MBA Digital Transformation & Change Management

ACADEMY FOR CONTINUING EDUCATION

The Influence of Culture on the Performance of Mergers & Acquisitions

A Master's Thesis submitted for the degree of
“Master of Business Administration”

supervised by
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Abstract – English

This thesis paper explores the relationship between culture and the performance of mergers and acquisitions (M&As) and provides valuable new insights into this complex interplay. The analysis conducted during this research concludes that culture significantly affects the outcomes of M&As, with impacts ranging from positive to negative or, in some selective studies, to neutral. Interestingly, the study method employed during the research could not determine a direct relationship between research methodologies and cultural impacts, suggesting that the diverse findings can be attributed to more than just different research approaches.

However, the analysis also reveals that the existing academic research on M&As encompasses a wide range of culture constructs, contributing to a lack of consensus and adding to the uncertainty surrounding the impact of culture. This diversity proves counterproductive, making it challenging to draw definitive conclusions.

Abstract – German

Diese Masterarbeit erforscht die Beziehung zwischen Kultur und der Performance von Fusionen und Übernahmen (M&A) und liefert wertvolle neue Erkenntnisse über dieses komplexe Zusammenspiel. Die im Rahmen dieser Arbeit durchgeführte Analyse kommt zu dem Schluss, dass Kultur die Ergebnisse von M&A signifikant beeinflusst, wobei die Auswirkungen von positiv über negativ bis hin zu, in sehr wenigen Studien, neutral reichen können. Interessanterweise konnte die angewandte Studienmethode während der Analyse keine direkte Verbindung zwischen Forschungsmethoden und kulturellen Auswirkungen feststellen, was darauf hindeutet, dass die unterschiedlichen Ergebnisse nicht allein auf unterschiedliche Forschungsansätze zurückzuführen sind.

Jedoch zeigt die Analyse auch, dass die bestehende akademische Forschung zu M&A eine Vielzahl von Kulturkonzepten umfasst, was zu einem Mangel an Konsens führt und die Unsicherheit hinsichtlich der Auswirkungen von Kultur verstärkt. Diese Vielfalt erweist sich als kontraproduktiv und erschwert es, definitive Schlussfolgerungen zu ziehen.

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Introduction

Mergers and acquisitions (M&As) are among the most significant events in a company's lifecycle and often mark a transformative moment with considerable strategic implications. While M&As are typically viewed through a financial lens – their ability to deliver shareholder value or realize synergies – the success of these complex undertakings often hinges on less quantifiable aspects. An often-underestimated facet is the interplay of cultures, both national and organizational.

1.1 Drivers of Mergers and Acquisitions (M&As)

The world of mergers and acquisitions (M&As) is a dynamic and ever-evolving arena where businesses seek to join forces for various strategic reasons. M&As can be motivated by a multitude of factors, each with its own unique implications. While financial metrics play a pivotal role in motivating M&A activity, several underlying strategic objectives may influence a company's decision to engage in such endeavors. For instance:

1. *Competitive Landscape Reconfiguration*: Companies often seek M&As to reshape the competitive playing field. One prime objective can be the elimination or absorption of direct competitors. By doing so, the acquiring firm can significantly bolster its market share, thereby exerting greater influence over pricing, distribution, and innovation in the industry. Porter (1987) posited that the intensity of competitive rivalry can significantly impact an industry's attractiveness. M&As, from this perspective, can be seen as strategic moves to reduce this rivalry and increase profitability.

2. *Technological Integration*: As industries worldwide face the inexorable tide of digital disruption, there's a mounting imperative to stay ahead technologically. For companies that may lack in-house technological prowess, M&As present an opportunity to rapidly integrate advanced tech capabilities, be it through innovative platforms, proprietary algorithms, or specialized human expertise (Westerman, Bonnet, & McAfee, 2014). Cording, Christmann, & King (2008) underscored the strategic significance

of integrating technological capabilities, especially in industries where digital transformation is not just an advantage but a prerequisite for survival.

3. *Geographical Expansion*: For companies eyeing expansion, organic growth in foreign markets can be a slow and often risky proposition. M&As, in contrast, offer an accelerated pathway (Peng, 2017). By acquiring or merging with a local entity, companies can leverage established infrastructures, consumer bases, and nuanced market insights, which would be time-consuming and costly to develop from scratch. Harzing (2002) elucidates the complexities of international business, where understanding local dynamics is crucial. Through M&As, companies can circumvent many of these challenges by tapping into the acquired entity's local knowledge.

4. *Synergies Optimization*: Among the more overt benefits of M&As, there's the allure of synergies—areas where the combined might of the entities can yield outcomes greater than the sum of their individual efforts. This can manifest in various forms, from shared R&D initiatives and combined distribution channels to financial restructuring and talent optimization. M&As can be especially potent in scenarios where an industry peer is facing financial or operational headwinds (Bruner, 2004). Bruner (2004) also suggests that by merging with or acquiring such entities, companies can preempt potential market destabilizations, secure key assets, and even turn around the fortunes of the struggling entity. Turner & Stets (2005) expounded on the potential mutual benefits that strategic unions can engender. When executed judiciously, M&As can pave the way for shared successes, whether it's through resource optimization, risk diversification, or collaborative innovation.

1.2 The Prevalence and Value of M&As

Despite the complexities and risks associated with M&As, they continue to be a popular strategy for corporate development. The year 2021 witnessed a remarkable surge in the value of significant deals, with a remarkable 67% increase reported by

McKinsey (Loeb, 2022), compared to the prior pandemic-impacted year. Over 11,000 M&A transactions were closed in 2021, marking a substantial uptick in deal activity (Loeb, 2022). Estimates from KPMG indicate that the total worth of these transactions reached a staggering $5.1 trillion (Isom, 2022). North American firms led the way, accounting for over 52% of global M&A deal value, followed by Europe, the Middle East, and Africa (26%), and the Asia-Pacific region (22%) (Loeb, 2022).

Boston Consulting Group's latest annual M&A report written by Kengelbach & Samtani (2022), published since 2003 and comprising of more than 800.000 M&A deals, offers a longitudinal view on trends. Its latest issue casts light on a relatively new driver for mergers and acquisitions: Sustainability, with the main motivation for companies to advance their environmental agendas. These so called "green M&As" have grown exponentially in the last 20 years. While in 2001 the global deal volume connected to sustainability as main strategic objective was just USD 440B, it has increased to over USD 4.000B in 2021, and a share of 6% of all M&A deals (Kengelbach & Samtani, 2022).

1.3 Challenges and Failures in M&A Transactions

While M&As remain an attractive strategy, studies have consistently demonstrated that long-term gains for acquiring firms are often minimal (Agrawal & Jaffe, 2000). In fact, alarming statistics reveal that a significant proportion of these deals result in financial failures and undesirable consequences for all parties involved, labeling the M&As "financial failures" and produce "undesirable consequences for the people and companies involved" (Marks, Mitchell, & Mirvis, 2011, S. 161). Other studies suggests that as many as 83% of all M&A deals fail to deliver shareholder value, and a staggering 53% are believed to have destroyed value (Cartwright & McCarthy, 2005).

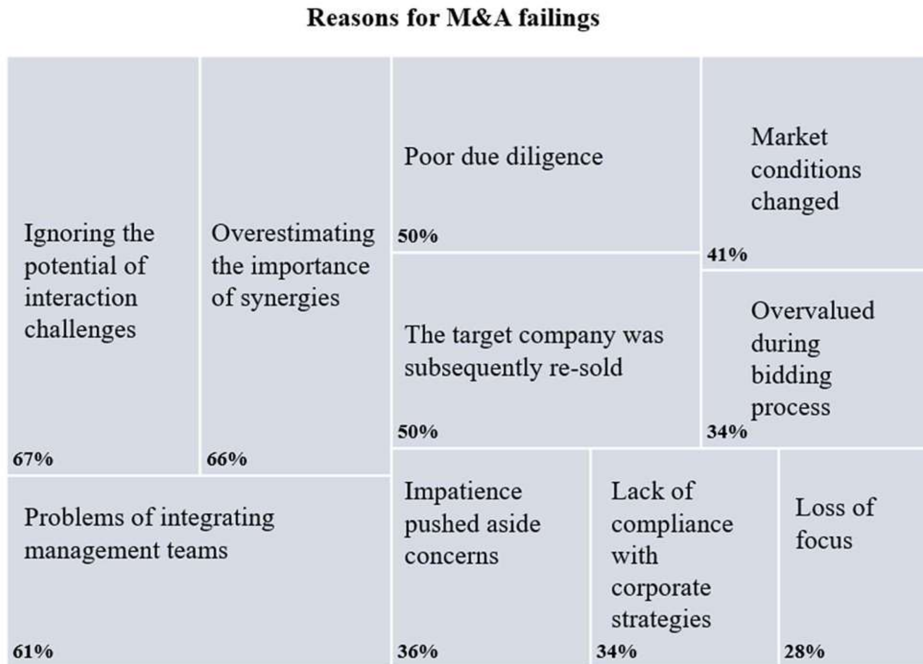

Figure 1 - Reasons for M&A failings (Niebauerova, 2009)

For decades, scholars from various academic disciplines, including finance, economics, law, and others, have investigated the reasons behind the high failure rates of M&A transactions. Niebauerova (2009) provides a comprehensive overview of the most commune reasons for M&A failures (see figure 1). While factors such as overestimating the acquisition's value, misalignment with the company's portfolio, and poor timing have been identified, it has become increasingly clear that solely relying on financial and strategic analyses provides an incomplete explanation (Marks, Mitchell, & Mirvis, 2011).

1.4 The Emergence of the "Human Side" in M&A Research

In recent years, it has become clear that the mere financial and strategic analysis of M&As outcomes provides only an incomplete explanation, triggering a growing interest in the "human side" of M&As and its impact on success (Graebner, Heimeriks, Huy, & Vaara, 2017). Research has shown that employee-related issues can significantly contribute to M&A failures, Daveyet et al. (1988) even suggests that between a third and half of all mergers failing can be traced back to "Employee problems". This awareness has highlighted the importance of considering the people factor in these transactions (Schuler & Jackson, 2001).

Schule and Jackson (2001) have identified three primary areas of focus within this "human side" research: emotions and their influence on change measures and M&A success, the role of leadership (both top and middle management) in driving change measures, and the critical impact of organizational culture.

M&As induce a myriad of emotions among employees, ranging from anxiety and fear to excitement and hope (Schuler & Jackson, 2001). These emotions can influence employees' receptiveness to change, their productivity, and, by extension, the overall success of the M&A. Uncertainty about job security, shifts in roles, and changes in daily routines can elicit stress and resistance On the other hand, the promise of new opportunities and growth can evoke enthusiasm (Kiefer, 2005).

M&As often lead to restructuring. Employees may find themselves under new management or within different reporting hierarchies, necessitating adjustments. This might further increase feelings of anxieties among staff (Cartwright & McCarthy, 2005). Leaders play a pivotal role in navigating the changes of M&As. Their vision, communication, and actions set the tone for the transition. Top management defines the strategic direction and vision for the merged entity. However, middle management serves as a bridge, translating this vision into actionable steps and being the touchpoint for employees' concerns and feedback (Balogun & Johnson, 2004).

Disparities in organizational cultures can lead to misunderstandings, reduced cooperation, and conflicts. It's essential to recognize and address these differences, aiming for a harmonized culture that takes the best elements from each entity (Marks, Mitchell, & Mirvis, 2011).

1.5 The Role of Culture in M&A Success

One facet of the "human side" that has garnered substantial attention in the last two decades is culture. Culture encompasses shared ideals, beliefs, customs, practices, and social behaviors within a group or organization (Hofstede, Hofstede, & Minkov, 2005). Both national and organizational culture differences have been identified as key factors influencing M&A outcomes (Vaara, Sarala, Stahl, & Björkman, 2012).

The cultural aspect in M&As has traditionally been overshadowed by financial and strategic considerations. Yet, as organizations are essentially confluences of people, their beliefs, and practices, overlooking cultural dynamics can be perilous. Such oversights can manifest in various forms (Teerikangas & Very, 2012):

1. Knowledge Transfer Impediments: Divergent organizational cultures can stifle the free flow of knowledge, a critical aspect for achieving post-merger synergies (Björkman, Stahl, & Vaara, 2007).
2. Employee Morale and Retention: Cultural clashes can lead to disillusionment among employees, leading to increased attrition, especially among top talents (Cartwright & Cooper, 1992).
3. Integration Delays: Culture misalignments can prolong the post-merger integration phase, delaying the realization of anticipated benefits (Larsson & Lubatkin, 2001).

However, despite a plethora of publications on the subject, the direction of culture's impact on M&As remains a subject of debate. While some studies have found significant negative impacts associated with cultural differences or distance (e.g., Very, Lubatkin, Calori, & Veiga, 1997), others have highlighted the potential for cultural diversity to drive innovation, open new markets, and uncover business opportunities (e.g., Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009). Some studies even fail to identify any significant impact of culture on M&A performance (e.g., Lubatkin, 1983).

