The impact of cultural differences on the performance of cross-border Mergers and Acquisitions

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Thesis in Financial Economics
Nijmegen School of Management
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July, 2017

Abstract:

Despite the increasing importance of cross-border mergers and acquisitions (CBM&As) in a globalizing world, research into the relationship between cultural differences and CBM&A performance is both incomplete and inconclusive. This study examines potential impacts of cultural differences, both from national and corporate perspectives, on the performance of CBM&As. The first part provides an understanding of cultural dynamics and unveils problem areas within CBM&A processes. It further discusses cultural theoretical frameworks with their implications for CBM&As. Secondly, a qualitative analysis investigates the relevance of culture during CBM&As, its effect dependent on different transaction types as well as the degree of impact on different business areas. This approach further aims to determine, what can be done to minimize culture related challenges. Main results show, that cultural differences have a multifaceted impact on CBM&A processes, especially on integration and long-term CBM&A outcomes. The qualitative part showed, that this effect can be controlled by early an assessment of cultural fit and a sufficient analysis of cultural dynamics prior to the transaction. The results also emphasized the need to examine cultural differences from a broader perspective, by considering industry-specific cultural characteristics or companies' ownership structures during the target selection.

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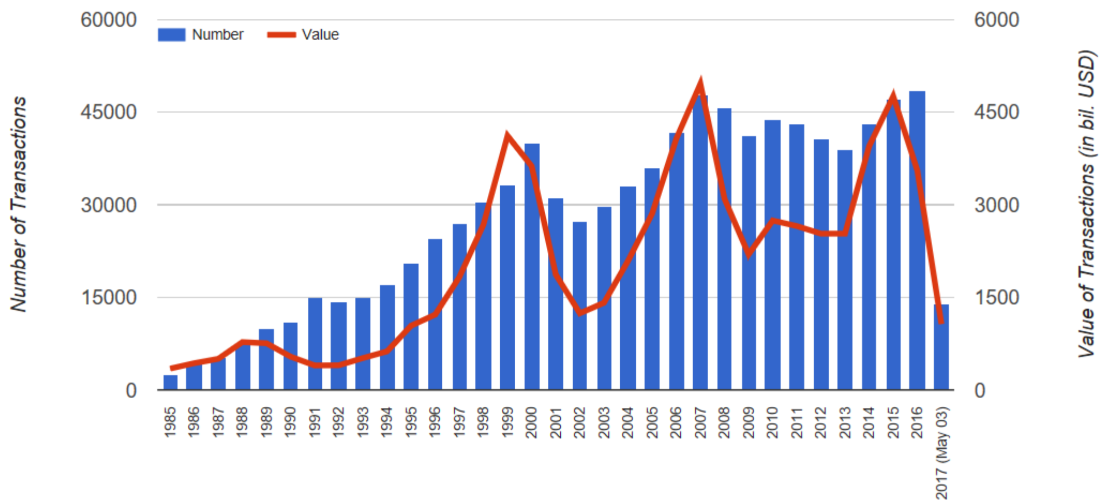
1. Introduction

1.1. Motivation

The ongoing globalization implies constant change, new arising industries and new companies. Moreover, it changes the market dynamics through increased competition in traditional industries and rapid changes in technology and information transfer. Information and knowledge have become the most valuable production factor and the most important resource for achieving positive economic performance (Utterback & Acee, 2005). The rapidly changing global market conditions require companies to adapt to a multicultural context in which partners as well as competitors operate. Furthermore, global forces, innovation and new waves of disruptive technologies initiated contemporary organizations to evolve into new hierarchy structures (Dunning, 2014; Rossi, 2015). A common and preferential way of companies to cope with these developing conditions and to keep up with constantly changing dynamics is to ally with other companies and to operate across borders and cultures. These transactions mostly occur in the form of mergers and acquisitions (M&As), which offer organizations various potential benefits, in terms of synergies, but also imply challenges and potential business risks. Most of the M&As aim to benefit from economies of scale, economies of scope, geographical expansion and new market opportunities (Cartwright & Cooper, 1992). Even despite stagnations, induced by financial crises, shareholder activism exhibits high rises and companies started again to spend large amounts in entering new industries as well as new locations (DiGiovanni, 2005). Especially the number of cross-border M&As (CBM&As) has increased tremendously and their characteristics have gained significant relevance within international business research. Whereas in 1998, cross-border M&A constituted only 23% of total M&A activities, in 2007, they were already 45% (Erel, Liao & Weisbach, 2012). Moreover, CBM&As have gained crucial importance in the business innovation system and represent an essential part of strategic management practices (Cartwright, 2006; Price, 2012). They are the main source of foreign direct investment (FDI), especially for developed countries, which account for the vast share of global FDI (World Investment Report, 2016). The global transaction volume of CBM&As equals the GDP of economies such as Brazil, which underlines once more their current relevance.

The figures below display the development of M&As worldwide and global M&As, split by industries. Both figures illustrate the time between 1985 and 2017.

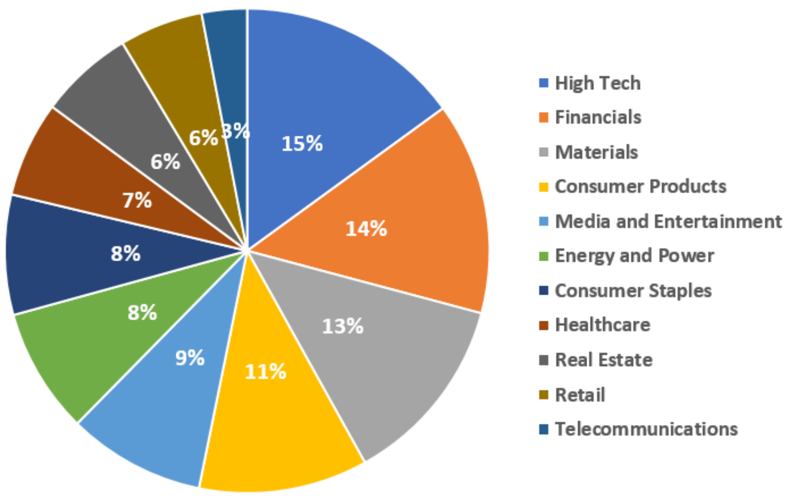
Figure 1. Number and value (in bn. USD) of Mergers and Acquisitions transactions worldwide (1985 – may, 2017)



Source: *Statistics of the Institute for Mergers, Acquisitions and Alliances (IMAA)*

CBM&As have played an importance role since the fourth merger wave (1984-1989), which was characterized by economic prosperity of the 1980s, that occurred during the U.S. presidency of Ronald Reagan. They exhibit a significant increase in terms of numbers and volume in the last 15 years. In 2014, cross-border M&As reached a substantial boom with a deal value of more than $1 trillion announced, holding throughout 2015. Moreover, global and economic unpredictable events such as Brexit or the U.S. election as well as uncertainties, such as volatile oil prices, have not significantly weakened CBM&A activities in 2016 (McKinsey, 2016).

Figure 2. Number of global mergers and acquisitions, split by industries since 1985:



Source: *Own illustration based on statistics of the Institute for Mergers, Acquisitions and Alliances (IMAA), 2017*

A distinction must be made between the different natures of domestic M&As and cross-border M&As. Whereas domestic M&As occur within national borders and include companies from one country, CBM&As are defined as any M&A activity, involving a bidder and a target, embedded in different cultural environments, in terms of national, institutional, organizational and legal aspects. Furthermore, CBM&As exhibit different motives, such as the exploitation of foreign market opportunities, implying high growth potential in new markets and increased efficiency of distribution systems (Ahern et al., 2015). Besides globalization, which encourages companies to expand and gain larger market shares, certain regulatory policies and tax regulations also facilitate international M&As, especially in emerging markets (Pablo, 2009).

