claimed that there is a higher success rate for mergers conducted within the same country and culture. The findings of this particular interview question are interesting, as the opinions are varied on the degree of importance, and also whether disparate cultures are a significant factor in the outcome of a merger.

The participants generally seem to agree that there are additional factors to consider when conducting a cross-border M&A as opposed to a national M&A, and there seems to be some agreement on the fact that national mergers may be more successful than international ones, in their experience.

The case studies showed that both the national AOL-Time Warner merger and the international Vodafone-Mannesmann merger experienced major culture issues during integration. AOL-Time Warner did not manage to survive the merger in the end, while Vodafone-Mannesmann did indeed survive and realize some synergies. This indicates that other factors may have a greater impact on merger outcome than national culture disparity, and that in some instances organizational culture in the same nation may be vastly different, and more difficult to integrate than combinations of disparate cultures. These results cannot be generalized as the selection of case studies is limited in this study, and does not include instances of various conditions and outcomes. It may, however, be an indication of the trends, and inspiration for further research.

A study by Morosini, Shane and Singh (1998) illustrated that there was a positive association between national cultural distance and cross-border acquisition performance. This supports the findings of this study in relation to the case studies. National cultural distance may in fact enhance post-combination performance. The study also found that, on average, the acquisitions that performed better were culturally more distant and disparate. The cause of this seemed to be that combinations of culturally disparate organizations could access diverse routines and repertoires, which, in the long run, could potentially enhance the merged company's performance. This is in accordance with the findings of the study previously mentioned by Chakrabarti et al (2009), where the tendency seemed to be that cross-border M&As performed better the more culturally dissimilar they were.

4.4 LIMITATIONS

The study has not delivered a comprehensive theoretical discussion for all M&A theories, apart from theories on culture in M&As, which is one amongst many others attempting to clarify the causes of M&A failure. Nor does the thesis discuss other important aspects that may work in conjunction with the cultural factor, such as leadership or accounting.

The two case studies investigated cannot alone account for all the various instances and combinations of successful/unsuccessful national or international M&As. Consequently, another limitation for this study may be the limited study of cases that are national versus international, and resulting in success or failure. The research would have benefited from retrieving a higher number of case studies, with diverse variables. The case study research consisted of information retrieved from the respective company's website (Time Warner), external journal and articles. It is therefore important to note that the information available from the company's website may be highly subjective. Gaining information directly from the companies could have been of great value, however very difficult to attain. Thus, the material gathered from the company's website in combination with external data has been considered to be sufficient for the desired outcome of the study.

The interview questions were prepared in advance, and so the written interview was pointed in one direction, and was controlled. The participants' answers may at times have been ambiguous, which could have several possible interpretations. This could induce a source of researcher bias. The participants may have had a sense of bias as well, although they were completely anonymous, they might still have a reluctance of being too candid in regards to M&A activity. Their answers may therefore be colored by subjectivity. The questions in the interviews may have been leading or unclear in some fashion. This could cause the answers to be imprecise. As the interview was conducted as a written online interview, this would further increase the degree of ambiguity of the questions. If the interviews had been able to be conducted in person, this element might have been decreased. Although the interview guide was sent out around 30 individuals working within the area of M&A, the response rate was only 4. This limits the ability the findings of the study have to be generalized.

5. CONCLUSION

The aim of this study was to investigate the role of culture in national and international M&As from a selectionist perspective. The main aim was to provide a better understanding of the underlying natural mechanisms that occur when two, possibly disparate, groups are forced to integrate, in order to provide an enhanced tool to facilitate an advantageous integration process. As a result of the theoretical framework provided in this article, it is clear that culture is a factor that is often overlooked and underestimated. Thus, the thesis examined critical factors related to the cultural aspects of M&A activity, such as uncovering possible clashes during the due diligence process. The investigation showed that by utilizing the pre-integration phase properly, and incorporating culture as a main factor in planning, M&As could perform better. This was an important finding in the thesis.

This study has attempting to draw attention to critical factors related to culture in M&As. Both case studies and interviews have been conducted in order to generate a broader picture of the topic, looking at both real life instances and outcomes, and supplementing with practitioners that hold a great deal of experience and knowledge on the matter. By incorporating two data collection methods, a stronger conclusion may have been created. On the other hand, the sample size in the study was quite small, thus it is not possible to generalize the findings of this thesis. However, as this was a small study, its aim was to inspire further and larger research in this field, perhaps with several case studies or a meta-analysis concentrated on this area.

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7. APPENDIX

7.1 Consent Form

The purpose of this study is to investigate the role and impact culture may have on the outcome of a M&A, and whether there is a difference in cultural challenges between national and international M&A's. This study is part of the requirements for Master's Degree in Learning in Complex Systems specializing in Managment and Organization at the University College of Oslo and Akershus, where the researcher must carry out an independent research study.