1.6 Challenges in M&A Culture Research

Variability in research methodologies, including quantitative and qualitative methods, as well as issues related to sample size, has contributed to the lack of consensus on culture's role in M&As. In addition, some studies lack sufficient power (e.g., sample size) to produce a significant result (Stahl & Voigt, 2005). These factors have rendered previous studies inconclusive and have highlighted the need for a more comprehensive and systematic approach to understanding the impact of culture on M&A success.

1.7 The Path Forward: A Meta-Analytical Approach

This thesis sets out to address the existing gaps in our understanding of culture's role in M&As. Employing a meta-analytical approach, it aims to analyze and consolidate the existing body of research on this subject. By doing so, it seeks to provide a more comprehensive and robust understanding of the impact of culture in M&A transactions. The research questions that will guide this thesis are:

RQ1: What effect does National culture have on the performance of Merger & Acquisitions?

RQ2: What effect does Organizational culture have on the performance of Merger & Acquisitions?

2. Literature Review

2.1 Merger & Acquisitions

Mergers and acquisitions (M&As) are complex processes of corporate amalgamation or assimilation. As delineated by Koi-Akrofi (2016), M&As encapsulate the union, fusion, or association of two or more companies, driven either by acquisition or a convergence of mutual interests. Nonetheless, the differentiation between a merger and an acquisition is occasionally ambiguous. Netter, Stegemoller, and Wintoki (2011) emphasize that these transactions, albeit housed under a single umbrella term, manifest through multiple paradigms, each wielding distinct ramifications for the stakeholders. They further explicate that mergers typically represent an equitable amalgamation of companies, whilst acquisitions predominantly focus on restructuring or superseding the infrastructures of the acquired entities. This sentiment is paralleled by Estanol and Seldeslachts (2005), who elucidate that mergers culminate in a newly formed entity with dual control, whereas acquisitions culminate in predominant control by the acquiring entity.

In their comprehensive analysis, Dreher and Ernst (2016) portray mergers as a reciprocal endeavour, wherein both entities contribute towards mutual advancement.

The fiscal dynamics also differ between the two; in the aftermath of mergers, the shareholders of the absorbed company acquire stakes in the emergent entity. Contrarily, during acquisitions, the shares of the acquired company transition to the acquirer, either as monetary assets or debt (Popp, 2013). Offering further granularity, Unoki (2013) characterizes an acquisition as the procurement of a target entity, encompassing either its assets or stock holdings.

From an industry standpoint, M&As can be broadly classified into horizontal, vertical, or conglomerate. Horizontal mergers unite entities within identical industries, facilitating market penetration or bolstering market share and enabling cost efficiency (Kumar & Rajib, 2007). Vertical M&As transpire between entities aligned within the same production continuum, and frequently lead to operational cost reductions (Bonnet & Schain, 2017). Conversely, conglomerate M&As encompass companies spanning disparate industries and typically aim at diversifying risks by cultivating diverse business ventures (Dreher & Ernst, 2016).

2.2 Phases of Merger & Acquisitions

The temporal trajectory of M&As, as demarcated by scholars, spans from two to five distinct phases. For instance, Dreher and Ernst's (2016) financial lens discerns four phases, culminating in the transfer of ownership. However, a more holistic perspective, championed by scholars such as Koi-Akrofi (2016), trifurcates the M&A journey into pre-merger, the M&A transaction, and post-merger phases, each bearing pivotal implications for the transaction's success. The pre-merger phase is typified by rigorous feasibility assessments, encompassing fiscal, operational, and legal facets, culminating in an exhaustive M&A contract (Bauer & Matzler, 2014).

Kim's (1998) research accentuates the criticality of the pre-merger phase, advocating for an in-depth evaluation of compatibility, especially in terms of organizational culture and synergistic potential. An early consideration of paramount elements like culture and communication is predictive of enhanced performance across subsequent phases (Gomes et al., 2013). However, Chanmugam et al. (2005) illuminate a prevalent oversight where managers prioritize the planning of the inception phase, often relegating post-deal planning to an afterthought, thereby jeopardizing the transformative success.

Hotchkiss et al. (2013) resonate with this observation, underscoring managerial underestimations post-contractualization. Regarding preparatory endeavours across phases, Huh (2015) laments the prevalent fragmentation, where distinct project groups helm disparate phases, engendering communication lapses and strategic misalignment. His findings strongly advocate for a cohesive, integrated team approach throughout the M&A lifecycle.

Post-merger, defined by Bauer and Matzler (2013), is the crux of M&A execution, dictating the deal's eventual outcome. For Graebner et al. (2017), this phase encapsulates the harmonization journey of the merged entities.

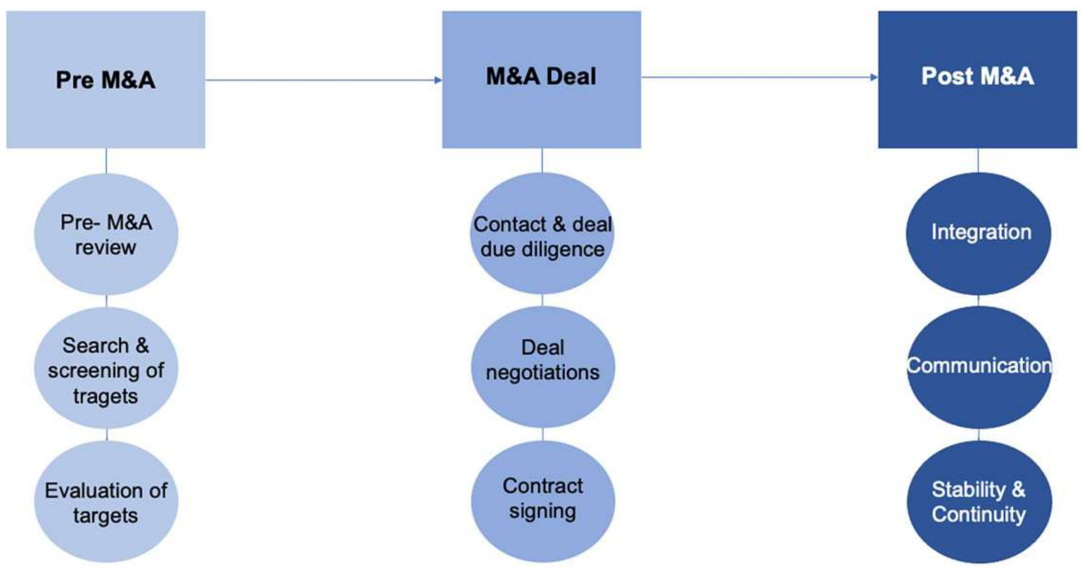

Figure 2 - M&A process in three phases (Koi-Akrofi, 2016) & (Bockius, 2022)

Indeed, the performance within the first one and a half years after the actual transaction is closed can serve as a reliable prediction of its long-term success (Healy, Palepu, & Ruback, 1992). A study of 248 large M&As over the course of a decade by Dinneen, Johnson & Liu (2021) found that 78 percent of deals which outperformed the market within the first 18 months are still above the benchmark after three years. The authors assign this success rate to four critical dimensions in the post M&A phase: Keeping the business momentum up despite the irritation of the M&A; accelerating the integration to achieve the intended synergies already within the first year; capturing transformational benefits in the long term; and putting more resources behind culture change. The culture related lever which ultimately supports new ways of working within the conglomerate is being rated by them as the second most important, once again underlining the importance of culture for the long-term success.

2.2.1 Success Factors during M&A phases

Scientists have identified several factors critical to an M&A success. These start with ensuring the financial viability of an M&A deal, "paying the right price" as Gomes et al. (2013, p 34) put it. Structuring it appropriately and managing post-merger financial integration are crucial for the long-term success of the merger, according to Gaughan (2010). In addition, it is important that a clear strategic rationale underpinning the M&A can guide integration efforts and align decision-making (Porter, 1987). Another important factor is it to have a well-structured integration strategy and plan, which is executed meticulously, ensures that the merged entities align operationally, culturally, and strategically (Haspeslagh & Jemison, 1991). Gomes et al. (2013) notes in addition to a plan the importance of having a competent team to execute it. Among the human factors contributing to a successful M&A is also the management commitment. Leaders play a pivotal role in setting the vision, providing direction, and ensuring that resources are aptly allocated during the M&A process (Hitt, Harrison, & Ireland, 2001). Interestingly, successfully managing the corporate and national is also one of the factors mentioned by the authors (see figure 3).

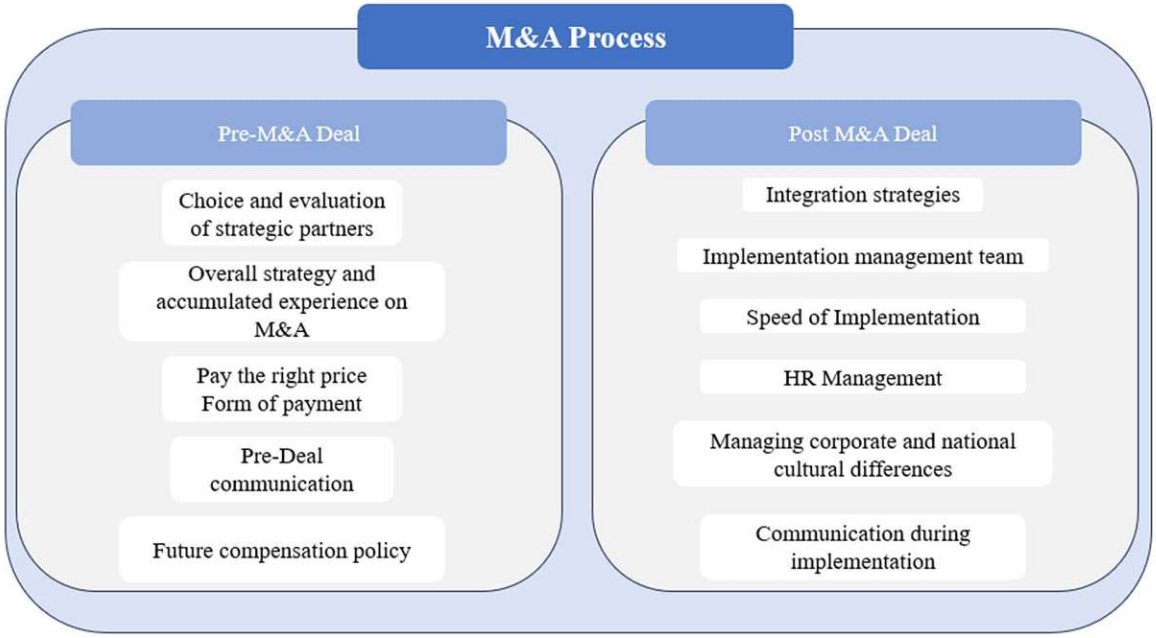

Figure 3 – Critical success factors through the M&A process (Gomes, Angwin, Weber, & Yedidia Tarba, 2013)

2.3 Culture and Mergers & Acquisitions

2.3.1 National culture

In the intricate dynamics of cross-border mergers and acquisitions (M&As), one of the paramount challenges is the amalgamation of employees originating from varied nationalities and cultural matrices. Such M&As mandate a cooperative synergy among these diverse workforce groups. The relentless pace of globalization, with its intricate web of interconnected economies and industries, has been a pivotal catalyst in the amplification of cross-border M&As. In fact, Gancel, Rodgers, & Raynaud (2002) have astutely observed a conspicuous uptick in the prevalence of these M&As, underscoring their growing significance in the global corporate landscape.

Delving into the realm of national culture, one is inevitably drawn to the seminal work of Hofstede (1991), who posited a profound definition, elucidating national culture as "the collective programming of the mind which distinguishes the members of one group or category of people from another" (p.5). This conceptualization underscores the ingrained cultural programming that individuals assimilate, which essentially serves as a cognitive compass, guiding their interactions, perceptions, and behaviors. However, it's pivotal to note that these cultural nuances, while deeply entrenched, often operate subconsciously. Most individuals, as a result, remain largely oblivious to the profound influence of their national cultural values.

These values, as expounded by Olie (1990), are not static relics of the past but are continually molded through a path-dependent process. They are bequeathed across generations, akin to treasured heirlooms, albeit in the realm of cognition and behavior. Furthermore, they are perpetually reinforced and reinvigorated by a nation's institutional frameworks, ensuring their continuity and relevance in shaping individual and collective actions.

One of the more tangible manifestations of these national cultural values is evident in the nexus between a nation's pivotal institutions. The intricate interplay between governmental entities, labor unions, and business enterprises, for instance, not only exemplifies these values but also actively shapes and refines them (Cartwright & Cooper, 1992). This symbiotic relationship further accentuates the significance of national culture in determining a nation's economic trajectory and business ethos.