CBM&As include parties from diverse parts of the world with different corporate and national cultures (Very et al., 1996). What may look like a boon at first glance, can turn out to be a bane for CBM&A outcomes. Cultural differences could add costs to the M&A process and undermine the ability of firms to achieve the expected synergies (Weber, 1996; Bresman et al., 1999). A conclusion of various surveys, technical papers and academic analyses states, that approximately 70% of M&As fail to achieve expectations (Cartwright & Cooper, 1993, KPMG 1999). Most research on CBM&A has focused on financial and strategic aspects. However, evidence has repeatedly been provided, that national culture has a crucial relevance for the M&A process, especially within the integration (Weber, 1996) and determines the success or failure of CBM&As (Teerikangas & Very 2006; Zollo & Meier, 2008). The mega-mergers between Daimler-Chrysler (1998), Aol-Warner (2000) or HP-Compaq (2001) are just some examples of high-profile deals, which failed to integrate and to profit from M&A activity. Furthermore, cultural differences within CBM&As are often blamed for the high failure rates. A “poor cultural fit” as well as “unsolvable cultural clashes” during post-merger are frequently cited as reasons for deal failure, such as in the mega-merger between AOL and Warner, which was titled as “the old media vs. new media culture clash” (Arango, 2010). In this context, several analysts and researchers highlight the importance of “socio-cultural” aspects and point out the significant relationship between culture and performance (King et al., 2004, Datta et al., 1991). They suggest a shift from the common focus of analysis on the strategic and financial fit between the involved parties towards the assessment of the diverse cultural dynamics of CBM&As, since these diverse dynamics can impede knowledge transfers and hamper expected transaction results (Cartwright, 1998; Larsson & Finkestein, 1999). While all the before-mentioned researches see cultural differences in cross-border M&As as a bane, others perceive them as a boon and a source of value creation, innovation and beneficial learning (Morosini et al., 1998; Harrison et al. 1991).

The question, why international companies should raise their awareness about different cultures became highly relevant in times of globalization, where borders have become more fluid than before. However, there are inconsistent and inconclusive findings about the effects of cultural differences on CBM&As. The general notion is, that differences between cultures may affect the cooperation with foreign employees (Schuler & Rogovsky, 1998), the management of external stakeholders (Tanure et al., 2009) and managerial challenges within international business operations (Schneider & deMeyer, 1991; Ringov & Zollo, 2007). Not least because of the path dependency of cultural roots and values, which develop in early stages and are mostly resistant to later changes. Despite this generally increasing research attention and growing practical importance of cross-border M&As, there is still insufficient academic knowledge about the primary drivers of failed integration within CBM&As. However, most of (CB)M&A literature claims, that the main causes of failed integration are the lack of communication, weak leadership and the underestimation or neglect of aspects, related to human resources. Additionally, various practitioners confirm a poor handling of soft factors, which turn out to have a substantial influence on M&A outcomes (Datta, 1991; KPMG, 1999). Nevertheless, those broad statements hardly provide precise approaches how to overcome these problems and how to ensure success.

The objective of this research is to specifically analyze the impact of cultural differences and cultural distance on the performance of CBM&As. It digs deeper to understand the challenges, involved unique risks and the consequences of specific behaviors within CBM&As. The question is not, whether culture matters within CBM&As, but when, how and under which conditions cultural differences affect CBM&A outcomes. This will be further elaborated in the following.

1.2. Research Question

The relationship between cultural differences and M&A performance has been a topic of great interest to academics and practitioners over the past two decades, not least because of the various empirical findings, which suggest that more than two-third of CBM&A deals are failures. One of the biggest challenges in M&A activities is bringing two companies together and "expecting them to blend into a single seamless entity" (Siegenthaler, 2009, p.13). M&As are comparable to a cross-cultural marriage, where the newly-married couple needs to adjust to new circumstances, such as a new home, new relatives and new daily routines. Besides the daily challenges of marriage, CBM&As face two different cultures and dissimilar languages, that can add further barriers. Consequently, the marriage can result in the whole being stronger than its parts or they end in a disaster (Meeks, 1977). Thus, it is necessary to examine, how these cross-cultural marriages are affected by differences in their cultures and how difficulties can be solved in order to be stronger as a whole.

Research Question: *How do cultural differences impact cross-border M&A performance?*

The central research question seeks to investigate how cultural differences affect CBM&As and their outcomes. Therefore, this study aims a closer examination of the evoked challenges of cultural differences. This question is accompanied by three related hypotheses, which aim to amplify the scope and areas of impact related to cultural differences. The research focus is represented in the literature review as well as in the qualitative analysis. The latter seeks to analyze and test all before-mentioned hypotheses and to shed light on the handling of cultural differences in practice.

Furthermore, it will examine the extent of relevance and time-related occurrence of culture during the process of CBM&As. These specific investigation areas have not been sufficiently analyzed yet. While many researchers and published studies stress, that post-deal integration faces cultural challenges, there are no figures or research results that highlight, at which specific point in time cultural topics become important during CBM&As. Moreover, existing literature and research has not provided any differentiated analysis concerning single divisions within involved corporations, which are affected by cultural topics. The majority of CBM&As have only been evaluated based on their compatibility concerning financial figures, market share or technological advantages, never focusing on soft M&A topics (Appelbaum et.al., 2003). However, just like a marriage is never based on a fit in financial endowment and tax issues, successful CBM&As require more than a financial and strategic fit.

The fact that cultural differences matter in M&As has already been indicated by various researchers. Thus, this study aims to investigate the way, culture impacts CBM&As and their integration process. Practical experience has revealed that the integration processes within M&As have appeared to be a more complex and challenging process than initially anticipated (KPMG, 1999). Furthermore, international management research shows, that culturally distant firms from different countries imply different organizational practices, such as human-resource management practices (Ngo et al., 1998; Schuler & Rogovsky, 1998), strategic decision-making styles (Ralstonet al., 1993; Schneider & De Meyer, 1991), conflict resolution strategies (Cushman & King, 1985) and codes of ethics (Langlois & Schlegelmilch, 1990). It is generally assumed that the dissimilarities and incompatibilities of these practices increase with growing national cultural distance between the involved units (Child, Faulkner, & Pitkethly, 2001). Relatedly, theoretical frameworks, such as the national cultural distance approach by Kogut and Singh (1988), claim that cultural distance can raise required costs and cause misunderstandings, stress and conflicts (Buono, Bowditch, & Lewis, 1985).

A central question, which has been neglected in this context is at what time culture becomes relevant within the whole CBM&A process and how cultural differences affect involved corporations during CBM&As. In his work, “Merging Human Resources”, Marks (1982) was the first who addressed the impact of culture on the integration process and highlighted the conflicts between merging organizations. After that, other researchers provided considerable evidence for this assumption (Datta & Puia, 1995). However, research on the time frame of cultural relevance, on integration approaches and integration planning is very fragmented and not sufficiently available. Besides, comparing empirical findings and corporate practice with research theories, the latter have proved to have a relatively weak explanatory power regarding the point in time, culture-related topics become relevant and the problems which occur due to their relevance. It is questionable, whether cultural topics have any relevance during the whole CBM&A process and which other aspects may overweight their importance. This has turned out to be a complex topic, which requires a comprehensive analysis and is poorly understood so far. Not least due to the contextual and individual nature of each single CBM&A transaction.

The majority of research findings and company surveys claims, that cultural topics occur after the deal-closing, namely during the post-merger integration (PMI). This general opinion is supported by several international M&A studies, which have found, that there is little awareness of soft topics, such as culture, during the pre-deal stage of CBM&As (Aon Hewitt, 2011; Delotte, 2009; KPMG, 1999). However, prior research clearly stresses that M&A success, depends on pre-merger as well as post-merger issues (Barkema and Schijven, 2008; Bower, 2001; Stahl and Voigt, 2008).

Hypothesis 1. *Within the process of CBM&As, culture only becomes relevant after deal-closure.*

As the motivation section shows, a significant number of authors and corporate studies have already analyzed the factors that influence CBM&A performance and impact cultural integration. An international study by KPMG (1999) reports, that over 30% of involved, interviewed executives attributed acquisition failure to cultural differences. Nevertheless, there is insufficient research, which has particularly analyzed, what types of acquisitions are affected by cultural differences and how the degree of impact varies dependent on different acquisition motives. There are numerous motives for CBM&As according to M&A literature and company reports, that will be further discussed in the literature review. The most intuitive motives with regards to cross-border transactions are motives of geographical expansion and access to foreign markets imply geographical and national cultural distance. Therefore, it is assumable, that cultural differences mostly affect acquisitions that are driven by these motives, in contrast to production or technological motives, which do not face culture-related issues to this extent. The qualitative research aims to investigate this assumption and to reveal, what other types of acquisitions are affected by cultural differences, related to both organizational and national culture.

Hypothesis 2. *Cultural differences only occur as challenges within CBM&As, that aim geographical expansion/market access.*

To go further into the corporation, it is also questionable, which areas are directly affected by cultural differences and which corporate divisions face most challenges. Literature about CBM&A processes displays various potential interfaces between organizations' divisions that are directly involved in the PMI. In this context, many M&A course books highlight the role of corporations' leadership within the whole transaction process, during pre-deal negotiations, due diligence and especially during the PMI stage, where leadership reflects their corporation's values and simultaneously imply guidance and control.