You have been asked to take part due to your experience and knowledge of M&A activity, which will be of great relevance and beneficial, as well as an additional strength in this thesis.

The questions of this written interview will be concerned with your opinions and experiences with the topic of the question, and you will be asked to comment in a general fashion, in order to protect your anonymity.

Your participation is completely voluntary, and you may withdraw at any time you wish.

Your identity and your answers will be completely anonymous, throughout the process, to both the researcher and anyone who might read or be involved with the thesis. The data will be kept confidential for the duration of the study. On completion of the thesis, the data will be retained for a further six months and then destroyed.

The results will be presented in the thesis. Future students on this course may read the thesis and there is a possibility that the study may be published in a research journal

If you need any further information, please do not hesitate to contact me:

maha.bahari89@gmail.com or 004741252551.

- **Do you agree to participate in this study, given the pre-disclosed information regarding the study? ***

Yes

No

7.2 Interview Questions

- In your opinion, do cultural differences affect the realisation of goals/synergies of a merger?
- How important is it to take into account the cultural aspect when planning a merger?
- Do you think national culture may affect organizational culture within a business? If so, in what way?
- What do you consider to be the challenges when merging two organizations from cultures that are disparate?
- What is the main reason why many mergers fail, in your opinion?
- Do you think the chance of a merger succeeding could be impacted by whether the merger is national or international? If so, how?
- In your opinion, what are the main challenges for national mergers and international mergers?

- Would you say a national or international merger is more likely to succeed?

- If you have any general thoughts regarding national or international M&A's, please state them here.

7.3 Interview Responses

7.3.1 Participant 1

- **Do you agree to participate in this study, given the pre-disclosed information regarding the study? ***
  - Yes
- **In your opinion, do cultural differences affect the realisation of goals or synergies of a merger?**
  - Yes, both organisational and country level culture plays a huge role when it comes to successfully implementing a merger.
- **How important is it to take into account the cultural aspect when planning a merger?**
  - Not taking into account culture when planning a merger can determine the success or failure of the project because employees are at the essence of it and how they have operated in the past vs. how they should operate in the new environment may introduce some clashes which may for instance increase turnover and disengagement amongst employees.
- **When conducting a due diligence process prior to making the deal, should culture be one of the main areas to investigate? If so, why?**
  - It should definitely be discussed as part of the preparation process because vast differences in the way businesses operate may have a negative implication on future business. The 'mother' organisation will expect the acquired business to adopt its way of doing business and if that differs vastly from how the acquired business operates it may have a negative implication on the business where revenue declines, people feel disengaged and may also leave. In the long run this could cost the 'mother' organisation their investment.
- **What would be the right way to approach the aspect of culture when conducting a M&A?**
  - The correct way in my view is to ensure both parties (top leaders and middle managers) get together and brainstorm potential issues that may arise and to clearly define and agree on an execution plan which details everything from

communication to platform unification. The more detailed you are the better. It's important that all parties understand what culture means in this setting.

- **Do you think national culture may affect organizational culture within a company? If so, in what way?**
    - Yes, I manage 5 different european countries including India and can verify that national culture overpowers organisational culture to a certain extent. The way business is performed, for instance in the Nordics is very different to the way business is performed in the US. Norway is more consultative whilst the US is more top down mgt led.
- **What do you consider to be the challenges when merging two organizations from cultures that are disparate?**
    - Try to get new and acquired employees on the same terms and conditions,
Ensuring employees feel engaged,
Ensuring a smooth customer experience,
Ensuring leadership have a unified strategic view
- **Do you think the chance of a merger succeeding could be impacted by whether the merger is national or international? If so, how?**
    - Not really, as organisational differences nationally may still play an important part as a differentiator between companies.
- **In your opinion, what are the main challenges for national mergers and international mergers?**
    - National: Different ways of operating within an organisation i.e how they communicate with staff, leadership culture and their sales strategy.
International: same as above + cultural differences at national level with regards to communication, consultation, legal differences, time differences and different mgt styles (different types of expectations)
- **What is the main reason why many mergers fail, in your opinion?**
    - Not enough preparation at planning stage.
Lack of legal checks
Not considering culture enough
Not putting enough emphasis on a communication plan
Moving too fast
- **If you have any general thoughts regarding national or international M&A's, please state them here.**
    - There are plenty of examples where M&A have been successful and I have project led many of them where I've emphasised culture, legal aspects and ensuring the right people are at the discussion table.

7.3.2 Participant 2

- **Do you agree to participate in this study, given the pre-disclosed information regarding the study? ***
    - Yes
- **In your opinion, do cultural differences affect the realisation of goals or synergies of a merger?**
    - Cultural differences might affect goals and synergies, but

      Smaller companies with a more "entrepreneurial" spirit and culture might feel limited and when being integrated into a larger corporation.
- **How important is it to take into account the cultural aspect when planning a merger?**
    - Our M&A project team always includes HR and Integration. The cultural aspect will be part of those work streams - in addition to a lot of other issues (e.g., organisation design and sizing)
- **When conducting a due diligence process prior to making the deal, should culture be one of the main areas to investigate? If so, why?**
    - Organisation/HR (incl. culture) should be assessed during a DD, including interviewing management.