Public discourse, media and entertainment industry frequently portrait nations based on a variety of cultural attributions. Dimensions include, for example, values such as work ethic, communication behavior and attitudes toward hierarchy and authority (Hofstede, 1980). In many cases, these attributions are presented as stereotypical pairs of opposites. For example, Germans are often described as on the one hand being punctual and disciplined, while on the other hand lacking a sense of humor; Italians are characterized as enjoying the pleasures of life, having a sense for design and culture, but being a bit sloppy on the other side (Beller & Kröger, 2018). While these are social constructs and generalizations (Terracciano, Abdel-Khalek, Adam, L., & Ahn, 2018) and in-depth research by McCrae et al. (2018) shows that these ethnic and national stereotypes are generally untrustworthy, they still need to be in focus for integration processes connected with M&As. To the extent that social constructs are nevertheless used in everyday interactions between members of different nations, or are even cultivated in self-perception, they influence the intercultural cooperation that necessarily arises in M&As with players from different nations.

Consequently, they have profound implications during cross-border M&As, necessitating astute cultural due diligence and meticulous integration strategies to harmonize these diverse cultural tapestries.

2.3.2 National culture distance

The term "cultural distance" captures the disparity in value systems across cultural collectives (Marks & Mirvis, 1997). Over the years, a plethora of frameworks has been devised to quantify this cultural chasm. Among these, Hofstede's (1980) cultural dimensions remain preeminent (Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009). Hofstede, relying on comprehensive survey data, introduced six key dimensions - individualism, power distance, uncertainty avoidance, masculinity, orientation, and indulgence - which were subsequently scored across nations (Hofstede, Hofstede, & Minkov, 2005).

To further elucidate:

• *Power Distance:* This dimension encapsulates societal acceptance of hierarchical disparities in power across its institutions and organizations. Societies with pronounced power distance showcase pronounced deference to authoritative figures and mandates (Hofstede, 1980).

• *Uncertainty Avoidance:* Societies are scored based on their comfort with ambiguity and unpredictable situations. Elevated scores denote a propensity for structured environments, rules, and diminished acceptance of unconventional beliefs or behaviors (Hofstede, 1980).

• *Individualism:* This dimension gauges societal emphasis on individual autonomy versus group cohesion. Elevated individualism suggests a decentralized social fabric, in contrast to collectivism's closely-knit communal bonds (Hofstede, 1980).

• *Masculinity:* This measures societal orientation towards traits considered traditionally "masculine" such as ambition, assertiveness, and competition, in opposition to "feminine" values like collaboration, life quality, and security (Hofstede, 1980).

• *Orientation:* Introduced subsequently by Hofstede & Bond (1988), this measures the emphasis on long-term vision and perseverance versus short-term traditionalism and social obligations.

• *Indulgence:* This dimension, added by Hofstede, Hofstede, & Minkov in 2010, evaluates the cultural proclivity towards subjective well-being versus restraint. Notably, none of the studies considered for this review incorporated this dimension.

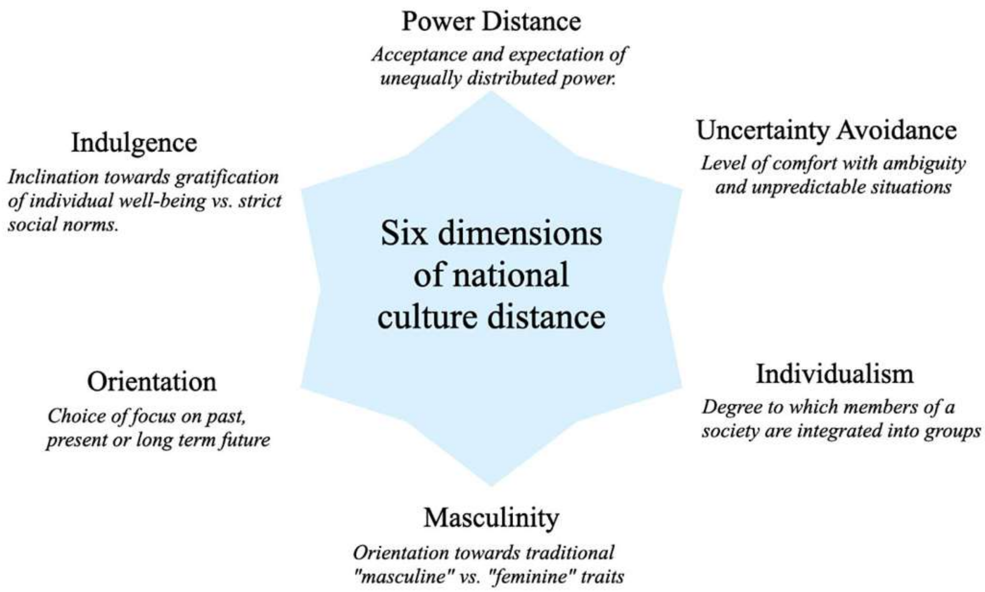

Figure 4 – Dimensions of national culture distance (Hofstede et al., 2005)

Numerous studies have co-opted Hofstede's initial five dimensions as foundational in exploring the impact of national cultural distance on M&A outcomes. However, despite its widespread application, Hofstede's framework has been critiqued for potential Western bias and its temporal relevance given its data collection period (1960s and 1970s) (Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009). Additionally, Hofstede (2001) himself articulated the potential inadequacy of nations as cultural units.

Hofstede (1997) envisioned culture as a multi-tiered construct, with individuals encapsulating various cultural layers, from national to regional, religious, gendered, generational, social class, professional, and organizational. Subsequent studies even proposed an industry-specific cultural layer, resonating with distinctive value systems observed in sectors like IT or start-ups.

Pioneering work by Kogut and Singh (1988) culminated in a metric for cultural distance, rooted in Hofstede's (1980) dimensions. Despite its adoption in multiple studies, this concept has encountered critiques, with scholars like Weber et al. (1996) questioning its assumptions and advocating for a nuanced understanding of cultural congruence. A critique that emerges is the static nature of these dimensions and the need for a more fluid, adaptive framework that considers the continuous evolution of cultural nuances influenced by globalization, digitalization, and increased cross-cultural interactions (Jackson, 2011).

Recent approaches to measuring cultural distance have transcended traditional survey methods. Analytical models incorporating artificial intelligence and machine learning are being explored to capture the dynamic and multi-dimensional aspects of culture in real-time (Smith, 2020). These models aim to offer actionable insights that are contemporary and contextual, thereby enhancing the predictive and prescriptive utility for M&A success.

A nuanced understanding of cultural distance is emerging through rich case studies that unravel the complex, multi-layered aspects of culture beyond national boundaries. Cases of successful M&As underscore the role of adaptive leadership, flexible organizational structures, and inclusive cultures that bridge the cultural distance by fostering a shared organizational identity (Nguyen & Faff, 2007).

The future trajectory of research and practice in this domain is expected to be multi-disciplinary. It will likely incorporate insights from psychology, sociology, and anthropology to enrich the understanding of cultural distance. Moreover, the role of global crises like the COVID-19 pandemic in reshaping cultural constructs and influencing national cultural distance is an emerging area of study (Ahammad, Glaister, & Gomes, 2020)

In essence, the exploration of national cultural distance is far from complete; it is a living concept, continually evolving, reshaped by global events, technological advancements, and human adaptations. As businesses continue to cross borders, the need to dissect, understand, and bridge cultural distances will remain a critical determinant of the success of international business ventures, particularly M&As. Each unfolding chapter of globalization brings new challenges and opportunities, making the study of cultural distance a perpetually relevant field, demanding continual refinement and adaptation.

2.3.3 Organizational culture

Organizational culture, often considered the heartbeat of any institution, has been an area of profound academic interest, particularly in its role in shaping the strategic decisions and ultimate success of an organization. Its evolution as a distinct area of study reflects the growing appreciation of the human and behavioral aspects of organizational functioning.

According to Rottig (2017), seeing organizational culture as an individual concept only became common practice in research during the 1980s. While this particular time saw a surge in academic focus on organizational culture, its roots can be traced back to earlier management theories that emphasized the human relations approach and the socio-technical systems perspective. These early theories hinted at the significance of shared beliefs and values in organizations, even if they didn’t use the term "organizational culture" explicitly (Trice & Beyer, 1984).

Nevertheless Ahammad et al. (2016) insist on the importance of clear differentiation between the two concepts, having found them not to correlate significantly. Organizational culture is defined by Hofstede (1980) as the collective programming of the minds of the members of an organization. The scientific interest in the impact of organizational culture on the performance of M&A deals also dates back to early 1980 (Buono, Bowditch, & Lewis III, 1985).

Organizational culture is a complex interplay of various factors (Huang & Kleiner, 2004). Beyond the ten areas they identified, other elements like historical legacy, external environment, technology, and organizational lifecycle stage also play crucial roles (Cameron, 2008). The blend of these elements gives each organization its unique cultural identity.

According to Galpin and Herndon (2000), the process that forms an organizations culture and keeps on to continuously reinforcing it takes place in ten areas. According to them, the processes connected with these areas collectively make up the environment that builds and strengthens the culture of an organization.

- Rules & policies
- Goals & Measures
- Rewards & Recognition
- Staffing & Selection
- Training & development
- Ceremonies & events
- Leadership behaviour
- Communications
- The physical (office) environment
- Organization structure

In 1985 Schein proposed a culture model based on three levels. His model is notable since he arranged these levels according to their external visibility and put them in context with transformations in corporate culture. The levels are underlying assumptions, beliefs and values, artifacts, and behaviours. According to Schein, underlying assumptions are most deeply embedded in national culture and, at the same time, the least visible. This is in stark contrast to the third level, artifacts and behaviours, the easiest to observe. Looking at organizations these could be production output or the written and spoken language. Research conducted by Laurent (1986) suggests that organizational culture can change levels 2 and 3 but will only have a limited impact on 1. According to him, this is because organizational culture acts as a secondary socialization process that individuals experience as grown-ups and does not eliminate the initial socialization learned during childhood.

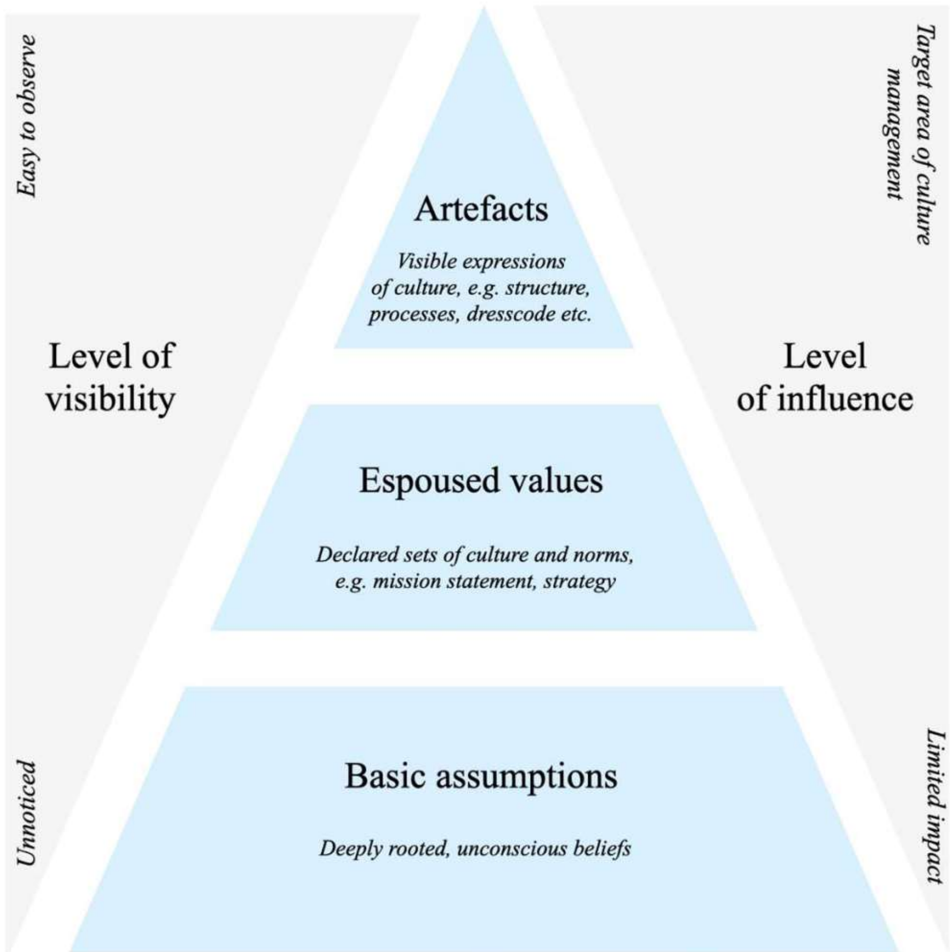

Figure 5 – Cultural model (Schein 1985) and impact of culture management (Laurent 1986)

Despite its seemingly enduring nature, organizational culture is not static. External shocks, leadership changes, technological advancements, or strategic shifts can act as catalysts for cultural change (Denison, Haaland, & Goelzer, 2003). However, as Laurent (1986) and Dauber (2012) pointed out, changing the deeper layers of culture, those ingrained assumptions and beliefs, is a more arduous task, requiring concerted efforts over extended periods. This would concur with Dauber's (2012) findings. He emphasizes that national culture tends to be more rigid and deeply rooted compared to corporate culture, making it a more significant hurdle during M&As. Johnson and Turner (2010) share Dauber's opinion and argue that national culture is especially prevalent in organizations when looking at management styles.