Hypothesis 3. *Cultural differences only impact leadership within CBM&As.*

The failure of a merger or acquisition can have a far-reaching impact on the organization. It can result in detrimental financial repercussions, in decreased productivity, low service quality and various sorts of dysfunctional employee behavior (Cartwright & Cooper, 1992). All things considered, cultural knowledge is power, both from corporate and national perspective. Failing to assess cultural drivers and to understand the complex relationship between culture and business has devastating consequences within cross-border transactions (Holden, 2002). In this context, various studies have been carried out, analyzing such as the direct relationship between organizational changes and employee turnover (Morrell et al., 2004) or productivity and ownership change (Lichtenberg & Siegel, 1987), just to name two examples. Additionally, many researchers have suggested prescriptions for successful cultural assessment and harmoniously integrations of the beliefs and values of merging firms. However, these prescriptions are as inconsistent as the theories on culture-performance relationships. Recent reviews claim, that most of the existing research on M&As has been too fragmented across

Various disciplines and not sufficiently systematic or linked to any comprehensive theory. Furthermore, some criticize the lack of suggested models, which were applicable across different organizations (Stahl & Voight, 2008; Weber & Drori 2008). Overall, the nature of cultural differences had long puzzled researchers and created a cross-cultural enigma in the field of M&A.

This study underlies the assumption that cultures differentiate between national boundaries regarding norms, values and institutions, which shape the forgoing cultural aspects. It will display various theories about the meaning and impact of culture in the context of organizations, particularly in CBM&As. The literature review will focus on different relevant theories about national and organizational culture as well as their impact on organizations. Furthermore, it will display crucial culture-related challenges and risks within the M&A process. Finally, this research intends to compare experiences from corporate practice with the inconclusive findings in literature, to reveal new insights regarding the culture-performance relationship and to be able to test the hypothesis by means of practical experience. The insights will be based on qualitative interviews, conducted with M&A professionals with many years of experience in the field of international M&As and post-merger integration (PMI).

1.3. Research Structure

The purpose of this research is to shed light on the impact of cultural differences in all its dimensions, particularly on the integration process of CBM&As and finally on their performance. This will be examined on the basis of existing literature, representative case-studies and interviews with professionals from this field. Throughout this research, the term CBM&A will refer to cross-border mergers and acquisitions. The main focus of this research lies on national culture, which is tightly connected with organizational culture. The study aims to highlight the significance of national culture and cultural differences within each stage of the M&A process. This requires an in-depth understanding of the unique risks and challenges of cultural differences as well as the implications of cultural differences for CBM&As. For this purpose, interviews with experts from the field can provide substantial insights into the current state of CBM&A developments. It is beyond the scope of this study to explain each single aspect of CBM&As in detail, such as all stages of the M&A process. Thus, only relevant aspects, which are directly affected by cultural issues and concern CBM&As will be elaborated.

The overall structure of the study takes the form of six chapters, including this introductory chapter. Chapter two begins with a literature review, which lays out the theoretical framework on which the qualitative research was built. The literature review is divided into two thematic areas. Beginning with the M&A part, it illuminates different motives for CBM&As and illustrates the relevant stages of CBM&A processes with regards to cultural challenges. Moreover, it sheds light on different integration strategies of involved firms and displays various unique risks that occur during international M&A activities. Finally, the first part will discuss the measurability of (CB)M&A performance, based on distinct prevailing approaches. It will be further discussed, whether these methods take sufficient account of cultural topics.

The subsequent chapter deals with culture, more precisely with the culture-performance relationship. To provide a fundamental understanding, the second part will display the substantial differences between national and organizational culture as well as their interdependency. Furthermore, different theoretical frameworks, related to dimensions of organizational and national culture will be presented. An insight into those theories enables to use certain guidelines and provides "theoretical" indicators within the evaluation of the qualitative research. Additionally, the second part of the literature review will introduce the different perspectives and varying opinions amongst researchers and theorists on the effect of cultural differences and cultural distance on cross-border M&A performance. A comprehensive discussion upon this subject will underline the current dilemma of researchers and lack of consensus regarding the culture-performance relationship.

The final chapter will present the research findings, which are based on qualitative analysis. These findings will refer to the research hypotheses and main topics that were discussed within the literature review. The research results will draw upon the entire thesis and focus on the research question. The insights of qualitative research will be followed by a summary within the conclusion. The related recommendation part will suggest several aspects that should be considered in order to achieve a successful CBM&A transaction that faces the lowest level of barriers due to cultural differences. The recommendation will be followed by a discussion in the final chapter, which includes suggestions for future research, based on the interpretations and implications of the research findings.

2. Literature Review

The purpose of this literature review is twofold: The first part provides information about CBM&As, that is crucial to understand the content of subsequent sections. The second part focuses on national and organizational culture as well as their implications for firms, which operate in international M&A markets. Both thematic areas serve to develop an understanding of the current dilemma amongst researchers, who provide inconsistent findings regarding the culture-performance relationship. These multifaceted findings will be discussed in the last section of the literature review.

2.1. Motives of Cross-border M&As

The motives for M&As in general are multiple and can vary between firms and sectors. Moreover, firms from developed countries might exhibit other motives than corporations from emerging countries. Generally, the objective of any organizational combination is "to produce advantages for both, the buying and selling companies compared with the alternative situation in which both companies would continue independently" (Hovers, 1974). These advantages are referred to as "synergies" in the M&A context, which are the derived benefits from two companies which are joining their forces and complementary strengths together. In the metaphor of marriage, which was used above, synergies are described as "the whole being stronger than its parts". It is supported by information theory, which states that business combinations benefit from enriched information sources and outlooks (Van Knippengerg & Shippers, 2007).

Mergers and acquisitions are often discussed together, whereby it is important to draw a distinction between the two types of transactions, despite their numerous common features.

Cartwright and Cooper (1992) distinguish between mergers, as collaborative marriages and acquisitions, as traditional marriages. A merger describes the combination of two existing companies into a single new corporation. Common literature defines three main types of mergers, depending on the purpose of the business transaction, its economic function and the relationship between the merging companies. Furthermore, these types exhibit different integration strategies, communication approaches, aligned measures and integration team sizes (Epstein, 2004, see Appendix). The three types of mergers include*: conglomerate mergers, horizontal mergers and vertical mergers* (Cartwright & Cooper, 1992; dePamphilis, 2009). *Conglomerate mergers* involve firms in totally unrelated business activities, mostly looking for product or market extensions. One example is the merger between Walt Disney Company and the American Broadcasting Company in 1995. *Horizontal mergers*, such as the Coca Cola-Pepsi merger (in 2000), occur between companies in the same industry, that aim more efficient economies of scale or gains in market share. By contrast, *vertical mergers* involve two firms, which operate at different levels within an industry's supply chain and aim to increase operating efficiencies. This is very common amongst automobile companies, which merge with their parts suppliers to obtain better pricing and to have more control over the manufacturing process (dePamphilis, 2009).

Additionally, mergers can be distinguished from acquisitions in the culture-context. Evidence has been provided, that cultural conflicts can be more easily solved in acquisitions through the bargaining power of the acquiring partner, which is more dominant (Cartwright & Cooper, 2014). Power relations within an acquisition are more formal and clear-cut (Gertsen et al., 1998). Conversely, in a merger, where both partners are equal within the cooperative agreement, there is no dominant culture and it becomes necessary to integrate into a new, “third” culture, that must be developed by the involved parties (Hofstede, 1980). This development has implications for the post-merger integration of CBM&As, which will be discussed later.

Generally, mergers, as well as acquisitions are designed to eliminate competition and to create value. The key driver for cross-border M&As is the emergence of globalization, which requires firms to enlarge their footprint. Furthermore, the strong appetite for CBM&As in the past decade derives from the need of global corporations to expand geographic and customer reach, to fortify their competitive position in the market, to expand beyond current markets, to satisfy existing pressure (also by shareholders) to accelerate growth (KPMG, 2016).

Main motives for M&A can be distinguished between *strategic, financial* and *managerial motives* and vary between sectors as well as their obtained synergies. Self-evidently, many M&A transactions involve motives from all three groups. An overview of the different motive types assists to understand the second hypothesis’ idea. *Strategic motives*, which are the most influential motives, are market power, business expansion, and the change of competitive structures to improve business capabilities by accessing better technologies and stimulating innovation. The acquisition of firms, headquartered in other countries, provide a good opportunity for international diversification and market access. *Financial motives* imply the best use of financial resources (for shareholders), aiming to make use of surplus cash. Key *managerial motives* for M&A derive from personal ambition, financial reward (compensation linked to growth), peer pressure in times of internationalization (Luostarinen, 1979; Lubatkin 1987; Weston & Weaver, 2001).