      But I don't believe that culture should be one of the MAIN areas to investigate in a DD. Both because there are so many other areas that will be more important and since the strategical rationale behind a M&A process should be stronger than cultural issues
- **What would be the right way to approach the aspect of culture when conducting a M&A?**
    - Should be part of HR/organisation stream. And also important aspect when planning integration of the organisations
- **Do you think national culture may affect organizational culture within a company? If so, in what way?**
    - Yes. National culture might affect company culture. It could be difference in hierarchy vs. consensus-driven organisation
- **What do you consider to be the challenges when merging two organizations from cultures that are disparate?**
    - It could be ways of working, differences in decision processes, bureaucracy
- **Do you think the chance of a merger succeeding could be impacted by whether the merger is national or international? If so, how?**
    - It might. But differences in operations, corporate culture, way of working, governance structure can have just as significant impact

- **In your opinion, what are the main challenges for national mergers and international mergers?**
  - Realize synergies quickly. Put in action new strategy and operational plan for the two combined companies so that they operate as one. Show shareholder value
- **What is the main reason why many mergers fail, in your opinion?**
  - Lack of clear operational plan for integration. Underestimate time needed to realize the goals set prior to closing the deal
- **If you have any general thoughts regarding national or international M&A's, please state them here.**
  - *Ikke besvart*

7.3.3 Participant 3

- **Do you agree to participate in this study, given the pre-disclosed information regarding the study? ***
  - Yes
- **In your opinion, do cultural differences affect the realisation of goals or synergies of a merger?**
  - Very much so, but is undervalued during the screening phase.
- **How important is it to take into account the cultural aspect when planning a merger?**
  - Cultural aspects are linked to the organisation and a reorganisation will not be able to work out before cultural gaps are taken care of.
- **When conducting a due diligence process prior to making the deal, should culture be one of the main areas to investigate? If so, why?**
  - Yes, we are always having an organisational DD as part of our screening phase, this will find gaps between cultures and internal organisational challenges.
- **What would be the right way to approach the aspect of culture when conducting a M&A?**
  - Interviews and desk research of internal events, intranet and social networks.
- **Do you think national culture may affect organizational culture within a company? If so, in what way?**
  - Yes, but we are mostly focusing on Norwegian targets.
- **What do you consider to be the challenges when merging two organizations from cultures that are disparate?**

- Organisational differences are not possible to merge without dealing with cultural challenges.

- **Do you think the chance of a merger succeeding could be impacted by whether the merger is national or international? If so, how?**
  - Yes, mergers within one country and culture have a higher sucess rate.
- **In your opinion, what are the main challenges for national mergers and international mergers?**
  - Organisational differences, lack of focus on the integration phase.
- **What is the main reason why many mergers fail, in your opinion?**
  - Organisational differences, lack of focus on the integration phase.
- **If you have any general thoughts regarding national or international M&A's, please state them here.**
  - *Ikke besvart*

7.3.4 Participant 4

- **Do you agree to participate in this study, given the pre-disclosed information regarding the study? ***
  - Yes
- **In your opinion, do cultural differences affect the realisation of goals or synergies of a merger?**
  - Yes
- **How important is it to take into account the cultural aspect when planning a merger?**
  - Medium importance
- **When conducting a due diligence process prior to making the deal, should culture be one of the main areas to investigate? If so, why?**
  - No
- **What would be the right way to approach the aspect of culture when conducting a M&A?**
  - It depends on how strong the difference is. Money talks and business considerations is always most important, but post-merger vulture is key to success in integrating organisations
- **Do you think national culture may affect organizational culture within a company? If so, in what way?**

- Yes, there Are so many different cultures that have their basis in national inheritance. Consider chinese/latin/japanese/german business culture

- **What do you consider to be the challenges when merging two organizations from cultures that are disparate?**
  - Taking the time to get personal relations and learning about each other's culture and using this to create something new and unique that employees can be proud og
- **Do you think the chance of a merger succeeding could be impacted by whether the merger is national or international? If so, how?**
  - Yes, so much day to day administrative and organisational/management work is influenced by national unique cultures
- **In your opinion, what are the main challenges for national mergers and international mergers?**
  - Always a good business case, in international M&A culture is an extra post merger risk
- **What is the main reason why many mergers fail, in your opinion?**
  - Business case not good enough. Failure of management to get employees on board
- **If you have any general thoughts regarding national or international M&A's, please state them here.**
  - Difficult to realise, easier if it is not a merger, only new owners with some freedom for management to make decisions so the changeover feels softer for employees