The realm of organizational culture, with its multi-faceted dimensions, continues to offer fertile ground for academic exploration. Future research could delve into understanding the role of digitalization and virtual work environments on organizational culture.

An example of this impact was provided by the COVID-19 crises and its shift towards remote / out-of-office workplaces (home office etc.). While driven by a global pandemic, this has also been one large test bed for corporate culture transformations that are enabled by digital instruments. In this context, numerous studies have been conducted to understand the correlation of leadership and work transformation in more detail. While the individual results vary by study and by research focus, there is common ground for the assumption that it poses as an opportunity and necessity for cultural intervention, e.g., Hofmann & Piele (2020) found that 71% of managers require additional training on the topic of leading employees at a distance. This is underlined by earlier studies about impression management, the behaviour pattern behind the personal workplace choice even if on paper there is complete freedom of choice. While homeworkers provide higher value contributions and generate lower office costs, they are less likely to receive raises and promotions ((Bloom, Liang, Roberts, & Ying, 2015).

Given that remote work is only just one small element in the realm of the overall change that is being brought about by digitization, and considering the drastic acceleration driven by the advancements of AI, one can easily conclude that digitalization will have huge impacts not just on a process and structural level, but even more on the level of organizational culture.

Additionally, the interplay between organizational culture and sustainability, corporate social responsibility, and ethical considerations presents promising avenues for deeper insights (Ehrhart, Schneider, & Macey, 2014).

The role of organizational culture in M&As cannot be overstated. While a harmonious cultural match can lead to synergies and smooth integration, cultural clashes can derail even the most financially promising mergers (Stahl & Voigt, 2008). The challenge lies not just in identifying these cultural mismatches but also in managing and navigating them post-merger, a process that demands sensitivity, patience, and astute leadership.

2.3.4 Organizational culture differences

Understanding the cultural differences between organizations becomes paramount, especially in the context of M&As. These differences go beyond mere practices and extend into deeply embedded beliefs, norms, and values that shape the very essence of an organization (O'Reilly III, Chatman, & Caldwell, 1991).

The term ‘‘cultural differences’’ refers to the similarity or dissimilarity of important assumptions that organizational members share (Chatterjee S. , Lubatkin, Schweiger, & Weber, 1992). While ‘cultural differences’ hint at the broad divergence between organizational beliefs, this spectrum can be nuanced. The disparities might range from strategic orientations (e.g., risk-taking versus conservatism) to operational nuances (e.g., centralized versus decentralized decision-making) (Harrison & Carroll, 1991).

According to Weber (1988) exactly how different employees of one organization are from those of another only becomes apparent when these two-start interacting or need to be integrated, as it is the case in an M&A. Differences then could manifest as conflicts in leadership styles, variations in decision-making processes, or even disagreements on resource allocation. Such mismatches, if unaddressed, can strain the post-merger integration process, diluting the potential synergies M&As typically aim to achieve (Stahl & Voigt, 2005).

It was also Weber (1996) who proved that organizational culture differences affect the performance of the post-merger integration process. Sarla (2010) found that cultural differences increased the potential for conflicts after an acquisition, hindering a successful integration. Nevertheless, several studies were able to show that in-depth cultural due diligence during the pre-acquisition phase can moderate these tensions (Weber & Tarba, 2012), (Gomes, Angwin, Weber, & Yedidia Tarba, 2013), (Kim, 1998); But identification is just the first step, it need to be followed up by well-tailored communication and change management measures (Samal, Patra, & Chatterjee, 2019).

Cultural differences between companies that operate in an existing and relative stable working relationship, e.g., supplier and retailer, manufacturer, and service company, etc., already carry the potential for friction and conflicts (Schein, 1985). However, if these differences occur in situations of increased tension, as any M&A automatically produces, the impact of these differences multiplies exponentially. This can lead to misunderstandings, escalating communication and over time irreconcilable conflicts, ultimately putting the success of the M&A at risk (Stahl & Voigt, 2005).

The subsequent challenge lies in crafting a cohesive culture. Kuehmayer (2019) suggests that three core levers facilitate cohesion in organisations: A common purpose, expressed by an overarching vision, but also in the desire to provide value beyond pure economics, e.g. in the areas of ecological or social sustainability; a management system that enables employees on various levels to participate in decision making processes and key operative issues; and trainings and education programs that transcend the usual barriers of departments or hierarchies, enabling employees of all areas of the company to jointly learn together, thereby also learning about themselves and others.

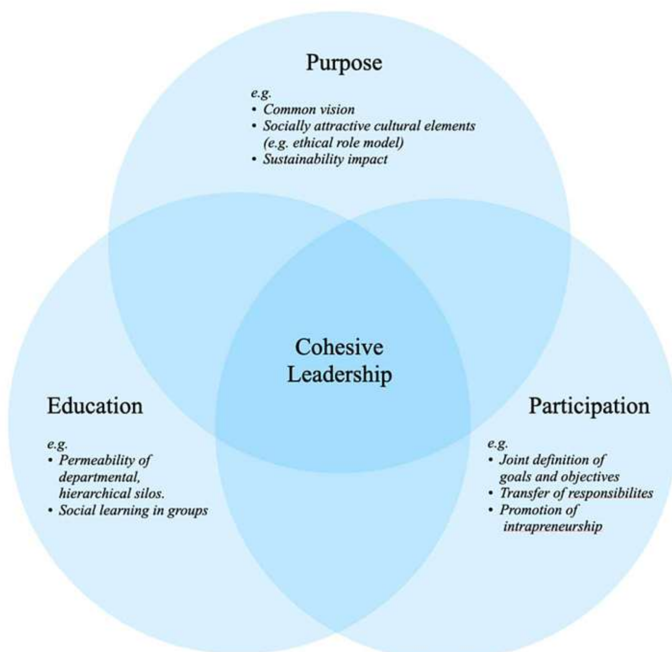

Figure 6 – Key elements of cohesive leadership (Kuemayer, 2019)

While Kuehmayer (2019) discusses these factors as driving forces to increase the cohesion within one organization – in opposition to fragmentation driven by individualization – it can be argued that applying these factors in a M&A situation as connective links between the two parties at play would have positive effects on the overall success of the endeavor.

At the same time, it should be acknowledged that the prosperity of all participants in any economic situation is traditionally not the baseline of business thinking. The main motive of economic entities that guides strategy and execution is usually not the goodwill of the individual actors, but rather remains pure self-interest (Friedman, 1970). Kuehmayer however argues the viewpoint of cohesion is not an altruistic idea at all. He believes that while it may be tempting to focus on individual strengths and homogenous characteristics, successful companies cherish the diversity that comes from a broad set of competencies and cultural values and proposes that integrating these differences into a common culture is not contradictory to alignment but does require establishing a leadership style that drives for cohesion.

In any case, the key focus relies on harmonizing the best cultural elements of both participating entities in the M&A process. This necessitates open communication, inclusive decision-making, and sometimes, even third-party interventions like culture consultants to facilitate smoother integration (Teerikangas & Very, 2006).

A repeatedly used measurement tool (e.g., Weber, 1996) for corporate cultural differences was developed by Chatterjee et al. (1992). It builds on seven culture dimensions and 29 questions associated with these dimensions (see Table 1). Besides evaluating beliefs, assumptions, and values, a strong emphasis is also placed on leadership and the management of an organization (Weber & Tarba, 2012).

Table 1

Dimension	**Description**
Innovation and activity	Management can differ in response to transformation and exploration of opportunities

Approach to risk	This dimension is concerning the differences in risk taking vs. aversion. A relatively high correlation has been found between this dimension and the previous one (Chatterjee et al., 1992)
Horizontal relationship	Addresses the different approaches of managers to cooperation and communication
Vertical-hierarchical contact	This dimension refers to the differences in attitude toward subordinates and the underlying different believe systems
Autonomy and decision making	The extent to which autonomy is given and essential decisions delegated to employees
Approach to performance	The management culture surrounding performance and its evaluation.
Approach to rewards	Organizational cultures also differ in the way rewards are granted and to whom.

Table 1 – Seven Dimensions of Corporate Culture (Chatterjee et al.,1992)

Chatterjee et al. (1992) primarily asked top managers to answer their questionnaire. They have defended this approach to measure organizational culture by arguing that the senior management is in the best position to shape the culture and its value system and are important protagonists during an M&A.

Several subsequent studies employed the instrument, or an adaptation thereof, developed by Chatterjee et al. (1992) to evaluate organizational culture differences. Among them the Krug & Hegarty (2001) and Weber (2000). The research conducted by Krug & Nigh (2001) found that cultural differences are strongly influencing the cooperation of management and can lead to high resignation rates. In addition to the high management turnover rate Weber (2000) also found a negative influence on the creation of shareholder value.

While tools like the one developed by Chatterjee et al. (1992) provide a structured way to assess culture, there's an inherent challenge in quantifying something as intangible as culture. However, innovative approaches like assessing through corporate social responsibility activities, as proposed by Bereskin et al. (2018), offer a fresh lens. Bereskin, Byun, Officer, & Oh (2018), measured an organizations culture based on their reported corporate social responsibility activities. According to Alexandridis et al. (2022), corporate social responsibility policies already represent many crucial aspects of a corporate culture. It can be argued that this makes for a more objective measurement. Such methodologies underscore that culture isn't just about internal beliefs but also how organizations project themselves externally (Aguinis & Glavas, 2012).

Several studies have reinforced this by highlighting the adverse outcomes of neglected cultural differences, ranging from high attrition rates to subdued financial performance. Thus, for M&As, cultural due diligence isn't just an auxiliary process but central to ensuring sustained success (Larsson & Lubatkin, 2001).

2.3.5 Theories on the impact of culture on M&As

Several studies have reported alarmingly high failure of M&As, ranging between 50 and 83 percent (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009). Different theoretical frameworks offer diverse lenses through which this intricate relationship can be examined.

National as well as organizational differences have long been assumed to play a key role in influencing these outcomes (Vaara, Sarala, Stahl, & Björkman, 2012).

While the highlighted theories provide substantial insights, the multifaceted nature of M&As and culture suggests that no single theory can fully encapsulate the dynamics at play. Future research could consider multi-theoretical approaches or explore lesser-discussed theories like the cultural intelligence framework (Earley & Ang, 2003), which focuses on the capability to function effectively across cultures. Such explorations could offer more comprehensive understandings and practical strategies for navigating the complex cultural terrains of M&As.

2.3.5.1 Attribution Theory and Cultural Sensemaking

Scientist have proposed different theoretical frameworks as to how culture impacts the M&A process. Among them Vaara (2010), who uses the attribution theory as a basis of explanation. They argue, that during a "complex cognitive, emotional and political sensemaking processes" (p. 107), cultural differences are constructed by the individuum. Vaara's (2010) application of the attribution theory underscores the cognitive dimensions that shape perceptions of cultural differences during M&As. According to this view, individuals construct their understanding of cultural differences through their interpretations of actions and interactions during the merger process. This subjective sensemaking can either enhance the integration by promoting mutual respect and understanding or can create misconceptions and biases, undermining collaboration (Kelley & Michela, 1980).

2.3.5.2 Theory of Relative Standing and Acquisition Dynamics

Others in turn bring forth the theory of relative standing (e.g., Krug & Hegarty, 2001) to explain the negative impact of culture on M&As. Frank (1985) first formulated the theory, arguing that an acquisition can result in feelings of inferiority and loss of status, especialy for executives, leading to a hostile and unproductive environment. The application of Frank's (1985) theory of relative standing reveals the human and emotional side of M&As.

Acquisitions, by their very nature, tend to create hierarchies where one organization might be perceived as dominant or 'acquiring,' while the other may be seen as 'acquired' or subordinate. The perception that one of the participants in the M&A process is particularly dominant becomes especially tangible when the acquiring company transfers its actual position of strength, which ultimately led to the takeover, from one particular subject area to other subject areas or even to all relevant fields, even if this is not objectively justified (Vaara, 2003). For example, a company that has been successful in sales, which lead it to be in a position to acquire another company, is not necessarily also successful in other areas, such as innovation management, production, logistics or operations. If the actual position of strength is not moderated in a targeted manner as part of the takeover, this can result in the perception of an unjustified imbalance (Larsson & Lubatkin, 2001). This will be particularly the case if the motive of the takeover is not symbiosis but elimination of a competitor This can lead to perceived loss of status, especially among top management, causing resistance, lower morale, and reduced commitment to the merged entity's success (Weber & Tarba, 2010).

If the perceived loss of position becomes an actual loss, the importance of accompanying measures increases accordingly. In many cases, M&As are also intended to achieve headcount synergies, resulting in positions of middle managers and even high-ranking executives becoming obsolete (Cartwright & Cooper, 1992). If they are to remain operational for at least some time during the transition, for example to enable knowledge transfer, both cultural and organizational measures must be taken, such as financial incentives (Cartwright & Schoenberg, 2006).