Another key driver of CBM&As is technological change. Companies need to remain competitive and to be able to supply customers globally nowadays (dePhamphilis, 2009). CBM&As provide access to a local intelligence base and competence without facing the burden to start up a subsidiary from zero (Teerikangas & Very, 2006). Several empirical articles stress the importance of technology seeking as a main motive in M&A activity throughout various industries. The fast pace of innovation and the short life cycle of products in many industries force firms to rapidly recoup their investments in new products (Pablo & Javidan, 2009). This has far-reaching implications, not only for Software and Tech-Industry, but also for areas, such as the pharmaceutical sector, where firms engage in cross M&As to maintain drug patents, which is their essential technology (Danton et al., 2004). The technology seeking incentive is strongly linked to internationalization motives of emerging markets, such as Brazil or China.

A further key finding in the context of M&A motives is that managerial overconfidence and vanity play a significant role regarding M&A decision-making, bidding behavior and firm performance (Bradley & Korn, 1982; Malmendier & Tate, 2008). The acquisition of the Dutch bank ABN AMRO Bank N.V. by RFS Holdings B.V.[1] in 2007 is one example of overconfidence in M&A deals and its impact on the deal outcome. Inadequate due-diligence reviews before the acquisition, overestimation of synergy values, insufficient attention towards the risks involved and an over-valued offer-price are some examples for the destroying power of managerial over-confidence in that acquisition.

Synergies can be categorized into *cost synergies, revenue synergies, operational synergies, market synergies and financial synergies* (Cartwright, 2006; Erel et al., 201; Galrpin & Herndon, 2014). *Cost synergies* refer to the reduction of administrative, operative and overhead costs by combining activities, technologies or resources after the business consolidation. Especially in the R&D field, costs of new product developments can be considerably reduced by combining resources. Furthermore, a reduction of employees and excess facilities, as well as economies of scale, enable a decrease in costs. *Revenue synergies* imply the ability to sell more products or services. They can include expanded product offerings, cross-selling or bundling and shared distribution channels. Moreover, depending on the competitive environment, increased selling prices can generate revenue synergies. These synergies are related to *operational synergies* from production, marketing, scheduling or managerial experience. Many multinational enterprises engage in cross-border M&As to obtain market-specific expertise (e.g. knowledge on local marketing strategies or country-specific distribution channels) of the host-country in order to improve their service to host-countries consumers. *Market synergies* refer to the enhanced bargaining power and negotiation capabilities when dealing with partners, suppliers and customers. Two companies can also enjoy increased recognition in the industry and gain a stronger standing, which makes them less vulnerable to hostile takeovers (Larsson & Finkelstein, 1999). *Financial synergies* can be derived from lower costs of capital and improved cash flows. Additionally, companies, which undergo business combinations can benefit from lower business risk and possible tax benefits (Di Giovanni, 2005). Many scholars and experts agree, that leadership, management and employee involvement play a substantial role in the realization of synergies.

To summarize, synergies are ideally positive within CBM&As. However, a large part of M&As results in lower productivity, worse strike records, higher absenteeism and poor

[1] Royal Bank of Scotland Group, Fortis and Banco Santander

communication (Nikandrou et al., 2000). A large number of researchers, such as Morosini (1998), point out, that cultural differences "have the potential for both disruption and synergy" (p.529). They show potential barriers by emphasizing the crucial factors, which determine, whether synergies result in a "2+2=3" or a "2+2=5" effect (King et al., 2004). According to Larsson & Finkelstein (1999) synergy realization is a function of the similarity and complementarity of two merging businesses. Moreover, it is dependent on the extent of interaction and coordination during the organizational integration process and the lack of employee resistance to the combined entity" (p.432). These challenges during different (CB)M&A stages as well as unique risks and barriers of CBM&As will be elaborated below. Before that, the different stages of CBM&As and their challenges related cultural differences will be discussed.

2.2. Stages of (CB)M&As and their challenges

Many course books deal with the different stages of an M&A process, which vary between three and seven phases, depending on the method and precision of their division and classification. All of them include the pre-deal decision making phase and the post-deal integration phase, which should be considered together as integrative determinants of M&A success (Haspelagh & Jemison, 1991). However, fiew writers have been able to draw any systematic research about the impact of cultural differences and their relevance on each stage of the process. The vast majority simply assumes, that culture does not become relevant until the post-merger stage. Rather than to explain each stage by its characteristics, the primary aim of the following three sections is to reveal potential interfaces of cultural topics with respect to the first hypothesis. Moreover, it seeks to examine and highlight the culture-related challenges of each phase within CBM&A transactions.

- ***Pre-deal: Strategic and Financial Fit matter***

During the pre-deal phase of mergers and acquisitions, companies aim to identify M&A strategies, locate and select targets, determine potential business opportunities and define critical success factors (dePhamphilis, 2009). The weight on cultural topics is lighter compared to the subsequent phases, since the focus mainly lies on strategic and financial issues.

However, according to several researchers, such as Weber et al. (1996), organizations should pay as much attention to cultural fit during the premerger search process and during post-merger integration process as they do to financial and strategic factors in order to avoid undermining synergy or additional costs. Moreover, acquiring companies should link pre- and post-deal phases more effectively by starting the integration planning and relationship building during the pre-deal phase (Howell, 1970; Hunt, 1990). Recent company studies demonstrate a development towards higher pre-deal awareness of cultural fit, due to the large numbers of unexpected events and challenges, reported in the past (Aon Hewitt, 2011; Deloitte, 2009, McKinsey, 2016). Organizations, such as Johnson & Johnson or Cisco Systems, have raised their pre-deal awareness of cultural compatibility. They proactively and systematically analyze cultural fit in assessing potential M&A targets and report higher success rates (Mercer, 2010).

- ***Due Diligence: A careful examination***

Due diligence is a complex process in all M&As. It is used to investigate and evaluate business opportunities and to uncover hidden costs and risks. It varies in every case and typically analyzes the firm's historical activity, ownership and structure, products, services, assets and liabilities, management team and technology system (dePhamphilis, 2009). M&As typically involve a large amount of due diligence by the acquirer, where its primary objective is to confirm the targets' pertinent information, such as financials, resources, contracts or customers. (Calipha, Tarba & Brock, 2010). Transparent information and open communication are crucial requirements for its success. Most academic course books about mergers and acquisitions display the due diligence phase as a stage, consisting of three elements, namely commercial, operational and financial due diligence (Cartwright & Cooper, 1992; DePhamphilis, 2009).
The assessment of a firm's organizational culture is viewed as the soft side of personal due diligence and is still of secondary importance (Dixon, 2005). Thus, the focus is still predominantly on rational aspects and "hard-data", namely legal and financial aspects of an organization. However, in an international M&A survey in 2009, professionals revealed, that due diligence is inadequate and inefficient in more than 40% of their deals (McKinsey, 2010). This is supported by a large number of past arduous or failed M&As, that have highlighted the importance to emphasize cultural due diligence in hindsight.

Cultural due diligence analyzes key organizational characteristics and business drivers, that are linked to culture. Moreover, it assesses leadership and management practices, relationships, governing principles, formal procedures, informal practices, employee satisfaction as well as customer satisfaction, perceptions and expectations (Bouchard &Pellet, 2000). The frequently cited M&A study by KPMG (1999) had already criticized two decades ago the heavy emphasis on rational aspects and claimed, that internationally operating firms should address cultural, emotional and political issues. Similarly, various M&A consultants and analysts claim, that standard due diligence fails to address key questions regarding culture, that is crucial to accurately assess organizational readiness for a change, such as a merger or an acquisition (Zhu & Huang, 2007; Fink & Kölling, 2006; McKinsey, 2014). Such as the senior M&A consultant J. Robert Clayton, who was involved in the HP-Compaq Merger in 2001. He revealed, that "unfortunately, little or no time is generally spent analyzing the nature, demeanor, and beliefs of the people who will be involved in carrying out the business plan" (Stachowicz-Stanusch, 2009; p. 65).

In conclusion, the ideal due diligence process goes beyond the investigation of the target's financial assets and health. Equally important are the firm's intangible assets, which are difficult to evaluate in acquisitions of firms, headquartered in a different country. However, an accurate evaluation of intangible assets and resources requires a comprehensive understanding of multiple characteristics of the target country. Important examples are critical environmental conditions and government regulations (high technology or pharma industry). Sufficient literature has pointed out a lack of this comprehensive understanding.

Once a target is identified and the due diligence process completed, most companies aim to determine a strategic rationale for the merger or acquisition and the synergies to be achieved (Calipha, Tarba & Brock, 2010). The question, whether companies in practice manage to define these aspects in explicit terms or not, will be answered within the research findings.