2.3.5.3 Social Movements Theory: Organizational Responses to M&As

Jet others have based their findings on the social movements theory (e.g., Veiga, Lubatkin, Calori, & Very, 2000), attempting to explain the origins, growths, and outcomes of social movements in organizations (Staggenborg, 2005). Veiga et al.'s (2000) deployment of the social movements theory offers insights into the collective reactions of organizational members during M&As. As employees perceive threats to their existing culture or sense potential marginalization, they may form coalitions or groups resisting the merger, drawing parallels to broader social movements (McAdam, Tarrow, & Tilly, 2003). These movements can slow down or even derail integration efforts if not managed effectively.

2.3.5.4 Organizational Learning Theory: Harnessing Cultural Synergies

Another popular theory that found application by several studies was the theory of organizational learning (e.g., Barkema, Bell, & Pennings, 1996; Olie, 1994; Villinger, 1996). One key aspect of the theory is the creation of knowledge and application of knowledge within a company (Schwandt & Marquardt, 1999). Villinger (1996) argues that a culture of learning and sensitivity towards cultural differences is crucial for a successful acquisition.

The theory of organizational learning underscores the importance of knowledge creation and application during M&As. Barkema et al. (1996) and others argue that M&As present opportunities for inter-organizational learning, where companies can harness the strengths of both cultures to drive innovation and improve performance. For this to materialize, an organizational culture that encourages continuous learning, adaptability, and appreciation of diversity is essential (Argote & Miron-Spektor, 2011).

2.3.5.5 Cultural Integration and Assimilation Theories

In addition to the theories mentioned, cultural integration and assimilation theories (Berry, 1997) have also been applied to M&As. These theories focus on how organizations can either maintain their distinct cultural identities (integration) or adopt the dominant culture (assimilation) post-merger. According to Berry (1997) the chosen strategy has significant implications for employee satisfaction, loyalty, and overall integration success.

2.4 Culture Transfer and Integration in Mergers and Acquisitions

According to Cartwright & Cooper (1992) the attainment of M&A synergies often rests on the integration of not just assets and systems but also organizational cultures. The transfer and integration of cultures can significantly impact the success or failure of an M&A transaction (Weber & Camerer, 2003). Proactive management, thorough due diligence, and strategic interventions are vital for the seamless integration of cultures.

Based on the study conducted by Chatterjee et al. (1992) a comprehensive Due Diligence during the initial phase should include a culture evaluation. In the same sence Leadership alignment of both organizations involved is critical for setting the tone for integration (Bresman, Birkinshaw, & Nobel, 1999). Sarala (2010) suggests a blended approach, during which the strengths of both cultures can enhance commitment and reduce resistance. An argubly time consuming and challenging approach.

Iterative Feedback and Adjustment approach is suggested by Teerikangas & Very, (2006), arguing a continuous culture assessment and feedback mechanisms will ensure a successful realinement of cultures. Weisser (2022) discribes in his work the often only one directional culture transfers, starting only with the actual execution of the merger as an obstacle in on of it for a successfule culture intregration. See figure 7.

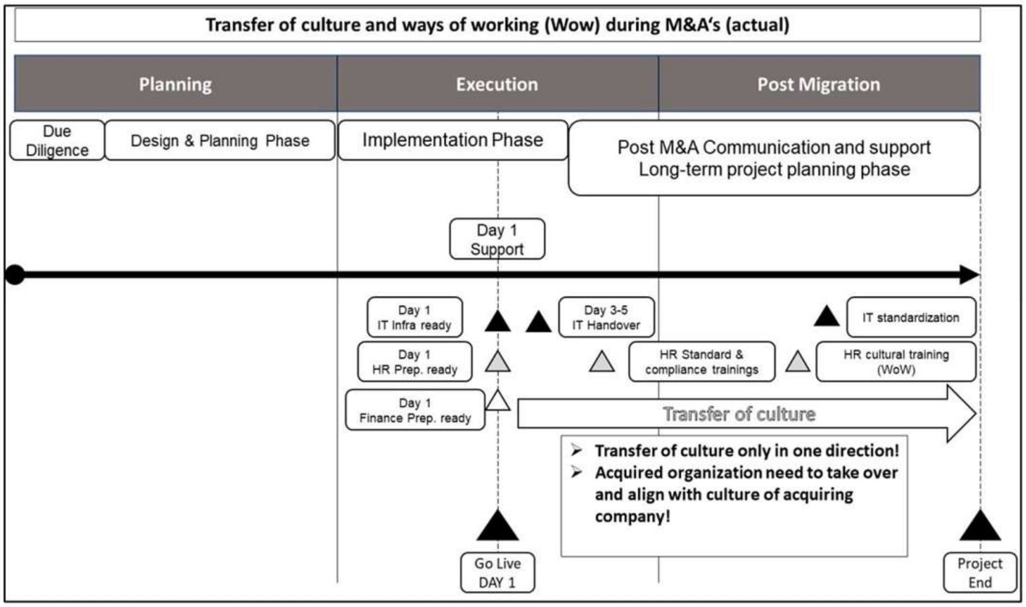

Figure 7 – Transfer of culture during M&A (Weisser, 2022)

2.5 Performance of Merger & Acquisitions

The assessment of M&A performance is an intricate endeavor, given the multiple dimensions and stakeholders involved. Various metrics offer different insights into the success or failure of such transactions, and each metric reflects a distinct stakeholder viewpoint or strategic objective.

Evaluating the success of an M&A requires a multi-dimensional approach, considering both quantitative and qualitative metrics. Stakeholders, ranging from investors and top management to employees and customers, have varying interests, and thus, a holistic evaluation approach ensures comprehensive insights.

Furthermore, the evaluation of the success of an M&A will also have to be made dependent on the initial strategic objectives of the acquisition (King, Dalton, Daily, & Covin, 2004). King et al. (2004) provide the example of the goal of undertaking a takeover in order to reconfigure the market landscape by displacing a competitor will lead to different success criteria than the goal of a long-term symbiotic integration.

Finally, the various phases of an M&A process each require a specific management focus and specific key performance indicators. An overall catalogue of KPIs consisting of all success metrics of an M&A endeavor will hence be a complex and multidimensional controlling instrument (comparable in structure and usage to a balanced scorecard) (Kaplan & Norton, 1992).

2.5.1.1 Financial Metrics: Stock Market Performance

The failure or success of an M&A can, for example, purely be seen from a financial perspective. In this case, stock market performance is often used as an indicator (Alexandridis, Hoepner, Huang, & Oikonomou, 2022). Stock market reactions provide immediate feedback on market perceptions regarding the potential value creation or destruction from an M&A. Using event study methodology, scholars measure abnormal returns around the announcement date to gauge investor sentiment (Malatesta, 1983). Additionally, longer-term financial metrics, such as Return on Investment (ROI) or Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) margins, can be employed to assess the sustained financial impact of the M&A (King, Dalton, Daily, & Covin, 2004).

2.5.1.2 Strategic Metrics: Achievement of Objectives

Strategic evaluation metrics transcends mere financial performance and delves into whether the M&A facilitated the attainment of specific goals. The joining of two companies can thus be judged based on the achievement of a strategic objective (Clark & Ofek, 1994), like entering a new market, or on human resource indicators, like retention rate (Degbey, Rodgers, Kromah, & Weber, 2021). For instance, did the merger help the organization expand its customer base, diversify its product portfolio, or achieve economies of scale. Measures like market share growth or product line expansion can be indicative of such strategic successes (Ravenscraft & Scherer, 1987).

2.5.1.3 Human Resource Metrics: Employee Retention and Satisfaction

An often overlooked yet critical aspect of M&A success is the human element. M&As invariably entail cultural integration challenges, and if employees feel disenchanted or threatened, attrition rates can spike (Marks & Mirvis, 1997). Thus, tracking retention rates, employee satisfaction scores, and engagement levels post-

M&A can offer insights into the human capital dynamics and their implications for the overall success of the integration (Gertsen, Søderberg, & Torp, 1998).

2.5.1.4 Operational Metrics: Synergies Realized

Operational metrics delve into the deeper "mechanics" of the merged entity. Has the M&A resulted in improved operational efficiencies? Metrics such as cost savings, lead time reductions, and increased production capacities can shed light on the extent of synergies realized post-merger ((Hitt, Harrison, & Ireland, 2001).

2.5.1.5 Customer and Market Feedback

Customer perceptions and market feedback post-M&A can provide insights into the external reception of the merger. Metrics like Net Promoter Score (NPS), customer satisfaction surveys, and market feedback can offer valuable perspectives on how the merged entity is faring in the marketplace (Gerpott, Rams, & Schindler, 2001).

3. Research Methodology

3.1 Research Approach

Qualitative research has become an integral component of social sciences, and the approach developed by Mayring (2007) provides a structured and systematic technique for analyzing qualitative data. For this review Mayring's (2007) content analysis method was applied. Mayring's method challenges this perception of qualitative research is dismissed as being too subjective or lacking empirical rigor by ensuring a methodologically controlled analysis that, when executed diligently, brings forth reliable and consistent findings.

Central to Mayring's approach is the notion that qualitative content analysis should transcend mere descriptive recounting of data. Instead, it should delve into the underlying patterns, themes, and meanings embedded within the data. This is achieved by maintaining a careful balance between remaining open to the data's richness and ensuring methodological robustness (Mayring, 2007)

If the technique is executed correctly, different researchers presented with the same qualitative data should come to the same results (inter coder reliability). The Qualitative content analysis thus sees itself as a framework for an "empirical, methodological controlled analysis of texts within their context of communication" (Mayring, 2000, S. 1).

Adopting Mayring's qualitative content analysis approach offers several advantages for researchers. Firstly, it bridges the gap between the richness of qualitative data and the empirical rigor demanded in academic research. Secondly, its systematic approach ensures transparency, making the research process more traceable and reproducible (Kuckartz, 2014). Lastly, the iterative feedback loops ensure that the analysis remains adaptive and responsive to the nuances of the data.

Mayring's method unfolds in a series of phases, beginning with the development of a coding sheet (Phase I). This initial phase sets the stage by defining the categories that will guide the subsequent analysis. However, recognizing the dynamism inherent in qualitative data, Mayring's method permits refinement and revision of these categories as the analysis progresses (Phase II). This iterative process, referred to as feedback loops, ensures that the analysis remains grounded in the data while adapting to emergent patterns and themes. The process is depicted in in figure 2.

Following the proposal by Mayring (2007) a coding sheet for the analysis was developed early on in the analysis (Phase I). This category system was partially revised and extended during the analysis (Phase II).

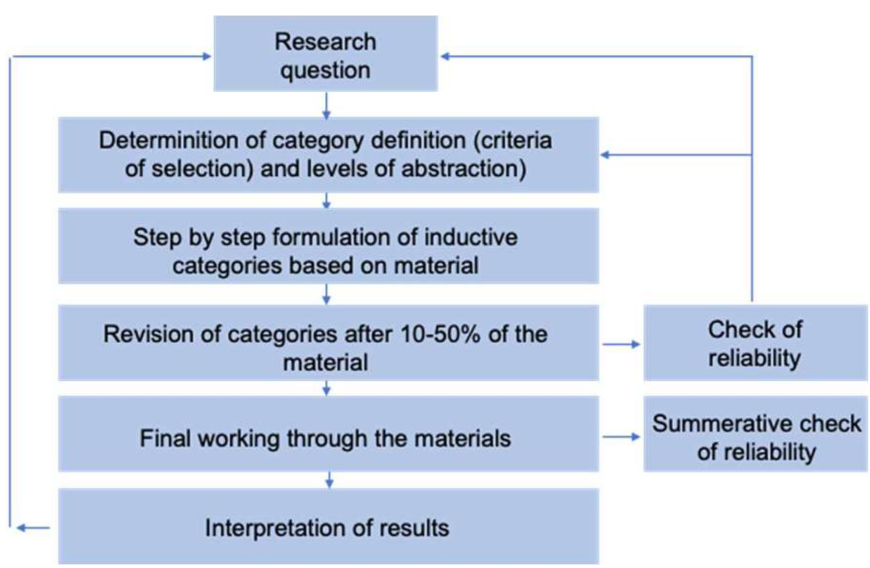

Figure 8 - Deductive category application (Mayring, 2000)

3.2 Data Collection

The data sampling process was started by gathering a large set of scientific literature, to be gradually reduced in a later stage of the analysis. Initially, all publications that included the search term ‘culture’ as well as the keywords 'M&A,' 'merger,' or 'acquisition' in the title or abstract were cataloged. For the data collection, the databases of ProQuest, as well as Taylor & Francis and Elsevier, were systematically searched. To further expand the search, the most cited scientific publications found were used as a search basis at Connected Papers, revealing additional papers.

During a systematic literature review, it is important to define appropriate inclusion and exclusion criteria (Fink, 2014). Only scientific journal publications, as well as conference proceedings, were included. Papers were excluded from the analysis if they only mentioned culture as a side concept. Additionally, all publications that primarily discussed theoretical frameworks were subsequently banned. Overall, 88 publications were analyzed. The applied coding sheet used during phase I can be found in Table 2.

Table 2

Category	Explanation
(1) General information on the publication	
Author	Author(s) of the publication
Year	Year of publication
Journal	Name of the Journal
Impact Rating	What is the VHB ranking (if available) of the journal?
(2) General information on the study	
Study Design	Empirical: survey, case study, archival, interview, literature review Theoretical (i.e., paper develops, improves, or challenges existing theory)
Sample	How large was the sample? Who was the target group?
Phase	Which M&A phase was the main interest of the study?
(3) Culture within the study	
Culture	National culture Organizational culture

Culture concept	Which culture concept was applied? (e.g., cultural distance, culture shock, cultural differences etc.)

Table 2 – Phase I coding scheme, including analytical categories.

During Phase II of the literature review, all studies that researched the impact of culture on the performance of M&A received a more granular coding, during which the tools utilized to measure culture and performance were reviewed in detail. Additionally, the type of participants (e.g., management, employees) was coded. This resulted in 25 studies being in-depth coded. The applied coding sheet used during Phase II can be found in Table 3.

Table 3

Category	Explanation
(1) Measurement within the study	
Culture Measurement	What tool was used to measure culture?
Performance Measurement	What tool was used to measure performance?
(2) General information on the study	
Results	What were the main results of the study
Direction	What kind of impact of culture on performance was found? Positive, Negative, Neutral

Table 3 – Phase II coding scheme

3.3 Data Analysis – Phase I

3.3.1 General information on the publications

The earliest study included in this analysis was published in 1985 by Buono and Bowditch. Since their work, the question of culture and M&As has come increasingly into focus. While in the 1980s, only two additional studies were published, there were already 19 studies conducted in the 1990s. The trend continues with 23 studies between 2000 and 2009 and another 35 studies published between 2010 and 2019. In the past two years, and extra of 11 studies were added. This underpins the position of Rottig & Reus (2017), who also argued that due to increasing globalization as well as M&A activities, the interest in this particular field has increased.

Overall, articles were found within 53 different journals, a reflection on how vastly the topic has been researched over the past decades, however, with the exception of a handful focusing on, e.g., psychology (*British Journal of Social Psychology*) or sociology (*Cross Cultural Management*), the majority of journals come from the field of business and management. Most journals only published 1-2 papers relevant to this thesis analysis, with the notable exception of *Human Relations* (7 articles), *Journal of International Business Studies* (7 articles), and *Strategic Management Journal* (6 articles).

Most journals included in this analysis had a VHB – JOURQUAL 3 rating. VHB rates the impact rating of 651 journals in the areas of business research (VHB-JOURQUAL 3, 2023). The rating ranges from A+, the scarcest available rating for the most renowned journals, to D, for the less germane. Of the 68 journals with a VHB rating, the majority (32) were rated B and thus count as "renown scientific journals" (VHB-JOURQUAL 3, 2023). The remaining paper's ratings are split into A (19), C (12), and A+ (5). For 16 journals that did not have a VHB rating, the impact factor (IF) was used as the referenced score. The scores range from the excellent score of 8,23 (International Review of Financial Analysis) to the poor (Journal of Chinese Human Resource Management). For five studies, the impact factor of the journal could not be found.

3.3.2 General information on the studies

For most studies analyzed, the sample size is the direct result of the study design employed. While some studies with a particularly small sample size focused just on one case study (e.g., Vaara & Säntti, 2003) or conducted a handful of interviews (e.g., Styhre, Börjesson, & Wickenberg, 2006), others handed out a survey or compared publicly available data.

An analysis of the different study designs employed shows that there is a high share of studies (32) that have utilized surveys. Most of these studies (29) distributed their surveys to a large number of companies (up to 390 by Krug & Hegarty, 1997) that in the past have experienced an M&A. Notably, the study Datta (1991) with participants from 173 domestic acquisitions or Vaara et al. (2012) who surveyed 123 acquisitions. Only two studies combined surveys with interviews, Krug & Nigh (2001) as well as

Ovseiko et al. (2015). Another seven studies based their entire research on interviews, often with senior executives.

Interestingly another large set of studies (26) employed archival research technics. In these cases, the researcher accessed publicly available data like stock price developments (Boateng, Du, Bi, & Lodorfos, 2019), executive turnover rate (Krug & Nigh, 1998), or a company's history with M&As (Barkema, Bell, & Pennings, 1996). These studies cover a significantly larger number of M&As with up to 827 cross-border mergers (Ahern, Daminelli, & Fracassi, 2015).

The studies also differ on which phase of the M&A decided to focus. However, 49 studies made no explicit mention of the phase their research focuses on. Nevertheless, since a majority employed archival methods, post-M&A specialization can be implied. Only four publications explicitly studied the entire merger or acquisition process end to end. Not surprisingly, those were also, for the most part, studies that conducted case studies. The pre-M&A phase was only studied by two publications, focusing on the analysis of cultural compatibility before a deal is signed (Gazzola, Amelio, Grechi, & Alleruzzo, 2022 & Nahavandi & Malekzadeh, 1988). All other studies focused on the post-M&A phase, often following up on a joining of companies with a survey.

3.3.3 Culture within the studies

Most studies focused their research on either organizational culture (32) or national culture (43). Further, 13 studies considered both types of culture, while another four did not specify which culture type was studied. These four studies were excluded from further analysis as they could not contribute to answering the research question.

In total, over 21 different culture concepts were applied by the studies analyzed. This strong diversification already gives an indication of how varied the research angles on culture can be. Some of the concepts imply a negative connotation, like culture shock (employed by, e.g., Buono, Bowditch, & Lewis III, 1985) or cultural anxieties (e.g., Styhre, Börjesson, & Wickenberg, 2006). Others took a detailed look at certain aspects of (organizational) culture, like corporate social responsibility (e.g., Bereskin, Byun, Officer, & Oh, 2018) or leadership culture (e.g., Weber & Tarba, 2012). However, many studies used the concept of cultural differences (30), most commonly used to assess organizational culture, and cultural distance (20), to asses national culture.

3.4 Data Analysis – Phase II

Of the 88 studies originally identified for this meta-analysis, 25 were reviewed in depth during phase II, as their research results could answer this thesis's research questions.

3.4.1 Types of measurement for culture

In order to measure and compare national culture, most studies either worked with the dimensions developed by Hofstede (2010) or from the GLOBE project. The GLOBE project is regularly collecting data from 150 countries on cultural values and practices (House, Hanges, Javidan, Dorfman, & Gupta, 2004). This data is then made available to scientists, allowing for a "comparison" of national cultures (Ahammad, Tarba, & Liu, Knowledge transfer and cross-border acquisition performance: The impact of cultural distance and employee retention, 2016).

Whereas the measures employed to assess national culture are straightforward, an array of measures is used to get a better understanding of organizational cultures. Some studies compared the different corporate social responsibility values, believing them to "encapsulates many crucial aspects of corporate culture" (Alexandridis, Hoepner, Huang, & Oikonomou, 2022, S. 101035). Others, in turn, compared the different leadership styles of the organizations involved (e.g., Weber, 1996) or simply asked participants to rate the degree to which the culture of the acquired firm differs (Ahammad, Tarba, & Liu, Knowledge transfer and cross-border acquisition performance: The impact of cultural distance and employee retention, 2016). In addition, some studies also used or built their own questionnaire based on the tool to asses cultural differences developed by Chatterjee et al. (1992). Among them were the publications by Savović (2017) and Tarba, Ahammad, Junni, Stokes, & Morag (2019).

3.4.2 Type of measurement for performance

The majority of studies analyzed during Phase II used financial indicators to evaluate the performance of an M&A. While some compared stock market developments around the time of the announcement of the union (e.g., Markides &

Ittner, 1994), others developed more elaborate financial indicators. Among them Tarba et al. (2019), calculated the overall performance by taking a look at the "return on investment (ROI), earnings per share (EPS), stock price, cash flow, and sales growth" (S. 18.) during the two years after a merger or acquisition was fully completed. Only two studies opted for a subjective evaluation by senior managers of the performance of the M&A (Sarala, 2010 & Gazzola, Amelio, Grechi, & Alleruzzo, 2022).

4. Discussion Results

4.1 Culture and the Performance of Mergers & Acquisitions

The most challenging and essential part of an M&A is the integration of the two cooperation. While a lot of the integration is happening on an organizational level, the sociocultural merger is just as important (Stahl & Voigt, 2005). However, a detailed analysis of the research conducted on the impact of culture on the performance of M&A's reveals that the findings are highly contradictory. An overwhelming majority of studies support the common assumption that cultural issues have a negative impact on the success rate of M&A's (King, Dalton, Daily, & Covin, 2004). Nevertheless, others do not see such a clear correlation between the two factors or even support the notion that strong culture differences between entities can support a successful M&A (Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009).

Table 4

Negative impact		Positive impact		No impact	
Organizational Culture	National Culture	Organizational Culture	National Culture	Organizational Culture	National Culture
Ahhamad et al. (2011)	Datta & Piu (1995)	Savovic (2017)	Chakrabarti et al. (2009)	Weber (1996)	Ahhamad et al. (2016)
Alexandridis et al. (2022)	David & Singh (1993)	Tarba et al. (2019)	Morosin, et al. (1994)		Markides & Ittner (1994)

Bereskin et al. (2018)	Oli (1994)		Morosin, et al. (1998)	
Boateng et al. (2019)	Reus & Lamont (2009)		Steigner & Sutton (2011)	
Chand et al. (2021)	Li (2016)			
Gazzola et al. (2022)				
Rottig (2017)				
Sarala & Riikka (2010)				

Table 4 – Studies exploring the relation of culture and the performance of M&As.

4.1.1 National Culture and the performance of Mergers & Acquisitions

The conclusion that national cultural distance has a positive impact on cross-border M&As comes from the research done by Chakrabarti, Gupta-Mukherjee & Jayaraman (2009). They employed the Hofstede (1980) measure of cultural dimensions to measure the cultural distance of over 800 cross-border acquisitions and compared it with the stock market performance of the acquiring firms. They came to the conclusion that post-deal cultural synergies improved the performance via diversity in the organizational strengths of firms. The authors attributed the increased performance to a heightened pre-deal sensitivity to the cultural differences and potentially resulting difficulties, which led leaders to apply stricter selection criteria. Additionally, they report better due diligence and screening and grant autonomy to the target companies. According to them, these effects were stronger than the costs and problems that arose from the cultural differences.

The research conducted in 1994 and 1998 by Morosini et al. also found a positive relation between national cultural distance and the performance of cross-border

M&As. They also applied Hofstede's measure of cultural dimensions (1980) and used the percentage rate of growth in sales as an indicator of success. Morosini et al. attribute the found relation to the post-acquisition strategy the acquiring firm chooses. If the buyer manages to apply a strategy that fits the national culture of the target company, the M&A has a greater chance of success. For example, the scientists suggested that if a target company is in a country that, by Hofstede's measure, is highly individualistic, the buy will best realize its potentially beneficial effects by choosing a post-acquisition strategy that favors independence. However, the authors concede that by studying only acquisitions executed by Italian companies, their results may be limited to Western Europe and the USA.

Steigner & Sutton (2011) also relied on Hofstede's measurement for their research in addition to a detailed cash flow analysis for performance estimation. They came to the conclusion that strong cultural differences exclusively benefited companies with large levels of intangible assets in the form of technology know-how. Steigner & Sutton argue that for these firms, it might be less costly to expand their assets through acquisitions compared to, e.g., contracting.

Overall, the few studies that found a significant positive impact of culture on M&A's seem to study niches, or their results are only transferable to a very specific target group. Further underpinning the assumption that the relationship between culture and M&A performance is complex and influenced by many factors.

Similar notions were expressed by Weber (1996), who also argues that the relationship between cultural differences and the financial performance of M&As is a lot more complex than previously presumed. He found that it was not the objectively evaluated cultural differences that mattered but how the differences were perceived by the acquiring management. In addition, he argued that cultural differences played a greater role in service organizations and were weighted more heavily by managers compared to manufacturing organizations.

The archival analysis conducted by Markides and Ittner (1994) found no proof of a negative effect of cultural distance on the value creation of international M&As. According to them, the influence of factors like the bidding firm's industry, the nature of the acquisition as well as the macroeconomic environment weighted much more gravely on the value creation possibilities. In contrast, Ahhamad et al. (2016) found no significant impact of national culture distance; they did, however, find a strong significant effect of organizational differences on the success of cross-border acquisition.

Upon a closer look at the studies which have found the national culture to impact the success of M&As negatively, it becomes evident that the detailed results and suggested explanations vary greatly. Olie (1994), for example, sees culture as the principal factor for the failure of mergers, while others take a more moderate position. Such as Datta and Piu (1995), who found a negative impact of national culture fit on wealth creation. However, they concede that cross-border M&As might be more successful if the acquiring firm has more experience in maneuvering M&As. While the potential for knowledge increase and skill transfer is seen as one of the major benefits of cross-border M&A, research conducted by Reus & Lamont (2009) came to the conclusion that national culture distance impedes the transfer of capabilities and hinders communication between the two firms. Only if these hurdles are dealt with can the true potential of an acquisition be realized. Their findings underline the importance of strong integration capabilities. These thoughts are echoed by David and Singh (1993), who also found national culture distance to negatively impact the performance of an M&A, especially if organizations don't respond properly, the potential synergies cannot be realized. The more recent study conducted by Chand et al. (2021), also building on Hofstede's six dimensions, found a "robust negative relationship between the success of M&A attempts and national cultural distance" (S. 14).