- ***Post-deal cultural integration***

According to prevailing research findings, post-deal integration, often referred to as post-merger integration (PMI), represents the most relevant M&A stage within CB&As. The validity of this assumption will be tested by means of the qualitative research and discussed within the interview results. The post-deal phase begins with the legal announcement and implies any physical or socio-cultural integration (Cartwright & Cooper, 2014). Once the merger or acquisition have been approved and planning efforts are complete, companies face the integration stage. PMI requires cultural assessment by M&A members and involves reference to cultural stereotypes and ideologies, to draw conclusions about the counterparty's culture (Crisp, 1976). Integration thereby implies the merge of two cultures or the imposition of the dominant culture of the acquirer or dominant merger partner on the other. It is defined as the "making of changes in the functional activity arrangements, organizational structures and systems and cultures of combining organizations to facilitate their consolidation into a functioning whole" (Pablo, 1994; p. 806). Within the M&A process, PMI represents the most important stage to realize targeted synergies and advantages.

Regarding cultural integration, several experts from the field perceive a company's handling and preparation of precise integration plan as the most decisive factor which can "make" or "break" a deal (KPMG, 1999). Relatedly far-reaching research has shown, that the selected integration strategy has an extensive impact on interactions between involved firms and the level of culture clash that occurs (Cartwright & Cooper, 1992, Hopkins, 2008; Olie 1990; Papadakis, 2007). There are several integration strategies, such as *symbiosis*, *absorption*, *preservation* or *holding*, which are chosen dependent on two decisive factors, which companies consider within the strategy selection: the need for strategic interdependence versus the need for organizational autonomy (Haspeslagh &Jeminson, 1991). Besides these two factors, the four integration strategies differ with respect to the desired degree of integration (Faulkner et al., 2012). Depending on all three factors, organizations execute necessary steps to implement the chosen integration strategy (see Figure II in the Appendix).

Several consultancy firm and company surveys agree on the fact that company management is often under time pressure to maintain business momentum and to define a clear, strategic approach by identifying synergies and strategic integration priorities of PMIs (Mercer, 2010). However, there are almost no research results about the extent to which cultural differences affect the selected integration strategy and about the relationship between cultural distance and companies' strategic rationales.

In the context of PMI success, cultural distance is often named related as a major contributor for occurring clashes, but the problem areas concern a wide spectrum of issues. Within a survey amongst more than 130 experienced PMI managers worldwide across 15 industries, 80 percent named a lack of synergy management and incomplete integration as the main reasons behind failed PMIs. Furthermore, 50 percent perceive insufficient compatibility between the corporate cultures as the major contributing factor for PMI fails. (Roland Berger, 2015). Moreover, researchers have revealed an asymmetry in cognition regarding the costs of integration and the consideration of culture. Weber and Camerer (2003) claim that individuals tend to more likely neglect or weight less heavily intangible assets, such as culture, than easily quantifiable and measurable features of a firm. This leads to "an overestimation of the value of a merged firm at the time of the merger" (p.401). Another challenge of PMIs is due to the strong and long-standing rootedness of national and organizational culture and their interdependent relationship. Engrained habits and internalized values of the prior culture persist for years after mergers, even when the context changes and proactive incentives are provided.

A further major problem, which occurs in the post-phase, concerns insufficient visibility of those, who are responsible for the management of the merger or acquisition. According to Schraeder (2003), employees exhibit strong negative emotions upon the announcement of a merger, almost comparable with the death of a family member or loved one. Cartwright and Cooper (2014) describe this stage of anxiety and negative emotions as a period of "suspended organizational limbo" (p.109), which employees feel they have entered. They know things will change but face high uncertainty and the lack of communication. However, research studies have found, that a vast share of M&As fail to achieve their intended financial results due to the lack of sufficient employee engagement. It is agreed, that early communication and employee involvement significantly reduces stress and anxiety created by mergers and acquisitions. Nguyen and Kleiner (2003) maintain, that in some cases, communication may be even intentionally impeded, in order to minimize advanced notification that could decrease production output, increase turnover, and eventually lead to a negative impact on the share price. Consequently, this observation transforms the integration process into a highly abstract and remote process, which can make changes more difficult due to higher cultural entrenchment of employees. Therefore, it is necessary to provide a positive climate, which enables the combined enterprise to capture the targeted benefits. Specifically designed employee surveys or joint working groups are a helpful measurement to assess current levels of trust, commitment or apathy.

To sum it up, the last stage of CBM&As implies various difficulties and requires careful, in-depth preparation as well as sufficient resources in order to avoid impediments, that can arise from both leadership and employees.

2.3. Unique Risks of CBM&As

The increasing prevalence of cross-cultural marriages suggests, that cultural conflicts may be on the rise. Compared to domestic M&As, CBM&As face a greater challenge, since they imply the combination of two companies with different organizational cultures, that are simultaneously embedded in different national cultures. Moreover, the unfamiliarity with foreign legal, institutional, economic, and cultural structures can cause unique challenges and disruptions, when operating across borders (Faulkner et al., 2012; Teerikangas & Very, 2006). Researchers and practitioners discuss the multifaceted challenges and opportunities of CBM&As within the turbulent global business environment. These unique risks challenge firms in evaluating acquisition targets, overcoming cultural and institutional differences and understanding diverse business structures. In the following, several challenges to completing successful CBM&As will be presented.

Liability of Foreignness:

Apart from national cultural differences, which constitute the major challenge in CBM&As, "Liability of Foreignness" (LOF) displays another difficulty and inhibiting factor, faced by firms in international market. The concept of LOF states that cultural integration in a foreign country can limit profitability due to unavoidable social and economic costs within oversea-operations. Researchers argue, that the key driver behind LOF is institutional distance, in cognitive, normative and regulatory terms. Unavoidable costs arise from unfamiliarity with local cultures, shortage of roots in local network formations and the lack of legitimacy of foreign firms and discriminatory treatments from host countries' governments (Teerikangas & Very, 2006). Moreover, they are derived from insufficient knowledge about local market structures, complex coordination, and the lack of relevant political relationships (Zaheer, 1995). Institutional distance walks along with national cultural distance and has an impact on international companies' ownership strategy within cross-border M&As (Eden & Miller, 2004). These institutional constraints, often referred to as *economic nationalism*, impede the adaption of acquirers to local economic environments in foreign countries and makes it hard to build network formations. Furthermore, Pablo and Javidan (2009) found, that LOF disadvantages internationally operating firms compared to competing firms, which only operate in local domestic markets due to significantly higher costs and financial burdens. Resource-based views of strategy suggest, that companies' subunits can overcome the LOF by importing organizational practices of their parent enterprises in their ideally undifferentiated product market (Barney, 1991).

Besides formal and legal difficulties due to unfamiliarity of the target country's environment, topics such as dishonesty and omission of information should be also mentioned in this context. Cross-border transactions with countries, who easily violate compliance policies and which are rife with corruption and exploitative law enforcements cause stress and discourage foreign acquirers. In countries, such as Russia, Nigeria or Argentina, institutional structures, i.e. government regulations and business practices, increase negotiation efforts and hamper firms from fully realizing their strategic objectives (Zaheer & Mosakowski, 1997).

"Double-layered acculturation":

Defined as the process of cultural and psychological change (Sam & Berry, 2010), *acculturation* was explored in the field of cross-cultural psychology and cross-cultural management. It is further explained as "the outcome of cooperative process whereby the beliefs, assumptions and values of two previously independent work forces form a jointly determined culture" (Larsson and Lubatkin, 2001, p. 1574). The U.S. based researchers Nahavandi and Malekzadeh (1988) analyzed the impact of national culture on strategic leadership and the relevance of the latter in the selection of acculturation mode. They define acculturation as "changes induced in two cultural systems as a result of the diffusion of cultural elements in both directions" (p. 81). Rooted in the theory of acculturation, *double-layered acculturation* occurs particularly in CBM&As. It is described as "the condition where an acquired organization has to adapt to both a foreign national culture and a new corporate culture" (Shimizu et. al, 2004).

This interplay of both national and organizational cultures, represents a major challenge of internationally operating firms and can cause conflicts, as well as negative psychological effects on all involved parties (Barkema et al., 1996). Furthermore, culture clashes can result in acculturative stress amongst employees. *Acculturative stress* can impede the overall M&A outcome due to several reasons. It was found to be disruptive and a major obstacle to integration (Very et.al, 1996). Moreover, it can cause dysfunctional employee behavior, lower employee commitment and result into resignation (Nahavandi & Malekzadeh, 1988). Long-term consequences for the firm are declined productivity, lower service quality and decreased shareholder-value (Weber et al. 2009; Larsson and Lubatkin 2001; Morosini et al., 1998). This is especially relevant for deals, in which firms are expected to fully integrate and combine their teams (Nahavandi and Malekzadeh, 1988; Chatterjee et al., 1992).

The process of acculturation is impacted by several determinants, which can enhance or reduce the level of its manifestation. One determining factor for the acculturation process is the *"acculturation mode*", the organization chooses to adopt (Nahavandi & Malekzadeh, 1988; Teerikangas & Very, 2006). These modes are partly relatable to the previously mentioned integration strategies, since they are determined by the desired degree of cultural autonomy and interactions with the merging firm (Berry, 1983). Depending on the acquired companies' intended degree of preservation of their own culture, adaptation to new cultural aspects or, conversely, imposition of their culture, they choose between four different acculturation modes (see Figure III. in the appendix). Relatedly, Larsson & Lubatkin, (2001) attribute the decision, which of the acculturation modes to adopt, to four factors, namely the *degree of autonomy* or freedom, merger relatedness (similarity in strategy, products and technology), the *relative size of the firm* and *social controls.*

To conclude, studies have repeatedly provided evidence, that the interconnections between national culture and organizational culture significantly influence corporations that operate across borders (Lubatkin et.al 1998; Tanure et al. 2009). However, researchers complain that there has not been giving sufficient attention to the national culture dimension of "double-layered" acculturation in cross-border M&As, compared to the corporate part. It is generally agreed, that these interconnections and "multi-layered nature of both organizational and national culture" (Teerikangas & Very, 2006, p. 33) require a careful consideration of companies, that are planning CBM&As. A lack of understanding and agreement between two companies about the acculturation mode will have a significant negative influence on the success of M&As (Nahavandi & Malekzadeh, 1988).

Ethnocenstrism:

To mention another area of impact due to cultural differences, *ethnocentrism* displays a crucial risk within the PMI of CBM&As Olie (1990) described, how national culture can establish a form of ethnocentrism, namely the tendency to regard unfamiliar activities, which are not in accordance with one's view as abnormal and strange (Olie, 1990). This reluctant behavior in post-merger integrations is often called "organizational nationalism" and is linked to trust, flexibility and tolerance for unusual behavior and stress. Moreover, it relates to the resilient nature of culture that makes new cultural values difficult to be imposed on people to replace their underlying beliefs in the long-run. There is no doubt, which it is in the nature of humans to show propensity for change. However, Holden (2002) perceives the challenges of ethnocentrism as one of the core problems in international business and cross-cultural management that go beyond the natural characteristic of human reluctance to changes. He displays how ethnocentrism has entrenched itself within M&A activities since the 1950s and how companies still struggle to overcome disagreements on management policy and work practices. Relatedly, Bijlsma and Frankema (2001) point out, that ethnocentrism amongst employees is often used as a powerful means for quelling anxiety. Ethnocentric employees stress and keenly preserve the elements of old working approaches and value them as competing core competencies.

Moreover, the resistance to cultural change efforts is dependent on the involved degree of change. Difficulties are most likely to occur, when changes involve important and central shared assumptions and a movement towards less appealing shared assumptions (Buono & Browditch, 2003). Several researchers found in this context empirical evidence for “host country consumer ethnocentrism (CET)” by analyzing the host country consumers' attitudes towards the target firm’s brand (Wang, Cui, Xia, 2012) or the effect of brand redeployment strategy on new product evaluations in transnational M&As (Wang, Chen and Shima, 2011). Lee, Lee and Wu (2009), for instance, examined, how brand equity of an acquired brand changes after cross-border M&A with Chinese enterprises. All studies have similar findings and conclude, that evolving nationalism contributes to the challenges of international M&As, which can be a reason for the vast number of M&As, which fail to meet the expected positive results. Therefore, it is important for the acquirer, given existing cultural differences, to avoid ethnocentrism (e.g. in product marketing, branding) during the post-merger stage. Interestingly, some researchers claim, that there is less ethnocentrism to face amongst European M&As, since Europeans have “greater collective experience of operating in culturally and linguistically contexts” (Holden, 2002, p.248). This assumption will be examined in greater detail within the expert interviews.

2.4. Measurability of M&A performance

Research on the measurability of M&A performance has generally shown difficulties to assess the gains, derived from M&As (Cartwright & Cooper, 1996; Hunt, 1988). Moreover, there has still not been found a consensus about the question, whether M&As are even related to firm performance (Larsson & Finkelstein, 1999). Scientists have revealed, that M&A underperformance is the outcome of factors relating to the lack of cultural fit and to the integration or acculturation process (Cartwright, 1998). Strategic consultants describe M&A success as “delivering maximum value and embedding change throughout the entire organization” (Roland Berger, 2015). However, too little attention has been paid to the role and contribution of human factors to M&A performance. Research studies have predominantly examined M&A performance from the perspective of benefits, which occur to shareholder, resulting from acquisition announcements (Datta, 1990; Narayanan, and Pinches, 1990).

There are three measurement methods regarding M&A success and M&A performance, which are also applied within CBM&As. The most common approaches are the *stock-market performance based measure*, the *accounting-based performance measure*. Both methods are based on the investigation of hard data, namely financial performance. The *stock market-based performance approach* uses cumulative abnormal returns (pre-announcement minus post-announcement stock price) to measure long-term impacts of M&As and the way, markets perceive the deal (Chaterjee et al., 1992; Seth, 1990). Similarly, the *accounting-based measure* looks at sales growth or increase in return on assets, using accumulative excess returns to investigate, whether the targeted synergies could be reached (Datta et al., 1992; Faulkner et al., 2012). There is much controversy about the validity of accounting based and stock-market based measurements. Several researchers claim, that those "hard fact"-approaches do not pay sufficient attention to potentially important influences on M&A success, such as organizational integration and employee satisfaction/reaction. Moreover, they do not provide sufficient insights into factors, that actually influence acquisition performance or could explain the high failure rates of M&As (Shleifer & Summers, 1988; Schweiger & Walsh, 1990). This is due to the lack of relevant issues regarding cultural and organizational fit, which are not featured in those studies.

The problem identified above has led to the recent encouragement of an approach that focuses on human aspects, namely the *socio-cultural integration outcome measure*. In opposite to the common methods displayed above, the socio-cultural integration outcome measure focuses on soft factors, such as employee resistance, management commitment, acculturative stress and voluntary turnover, as indicators for integration success (Okoro, 2010; Stahl & Voigt, 2004b). However, this measure is still regarded as unconventional and is not yet sufficiently established as an M&A performance measure. Nonetheless, the use of this non-financial approach has been encouraged recently, since it facilitates research across disciplines and emphasizes the role of soft factors.

Stahl and Voigt (2004a) analyzed the performance implications of cultural differences in M&A and focused on the above mentioned three different performance measures. The authors found, inter alia, that cultural differences are "most strongly related to socio-cultural outcomes, such as employee commitment and cooperation, acculturative stress and voluntary turnover. These outcomes are likely to be more directly affected by cultural barriers than indicators of financial or stock market performance" (p.24).

In conclusion, it can be claimed that, even though strategic, financial and legal issues still drive most of (CB)M&A deals, it is cultural issues that determine their success (Appelbaum, Roberts & Shapiro, 2013).

3. National and Organizational Culture

The notion of culture is very broad and the channels through which it can affect CBM&As are ubiquitous. There are about 200 different definitions of culture, which underlines its multifaceted nature. Moreover, dependent on the field of study and individual perspectives, each definition of the concept of culture highlights a peculiar facet and has different connotations. In the context of this section, Samovar (2000) provides an adequate definition of culture. He considers culture as "the deposit of knowledge, experience, beliefs, *values*, actions, attitudes, meanings, hierarchies, religion notions of time, roles, spatial relations, concepts of universe and artifacts acquired by a group of people in the course of generations" (p. 23 et seq.). Cultural *values* are described as complex, intangible and subtle core values, which are not clearly visible (Boyacigilleret al., 1996; Olie, 1990). This implicity of culture makes it challenging to recognize and conceptualize as well as difficult to scale. Moreover, its complex nature can impact CBM&A activities, which involve leadership, decision-making and cooperative work. Long-standing values, beliefs and assumptions influence behavior, attitudes and the way people in a company understand their own actions (Schein, 1990; Guiso et al., 2006).