Several studies have either proposed or even analysed the theory that the impact of organizational and national culture on the performance of M&As might be strongly moderated by different factors. Among the moderators are the relative size of the organizations involved (Very, Lubatkin, Calori, & Veiga, 1997), the nature of the M&A (Markides & Ittner, 1994), prior M&A experience (Datta & Puia, 1995) or the level of autonomy (Tarba et al., 2019). Li, Li, and Wang (2016) also suggest that national culture differences might be mitigated if the organizations involved are in the same industry. Industry similarity was also identified by Chand et al. (2021) as a mitigated of the negative impact of cultural distance.

4.1.2 Organizational culture and the performance of Mergers & Acquisitions

On the impact of organizational culture, a study was conducted by Savovic (2017), who also found a positive relationship between culture differences and post-acquisition performance. Savovic deduces that this effect can mostly be explained by the nature of her sample. In her research, she conducted a survey with 30 previously state-owned Serbian companies. According to her, most employees understood the need for change, and considering the previously poor management of these companies, a performance increase was all but guaranteed. In this case, it appears as if the cultural differences compared to other factors only had a negligible impact on the overall performance of the acquisitions. Additionally, the measures applied by Savovic were highly subjective, e.g., asking managers to assess the increased performance or asking employees to rate the similarity between the organizational culture of the acquired and acquiring companies. Both factors contribute to the assessment that not too much weight should be put on the results of this study when trying to answer the overall question of the relationship between culture and M&A performance.

Tarba et al. (2019) also found a positive impact of organizational culture on acquisitions. They measured cultural differences by asking 108 employees to indicate the pre-merger similarity between the acquired and acquiring top management and compared it with the improvement in the overall financial performance. Their research was limited to Israeli high-tech companies. For this limited target group Tarba et al. came to the conclusion that cultural distance provides opportunities for firms to learn and tap into valuable resources in culturally diverse target organizations, thereby enhancing their competitive advantage.

In his study from 1996, Weber came to a different conclusion. While he found strong cultural differences in the sample he studied, he could not determine an impact on the financial performance of the researched M&A's. He deduced that M&As can be economically successful despite cultural differences if decisive measures are taken to mitigate the pending culture clash. In addition, Weber theorized that the role culture plays in the performance of an M&A might highly depend on the industries involved. His sample consisted exclusively of banks, from which he deducted that organizations in the service industry might be more sensitized to its relevance than others, e.g., in the production industry.

The majority of studies analysed, however, found the corporate culture to have a negative impact on the performance of M&As. Among them, Alexandridis et al. (2022) found that cultural divergence was associated with lower returns even in the long run. They also found these differences to negatively influence the time required to sign a deal, as well as the overall likelihood that an M&A gets completed in the first place. That culturally similar cooperations merge much more easily is also confirmed by Bereksin et al. (2018). They found that culture fit plays a decisive role in realizing merger synergies as well as ensuring long-run performance. Ahammad et al. (2016) made efficient knowledge transfer out to be on of the most important factors in deciding about an M&As success. They found great organizational cultural differences to influence the knowledge transfer between employees negatively and thus endangering the success of the operation as a whole.

4.1.3 Factors possibly mitigating research results

The deeper analysis of the different studies reveals that disparate study designs, as well as measures for culture and performance, were employed. While it is reasonable to assume that the discrepancies in approaches could partially explain the contradictory findings on the matter (see Figure 3.), no clear pattern could be found. While several studies selected an archival approach and analyzed publicly available data, others distributed surveys to executives involved in the M&A. Contrary to the assumptions expressed by Rottig & Reus (2017), studies employing primarily qualitative measures did not exceedingly conclude that M&As have a negative impact on performance. Rottig & Reus speculated that the nature of the measures used could easily create a bias, in which questions guide participants in a certain direction.

The same was true for the studies that did use the same or comparable method to asses national culture or financial performance indicators; they all came to different conclusions, reporting negative, positive as well as neutral M&A performance.

What stands out among the publications studying organizational culture, is that only those employing the tool developed by Chatterjee et al. (1992) reported a positive or neutral impact on performance. However, since the overall number of studies is so small, no final conclusion could be drawn.

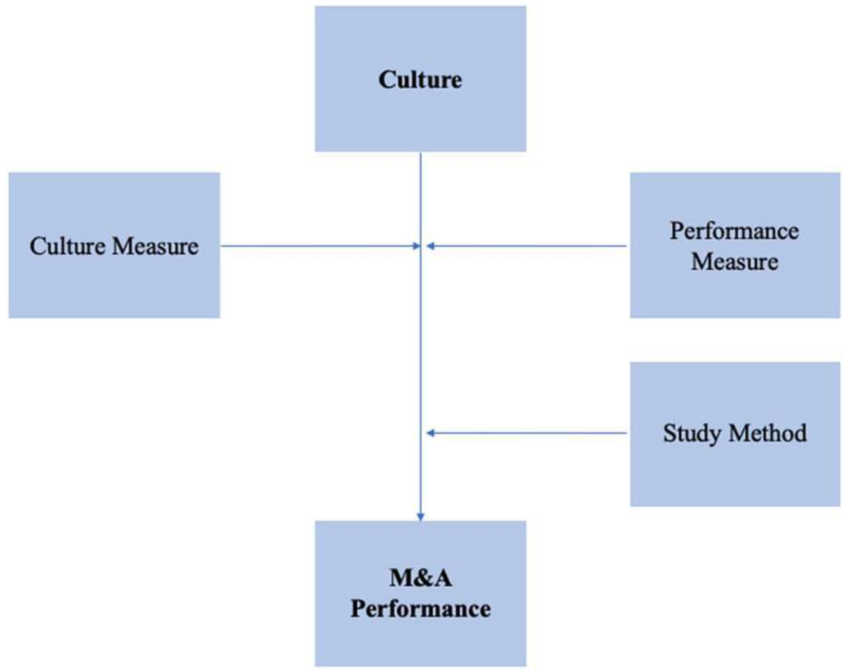

Figure 9 - Factors possible mitigating research results (by the author)

5. Conclusion

5.1 Theoretical implications

The theoretical contributions of this paper extend beyond the detailed examination of culture in the context of M&As, uncovering subtleties often overlooked in previous studies. It fosters an understanding that while national and organizational cultures significantly impact M&A outcomes, they do so in diverse and nuanced ways. The discovery that culture cannot be easily isolated or measured underscores the need to transcend conventional evaluative methodologies.

By examining a comprehensive array of literature and methodologies, this paper elevates the conversation surrounding culture's role in M&As, illuminating nuanced insights. Dauber (2012) postulates that culture isn't solely captured by numerical indicators; it's a complex mosaic formed from the shared experiences, values, and actions of those within an organization. The insight underscores the necessity for the adoption of an eclectic approach blending quantitative and qualitative methodologies in unison.

Moreover, the diversity of cultural constructs employed in academic research in the context of M&As is a noteworthy concern. While academic research should ideally provide clarity and insights, the multitude of culture constructs used across studies has introduced an element of confusion and uncertainty. This diversity, while reflective of the complexity of culture itself, makes it challenging to draw definitive conclusions about the impact of culture on M&A performance. To address this challenge, future research efforts might benefit from aligning on common terms and comparable concepts within the scientific community, thereby facilitating a more coherent and insightful body of knowledge in this area.

5.1.1 Methodological Insights

In terms of methodological insights, this paper emphasizes the inherent challenges in examining culture empirically, especially within the multifaceted ecosystem of M&As. The analysis performed in this paper yields a noteworthy revelation - there is no clear-cut correlation between the choice of research methodology and the observed cultural impacts on M&A outcomes. This revelation challenges the assumption that different research approaches inevitably lead to varying conclusions regarding the influence of culture on M&As. Teerikangas and Very (2006) noted that the intangible quality of culture, inherently subjective in nature, poses distinct hurdles for empirical investigation.

In essence, it suggests that culture's role in these complex transactions is multifaceted, and it cannot be easily distilled or categorized based on research methodology alone. This realization highlights the intricate nature of culture's impact on M&As, and it underscores the need for a more nuanced understanding.

5.1.2 Navigating Cultural Complexities

The diversity of cultural constructs employed in academic research in the context of M&As is a noteworthy concern. While academic research should ideally provide clarity and insights, the multitude of culture constructs used across studies has introduced an element of confusion and uncertainty. This diversity, while reflective of the complexity of culture itself, makes it challenging to draw definitive conclusions about the impact of culture on M&A performance. To address this challenge, future research efforts might benefit from aligning on common terms and comparable concepts within the scientific community, thereby facilitating a more coherent and insightful body of knowledge in this area.

Navigating the intricate landscapes of national and organizational cultures requires a nuanced approach, deeply rooted in contextual understandings. This study underscores the necessity to cultivate a rich, contextual comprehension of culture.

5.2 Practical implications

The practical implications of the study underscore the critical importance of culture in the realm of mergers and acquisitions. Perceiving, shaping, and transforming organizational cultures always follows the triad of desire, ability, permission. The first step being the formulation of an aspired culture of the future joint company; learning, practicing, and anchoring corresponding skills and capabilities; and finally enabling degrees of freedom for participation for employees at all levels. These are so-called soft factors that are not necessarily the primary focus of the M&A decision making process. Strategic decisions are regularly based on rational aspects such as financial criteria, technological features or perceived market opportunities. In many cases even these criteria are applied opportunistically, rather than methodologically, e.g., the selection of the acquisition target may be driven by the sudden availability of appealing prospects or by cash surges (Trautwein, 1990).

This paper lays the foundation for broadening this narrow perspective to include the cultural aspect from the outset and to do so using disciplined processes and methods. It recognizes that M&As are substantial and transformative endeavors for organizations, demanding a strategic approach from the outset. Culture, specifically, emerges as a decisive factor that can significantly influence the success or failure of these operations.

Culture serves as the connecting force not only between the two entities engaged in the M&A on a general and abstract perspective, but on a more detailed level also very pragmatically between the different teams actually working on the integration. For example, teams tasked with the unification of IT systems, teams working on fusing sales processes and teams working on blending financial operations each will have their own agenda, yet at the same time the success of their work is highly interdependent with regard to timelines and overarching objectives. A clear strategy and concise project management is one way of aligning these different workstreams, but culture is an even more effective way, as it builds identification and a common sense of unity. Given the deadline pressure that frequently exists in M&A projects makes it tempting to "get going" on an operational level, the long-term success may very well be depending on achieving cultural alignment before.

This paper's insights emphasize the need for cultural due diligence as an integral component of the standard target selection process. This early integration of cultural considerations allows organizations to plan and implement mitigation strategies effectively. By doing so, they can minimize the often-negative effects that tend to surface during the later stages of M&As. This proactive stance is crucial in maximizing the chances of a successful merger or acquisition.

M&A projects have a variety of initial rationales, ranging from eliminating competitors to building a symbiotic combination of the individual strengths of both participating entities. These different motives will lead to equally different organizational design paths. For example, M&As aimed at maximizing efficiency will require tight cost control and eliminating redundancies, in many cases this will be achieved by reducing the size of the workforce. On the other hand, M&As aimed at harvesting growth opportunities will by contrast focus less on headcount reduction and more on scaling and investing in capabilities to grow the integrated company. While the deduction of finding the right operating structure based on the strategic target seems obvious, it also directly impacts all accompanying culture management activities. In the examples mentioned, the prospect of headcount reduction requires a different approach in terms of communication and people-oriented change management than the prospect of scaling out. Finding the right cultural direction is hence predominantly laid out already from the very beginning of the process, and not just an accessory that can be added in later phases and adjusted as the process moves along. Setting up a rigorous culture and change management program starts with translating the strategic objective of the M&A into an operating and organizational model for the future integrated company and deriving the cultural implications of this transition.