Research in this field has pointed out the need to draw a distinction between national and corporate culture. Not least due to the fact, that national fit and corporate culture fit play distinct roles in predicting effective M&A integration (Weber, Shenkar & Raveh, 1996). The term national culture is defined by various researchers and embodies a multitude of concepts, depending on their research focus and level of analysis. Hofstede (1980) defines national culture as "the collective programming of the mind which distinguishes members of one human group from another" (p. 21). Ronen and Shenkar (2013) describe it further as "a shared way of life of a group of socially interacting people, transmitted from one generation to the next via acculturation and socialization processes that distinguish one group's members from others (p. 868). In his cross-cultural study about the relationship between management and national cultures, Hofstede (1983) points out the importance of nationality to management for three reasons: *political*, *sociological* and *psychological* reasons. Firstly, "nations are political units, rooted in history, with their own institutions: forms of government, legal systems, educational systems, labor and employer's association systems." (p.75). Secondly, "nationality or regionality has a symbolic value to citizens" (p.76), who derive part of their identity from it. The third reason, why national culture is so important is related to the psychological component, since "(…) our thinking is partly conditioned by national culture factors. This is an effect of early life experiences in the family and later educational experiences in schools and organizations, which are not the same across national borders" (p.76). Similarly, other researchers maintain, that national cultural ideologies are reflected in the relationship between financial institutions, business and government, trade union influences and the economy's orientation (Cartwright & Cooper, 1992; Newmann & Nollen, 1996).

3.1. Organizational Culture

Corporate culture affects the way people interact and behave in groups and organization and is highly relevant to firms, which operate in a global economic environment. Hofstede et al. (2010) describes organizational culture as the systematic way leaders, employees and social groups behave and interact with each other. A study of 156 companies across North America, Europe and Asia Pacific, conducted by Right Management Consultants concluded, that differences in organizational culture are the most detrimental obstacles to a successful company partnership. A definition, provided by Schneider (1988), underlines this important role of corporate culture. Schneider describes it as "the glue that holds organizations together by providing cohesiveness and coherence among the parts" (p.1). Some even maintain, that different parts of one organization exhibit distinct cultures, which only adds more complexity (Krystek & Zur, 2002; Richard, 2002).

Multinational enterprises show great interest in promoting corporate culture to improve coordination, control and integration of their subsidiaries. Researchers, such as Geert Hofstede or Fons Trompenaars have identified different dimensions, which can be used by those organizations to evaluate differences in national as well as in corporate culture. Hofstede et al.

(1990) present six dimensions of organizational culture within their research framework, which serve to explain a large part of differences amongst organizations.

1. *Means-oriented vs. Goal-oriented*

The means-oriented versus goal-oriented dimension is closely connected with the effectiveness of an organization. The focus in means oriented cultures is on the process, the "how" people carry out work, whereas goal oriented cultures emphasize specific results and identify with the "what". Moreover, means-oriented cultures exhibit high uncertainty avoidance, while employees in goal-oriented cultures are willing to take substantial risks to achieve specific goals.

2. *Employee-oriented vs. Work-oriented*

The employee-oriented versus work-oriented dimension is most related to the firm's management philosophy. Organizations in employee-oriented cultures take responsibility for the welfare of their employees up to the level of personal problems, even it is at the expense of the work. By contrast, work-oriented firms apply pressure on employees to perform the required tasks, even at their expense.

3. *Parochial (Local) vs. Professional*

Whereas professional organizations determine the identity of an employee by their profession and job content, in local cultures, employees identify with their superior or with the unit, in which they work. They exhibit a strong social control to equalize with everybody else, contrarily to employees in professional cultures.

4. *Open system vs. Closed system*

The fourth dimension relates to the accessibility of an organization. Very open cultures maintain an open atmosphere, which immediately welcomes new employees within an organization. Very closed systems display reverse attitudes.

5. *Loose control vs. Tight control*

The fifth dimension, which distinguishes between loose and tight control, implies the degree of control and discipline and extent of internal structuring. Cultures with little control are characterized by an "easygoing" culture, reveal loose internal structures as well as a lack of predictability. By contrast, organizations with tight control reveal a strict work discipline and avoid surprises. Stereotypical employees are serious, cost-conscious and punctual.

6. *Normative vs. Pragmatic*

The last dimension deals with the notion of customer orientation and contrasts market driven, pragmatic cultures against business ethic driven normative cultures, where people perceive their tasks as the implementation of internal rules. Employees in normative cultures prioritize organizational procedures to actual results. On the other hand, pragmatic cultures are externally driven and aim to meet customer requirements and to provide customer satisfaction.

There is an unambiguous relationship between national culture and corporate or organizational culture. Numerous studies have revealed, that national culture and organizational culture are interdependent. Furthermore, there is a large volume of published studies, describing how national culture shapes and influences corporate culture. Hofstede et al. (1990) suggest, that organizational culture is “predetermined" by national culture. They maintain within their framework, that organizational cultures vary significantly across countries and are directly related to national cultures. Others highlight, that national culture is more deeply enrooted and ingrained and not easily modified compared to corporate culture (Laurent, 1986).

Interestingly, a distinction has been found between national and corporate culture in their role in predicting effective integration. Weber et al. (1996) analyzed the causes for merger resistance related to national and organizational culture. By examining both international and domestic mergers, the researchers showed that in international mergers, differences in national culture better predict stress and negative attitudes towards the merger and cooperation than differences in corporate culture. Thus, understanding the culture of any corporation requires identifying and deciphering the cultural and subcultural values and beliefs. However, there is a consensus among academics and experts from the field that this has not been sufficiently taken into consideration within CBM&As. Additionally, it is often overlooked or underestimated, how the underlying personal values of employees impact the way, they perceive the efforts of corporate culture change (Cartwright & Cooper, 1992; Hofstede, 1990).
Besides *organizational culture*, the following dimensions of *national culture* might enable a deeper understanding of the multifaceted nature of culture and its impact on societies as well as on organizations.

3.2. Cultural Dimensions of Hofstede

Due to globalization, cross-border activities increasingly take place and more contact between different national cultures occurs. That emphasizes the role of cultural differences as a soft factor and requires a broad understanding of the elusive nature of national culture as well as the numerous factors, which shape and constitute differences in national cultures (Gancel et al., 2002). The more companies from different national cultures interact and are reliant on one another, the more unfamiliar and challenging aspects can occur. As discussed above, cultural differences are often claimed to be the major cause for the high failure rates of CBM&As (Datta et al.,1992). The Dutch social psychologist Geert Hofstede (1980) conducted an international study, which aimed to displays how these values, hierarchies, roles and relations in a workplace are influenced by culture. Hofstede, who can be viewed as the “pioneer” of cross-cultural research across modern nations, presented one of the most comprehensive frameworks for intercultural communication. His publication “Culture’s consequences” (1980) provided one of the first quantifiable theories which considered culture as a system of interconnected beliefs and values and could be used to explain differences between culture.

In his comparative research project, Hofstede and his team conducted a large questionnaire survey amongst 117,000 employees of IBM in the 40 largest countries between 1967 and 1973. The survey dealt with topics regarding national values differences across the worldwide subsidiaries of the multinational organization. The researchers underlined the necessity, that culture should be represented from a multi-dimensional point of view, by defining culture in terms of value orientations regarding individualism, power distance, masculinity and uncertainty avoidance. The research results are meaningful to compare cultures and could be used by later researchers to combine culture with other factors and to compare groups such as emerging and developed countries. Moreover, he enabled further researchers to measure and compare cultural attributes.

Despite some theoretical and empirical limitations[2], Hofstede's "cultural dimensions" have become highly influential, far beyond the traditional field of cross-cultural communication. Even though his original theory has been refined since, many replications have still supported the validity of the results and their value for various scopes of application. Empirical limitations of the model are largely based on the lack of measurement equivalence, single company data and out-datedness. Theoretical criticism is addressed towards the fact, that the dimensions are derived from post-analysis factors and imply an ecological fallacy[3].

Within Hofstede's framework, culture represents the collective *values*, beliefs and principles of members of societies and groups. Within Hofstede's framework, *values* are viewed as the "core element of culture" and are defined as "broad tendencies to prefer certain states of affairs over others" (Hofstede, 1991; p.35). National culture forms one's values through early socialization, corporate culture involves the subsequent acquisition of organizational practices and symbols in the firm (Hofstede et al., 1990). Related writers stress the development of values as a product of numerous factors, such as history, technology, product, market, strategy, national culture, management style and type of employees which includes the organization's vision, norms, systems, language and habits (Needle, 2010). *Symbols* are "words, gestures, pictures or objects that carry a particular meaning within a culture" (Hofstede et al., 1990; p. 291).