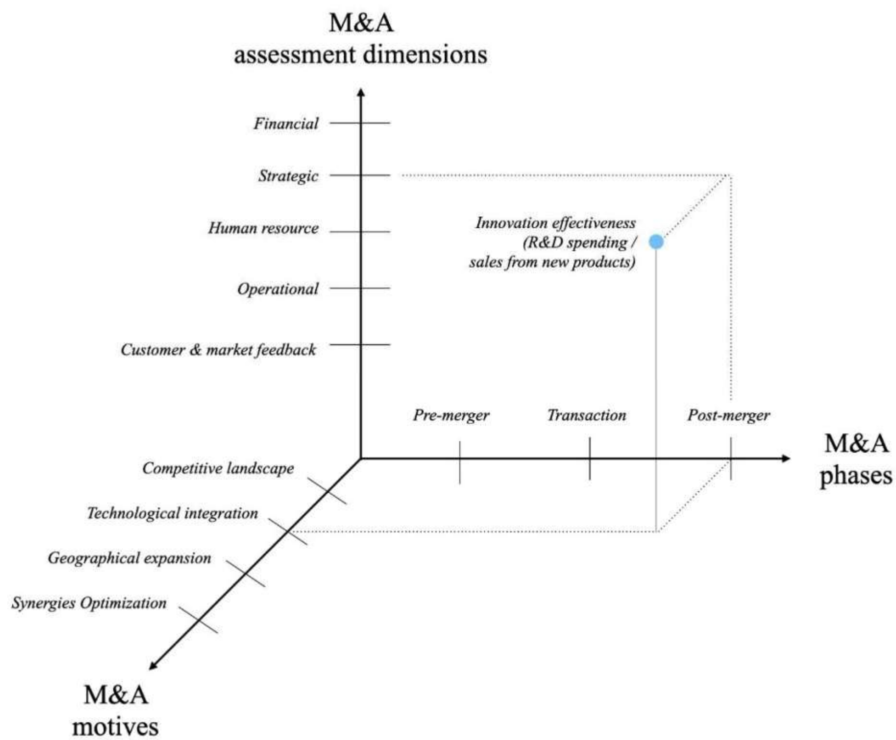

Figure 10 – Alignment of M&A motives and performance measures by phases (by the author)

In the example shown in figure X, the added value created by integrating the technological competencies and capabilities of the two players is the core motivation for the M&A. In order to evaluate its success in the long term, i.e., after the transaction has been completed, innovation effectiveness can be used as a strategic evaluation criterion, assessed for example by comparing research and development spending with sales figures for new products. This metric amalgamates all three desired dimensions: Initial motivation, strategic perspective, and time/phase of the project. In practical reality, an M&A scorecard will contain a weighted combination of several such KPIs.

It's important to note that while this paper highlights the potential for positive impacts arising from cultural differences, these benefits rarely occur spontaneously. Instead, they are the result of a deliberate and proactive approach to steering the integration process. Practitioners guiding M&A processes are, therefore, encouraged not only to address and mitigate negative cultural effects but also to actively enable and harness the positive ones.

In this sense, not only are the correlations between corporate culture, national culture and M&A success significant, as outlined in this paper, in practice the quality of the actual implementation of the process will be of paramount relevance for success (Stahl & Voigt, 2005). Significant focus should therefore be placed on the planning and execution of the measures that strive to leverage these potentials (Stahl & Voigt, 2008). While culture in principle contributes substantially to achieving the desired results of such an endeavor, in reality harvesting the fruits of such a major venture will depend on very pragmatic factors, for example: The ability of top management to formulate and communicate an inspiring and comprehensible vision for the M&A and the time after integration; the ability of executives to keep major stakeholders aligned even in the face of difficulties which will undoubtedly occur throughout the process; the competence of managers on all levels within both organizations to guide such a complex, elaborate undertaking, which naturally contains a multitude of uncertainties and ambiguities; the selection and guidance of suitable external service providers to accompany the project, such as strategy consultants or change management specialists; the quality of communication measures accompanying the project, both internally to employees and externally to the market and stakeholders (Haspeslagh & Jemison, 1991). Finally, current and ever-changing market conditions will also influence success. As M&A projects usually take significant time, often years, from the initial idea to the point of actually concluded integration, it is foreseeable that these conditions will change in the meantime. Sufficient flexibility will be needed in the design of accompanying measures to be able to respond dynamically to changing external situations (Jemison & Sitkin, 1986).

Simply acknowledging that culture is a decisive factor is therefore not enough; in practice, it must lead to carefully planned measures from the outset and permanent attention by senior management throughout the entire process.

In conclusion, while financials, strategy, and market positioning are critical in M&As, the soft underbelly of success lies in understanding, appreciating, and synergizing organizational cultures. An oversight in this domain can render even the most lucrative deals ineffective, emphasizing the importance of culture in the corporate realm.

5.3 Limitations & Further research

The quest for understanding the multifaceted relationship between culture and M&A performance presents several challenges and opportunities. The limitations observed in existing studies, and the emerging research avenues underscore the evolving nature of this academic pursuit. The limitations and avenues for further research identified in this text serve as critical signposts for advancing our understanding of the complex interplay between culture and M&A performance.

The dominant limitation, evident from the review, lies in the inability to arrive at a definitive conclusion regarding the role of culture, whether at the national or organizational level, in M&As. The variations in cultural constructs across multiple studies, more so within the realm of organizational culture, impedes the establishment of a consistent analytical foundation. As Thompson, Ellis & Wildavsky (2018, p. 134) aptly states, "The polysemous nature of culture becomes a double-edged sword, presenting both richness in interpretation and challenges in systematic analysis." To overcome this, it is proposed that the scientific community should strive to establish common terms and comparable concepts, fostering greater clarity and coherence in future research.

Additionally, the text highlights that the majority of analyzed studies tend to focus on culture's negative influence on M&A performance. A more balanced examination is warranted, exploring situations where acquisitions operate semi-autonomously, sans extensive integration. Such investigations can unravel nuances on how culture moulds success trajectories in these contexts. As posited by Edwards (2016, p. 78), "M&A outcomes in scenarios of limited integration represent an uncharted territory, potentially holding counter-intuitive insights."

Moreover, the separation of research on organizational culture and national culture is noted as a limitation, despite the well-documented influence of the latter on the former. While organizational culture operates within the broader umbrella of national culture, studies often examine them in isolation. This myopic approach fails to capture the layered interactions between these cultural dimensions. Future research should seek to bridge this integrative research that dissects how national cultural paradigms shape organizational ethos, especially within the M&A framework.

Furthermore, while the studies recognize the multifaceted nature of culture, none have closely examined which cultural aspects possess a strong or moderating effect on M&A performance. This represents a critical area where greater clarity is needed to identify the most influential cultural dimensions, informing the development of effective change management strategies.

Emerging global trends, such as remote work and digital transformation, are likely reshaping organizational cultures. Future research could delve into understanding how these macro trends influence cultural dynamics, especially in the context of cross-border M&As. Another avenue could explore how startups, with their unique agile and flat hierarchies, merge their cultures with traditional firms.

Lastly, while sociocultural integration emerges as pivotal to M&A success, the mechanics of this integration process remains veiled in ambiguity. There's a palpable need for empirical studies and practical guidelines focusing on the nitty-gritty of the integration process. Delving deeper into this arena can unearth best practices, pitfalls, and nuanced cultural considerations crucial for practitioners.

Change management is an integral part of successful M&A projects. As such, its influence must be just concentrated at the level of business processes or structure but has to be encompass the level of shaping organizational culture. The success of an

M&A project is not decided at a specific point in time of the project, but requires sustained support throughout all phases, hence change management cannot be viewed as a temporary activity between two discrete states, such as before and after the transaction, but rather as a permanently established foundation of all activities and measures. And since M&A is not concentrated on selected parts within the participating companies, such as the takeover team, but by its very nature affects both companies involved in their entirety, the responsibility for change management cannot be delegated to selected areas either, such as HR, or even be outsourced to external parties, such as consultants. While these specialists will be crucial for they provide expertise and bandwidth for execution, the responsibility for the cultural aspect of the merger and acquisition relies in the hands of both companies top management teams and must radiate from there throughout both organisations from an early stage on.

In conclusion, while existing research offers a mosaic of insights, the broader picture remains fragmented. The field beckons for holistic, integrated, and detailed explorations to truly fathom the depths of culture's influence on M&A outcomes. This journey, while challenging, holds the promise of transformative revelations for both academia and industry.

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Appendix

Studies Analysed – Phase II

Paper	Culture Measurement	Performance Measurement	Results	Direction
Ahhamad et al. (2016)	Organizational Culture: participants rated the degree to which the acquired foreign firm diverged from the acquiring firm National Culture: Nine dimensions of the GLOBE project data	Multi- dimensional	national cultural distance: no direct or mediating effect of has been found on knowledge transfer & CBA performance organizational culture differences: negative influence on CBA performance, but also anchors the relationship between knowledge transfer	Negative
Alexandridis et al. (2022)	Organizational Culture: cultural divergence; Corporate social responsibility (CSR)	Long-run stock performance	more pronounced cultural mismatch is associated with a higher likelihood of the deal falling through and a longer time to completion, cultural divergence is negatively related to stock-swap financing	Negative
Bereskin et al. (2018)	Organizational Culture: Similarity between CSR policies	Changes in operating performance	firms with high cultural similarity are more likely to merge; mergers are associated with greater synergies, superior long-run operating performance, and fewer write-offs of goodwill; cultural similarity eases post-deal integration	Negative
Boateng et al. (2019)	National Culture: Own assessment based on the dimensions developed by Hofstede (1988)	Abnormal returns on the announcement of M&A	cultural distance to bears a negative influence on value creation of purchasers in the short-and long-term. Acquirers large size, prior experience and high Tobin's q positively influence the link between cultural distance and value creation	Negative
Chakrabarti et al. (2009)	National Culture: Own assessment based on the dimensions developed by Hofstede (1988)	Stock market returns	acquisitions perform better in the long run if the purchaser and the acquistion come from countries that are culturally more different	Positive

Paper	Culture Measurement	Performance Measurement	Results	Direction
Chand et al. (2021)	National Culture: Own assessment based on the dimensions developed by Hofstede (1988)	Post-acquisition stock returns	post-acquisition stock earnings are negatively related to national cultural distance	Negative

Paper	Culture Measurement	Performance Measurement	Results	Direction
Datta & Piu (1995)	National Culture: Assessment based on the dimensions developed by Hofstede (1988)	Share price increase after announcement	Cultural distance is negatively associated with high returns	Negative
David & Singh (1993)	Organizational Culture: Questionnaire based on Cameron and Freeman's (1991) operationalization of the culture construct	Instrument encompassing both financial and non-financial measures, procedural and structural measures and objective and subjective measures ranging on a seven-point Likert-type scale.	Cultural distance significantly impacts merger and acquisition performance. Organizations that respond to cultural distance issues in post-acquisition management can develop synergies better	Negative
Gazzola et al. (2022)	Organizational Culture: B Corp certification	Subjective rating of economic & financial performance	Cultural compatibility is important, as it allows companies to operate according to a common vision regarding certain aspects of their functioning	Negative
Li et al (2016).	National Culture: assessment based on the dimensions developed by Hofstede (1988)	Generated shareholder value	cultural distance showed a negativ relation to the extent of value creation.	Negative
Markides & Ittner (1994)	National Culture: comparison of domestic vs. international culture	Capital market development during acquisition announcement	No support for a negative effect of cultural distance on value creation	Neutral
Morosin, et al. (1994)	National Culture: own assessment, based on the dimensions uncertainty avoidance & individualism developed by Hofstede (1988)	Percentage rate of growth in sales	Higher uncertainty avoidance and independence leads to positive profitability growth, whereas integration and restructuring are associated with negative profitability growth one year after the acquisition	Positive

Paper	Culture Measurement	Performance Measurement	Results	Direction
Oli (1994)			Cultural differences are a principal factor for the failure of mergers	Negative
Reus & Lamont (2009)	National Culture: Globe Project Data	Profitability, market share & sales volume	Cultural distance hinders understandability of key capabilities that need to be transferred, and constrains communication between acquirers and their acquired units, bringing about a negative indirect effect on acquisition performance	Negative
Rottig (2017)	Organizational Culture: sociocultural integration process	Media Reception	continiously negative and significant relationship between organizational cultural differences and the performance of an acquisition, and a dual effect of national cultural differences (i.e. cultural distance) on acquisition performance	Negative
Sarala & Riikka (2010)	Organizational Culture: asked to describe the extent of cultural differences across key organizational functions National Culture: GLOBE project data	Post-acquisition conflict & disruptive behaviors	organizational cultural differences and organizational cultural preservation increase conflict, partner attractiveness decreases conflict, while national cultural differences have no influence on the level of conflict	Negative
Savovic (2017)	Organizational culture: Participants rated degree of pre-acquisition similarity between the culture of the acquired and acquiring companies	Subjective assessments of managers on income growth, cost reduction, productivity, market share	all dimensions of the transformational leadership positively impact post-acquisition performance	Positive
Steigner & Sutton (2011)	National Culture: assessment based on the dimensions developed by Hofstede (1988)	Operating performance	Greater cultural distance (CD) has a positive influence on the long-run performance of bidders with high intangibles	Positive

Paper	Culture Measurement	Performance Measurement	Results	Direction
Tarba et al. (2019)	Organizational Culture: instrument based on Chatterjee et al. (1992)	Return on investment (ROI), earnings per share (EPS), stock price, cash flow, and sales growth	Synergy potential (similarities and complementarities) between high-tech merging firms, effectiveness of post-acquisition integration, and organizational cultural differences positively influence the overall acquisition performance merging high-tech firms.	Negative
Weber (1996)	Organizational Culture: instrument based on Chatterjee et al. (1992), with focus on leadership	Earnings per share	The relationships between, and role of, these variables are found to be complex; they vary across industries and have different relationships with different measures of performance.	Negative

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