Hofstede's original model proposed four key dimensions along which cultural values can be analyzed as well as hierarchically ordered. The researcher describes the four different dimensions, resulting from his analysis as "four anthropological problem areas that different national societies handle differently: ways of coping with inequality, ways of coping with uncertainty, the relationship of the individual with her or his primary group, and the emotional implications of having been born as a girl or as a boy." (Hofstede's academic website, 2001). Each dimension displays the preference for one situation over another and differentiates countries' cultures from each other. The country scores for each dimension range from 0 to 100, where a high score implies high individualism, high power distance, high uncertainty avoidance and high masculinity. It should be noted, that the dimensions' rankings do not offer a clear picture of each country's values since they serve to draw comparisons between cultures.

These dimensions as well as their implications at the practical level regarding M&A transactions, will be explained in the following. All the countries, quoted hereinafter, are displayed in Figure IV. of the Appendix. The table aims to provide an overview of relevant cultural dimension scores and enables comparisons between mentioned examples.

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[2] For further details regarding criticism, see Blodgett et al., 2008; Taras et al., 2010; Signorini et al. 2009 and McSweeney, 2002

[3] A logical fallacy which described the interpretation of statistical data. The statistical fallacy implies the correlation between individual variables which is deduced from the correlation of the variables collected for the group, those individuals belong.

- **Individualism vs. Collectivism**

The first dimension, developed by Hofstede is "individualism versus collectivism", which describes "the extent to which individuals are integrated into groups" (Hofstede, 1991; p. 51) and the "degree to which people in a society emphasize the role of the individual versus the role of a group (Hofstede, 1980; p. 45)." Whereas in individualistic societies, ties between individuals are loose and the individual is prioritized over the entire group, collectivistic societies are characterized by tightly-integrated relationships and strong social ties, providing mutual support and loyalty (Hofstede, 1991; 2001). In contrast to individualistic cultures, collectivistic societies are much more process- and harmony-oriented (Hofstede, 2001; Ulijn et al., 2010). According to Hofstede's dimension scores, examples of individualistic cultures are countries in the Western European countries, such as UK, Germany and the Netherlands as well as in the U.S. and Australia (Hofstede, 2001). In these countries, individuals are independent and autonomous, rather than identifying themselves with groups. Their individual freedom stands in contrast with social cohesion and social behavior is dictated by individual preferences and attitudes. Being dependent on others is even often considered embarrassing or shameful. A culture high in Individualism stresses personal achievement, goal-orientation and innovation, which sometimes has the price, that the needs of the society are neglected. By contrast, collectivistic cultures, such as Russia, Latin American countries, Japan or China, emphasize the needs and goals of the group over those of each individual and highly value traits, such as unity and selflessness. Furthermore, individuals in low individualistic cultures are expected to be interdependent and show loyalty as well as conformity to the group's values and norms. In addition, individuals' identities are characterized by their social relationships and interconnectedness to others. Families and communities play a vital role (Ulijn et al., 2010).

The tendency to focus on autonomy, as it is seen in individualistic countries, can have far-reaching implications for CBM&As regarding their motives, integration processes and leadership styles. Moreover, business relationships within each stage of CBM&As can be affected, such as negotiations during due diligence or contractual relationships between the employer and employee. While the latter are based on mutual advantages in individualistic countries, collectivistic countries display a far more familial relationship, based on moral foundations. Relatedly, different scores of Individualism can impact PMIs regarding employee involvement, expectations, policies and practices. Different values and orientations can also be reflected in the context of CBM&As process workflows, notably during the integration process, where decision-making plays a crucial role. Selflessness can clash with self-interested, even opportunistic behavior. In this context, Wade-Benzoni et al. (2002) investigated the behavior of groups of decision makers from different national cultures in asymmetric social dilemmas. The researchers maintain, that the cultural background of decision makers impacts both cognition and behavior in form of cooperation. Their research results indicate, that decision makers in collectivistic cultures, such as Japan, were more likely to adopt an equal allocation distribution rule than decision makers from individualistic cultures, such as the United States. Relatedly, decision motives in collectivistic cultures are more ethnocentric than egocentric, which is in part due to economic and legal institutions, promoting either interdependence (collectivistic cultures) or independence (individualistic cultures) (Brett, 2007). This insight raises the question, whether there is a relationship between a country's score of Individualism and the degree of ethnocentrism, which employees in that country exhibit during PMIs.

Finally, Ahern et al. (2010) found strong evidence, that Individualism affects M&As regarding their volume, synergy gains and deal structures. Additionally, differences in this cultural dimension have an impact on the division of gains between bidders and targets within cross-border merges. Inter-relationships, such as individual competition between employees are as well influenced by the degree of individualism. People in collectivistic cultures are encouraged to do what is best for the society or the group, supporting each other and being more cooperative in negotiations.

- **Power Distance**

Power Distance (PD) is described as "the extent to which the less powerful members of organizations and institutions (like the family) accept and expect, that power is distributed unequally." (Hofstede, 2001; p. 98). Moreover, it is defined as the distribution of power between managers and employees as well as the extent of acceptance of power inequality in organizations (Hofstede, 1980). Cultures with a high PD index show an affinity to authoritarianism which implies hierarchical or vertical social relationship structures, where authority sharing equals a loss of status. Based on the level of hierarchy, people in high PD cultures are assumed to be unequal and complementary in social interactions, particularly in the view of people from lower PD cultures (Hofstede, 1985). The latter display more horizontal patterns of social relationships, which aim to minimize differences of status, sex or age. Individuals expect more individual autonomy and management focuses on diminishing status gaps such as empowerment or career development. Moreover, relationships in societies exhibiting a low degree of PD are less formal and more direct in social interactions, in opposite to large PD countries, where they are conceived as unequal. Subordinates in high PD countries, such as in China, Arabic and Latin American countries, do not expect to take responsibilities and expect precise assignments from leaders (Ulijn et al., 2010). By contrast, employees in countries with low PD do not easily accept the concept of management privileges or inequalities between managers and subordinates. Employees and managers exhibit a closer relationship in those cultures and experience flatter organization pyramids. Examples for low PD countries are the U.S, Scandinavia, Germany, UK and the Netherlands. (Hofstede et al., 2010).

The before-mentioned differences in the degree of individual autonomy and acceptance of inequality have implications for CBM&A interactions with respect to leadership, negotiation approaches and the degree of subordinates and consultants' involvement in management decisions. Successful (CB)M&As require negotiations and delegation (Cartwright & Cooper,1992). Negotiations within organizations in large PD cultures will be more difficult due to their implications of compromising or authority sharing, which is socially not acceptable. These people will be challenged by people who strive to equalize the distribution of power and demand justification for inequalities of power (Hofstede, 1984).

In addition, mergers are differently affected by PD clashes between cooperating firms than acquisitions. Within mergers, different PDIs can result in difficulties regarding mutual understanding of leaders and workers from distinct cultures which affects employees committed respect or order fulfilments (Ahern, 2015). A merger in a low PD country involves employees, who challenge authority and status. The implementation of new systems and business structures could be resisted and not face immediate acceptance. Similarly, the low commitment to responsibility in high PD countries can impede the integration process. This process does not solely claim commitment and engagement from leaders but also from employees. The crucial problem hereby lies in the lack of a dominant culture due to the equal status of the merging companies. By contrast, PD clashes in acquisitions can be solved through the bargaining power of the dominant partner.

- **Masculinity vs. Femininity:**

The masculinity versus femininity dimension reflects a trait, which focuses on the extent to which a society stresses achievement and the degree, the culture reinforces gender differentiation. Masculinity represents "a preference in society for achievement, heroism, assertiveness and material rewards as well as recognition for success.", contrasting "a preference for cooperation, modesty, caring for the weak and quality of life." (Hofstede, 1991; p. 195). Furthermore, a high score of masculinity indicates a clear distinction of gender roles, where males tend to dominate in power structures in those societies. Competition is perceived as morally good and strong leadership is highly valued in these cultures. Examples of highly masculine countries are Japan, UK and the U.S..

By contrast, people in feminine cultures, such as in Nordic Countries, in the Netherlands or in Thailand, highly value cooperation, teamwork and equality. According to Hofstede (2001), femininity stands for societies, "in which social gender roles overlap: Both men and women are supposed to be modest, tender, and concerned with the quality of life" (p.297), They exhibit a preference for consensus seeking as well as good working conditions. In terms of social norms, high masculine cultures live in order to work, whereas feminine cultures work in order to live. Whereas, in terms of politics and economics, high masculine cultures resolve conflicts through force., feminine cultures prefer negotiation and pay attention to social needs as well as environment protection. The latter has implications for CBM&As between firms, that exhibit different emphases on topics, such as Corporate Social Responsibility or ethical standards. Moreover, matters concerning wage gaps, authority of women in management positions and negotiation techniques during due diligence can also affect the CBM&A process between firms that exhibit distinct levels of masculinity.

- **Uncertainty Avoidance**

The dimension of uncertainty avoidance (UA) measures "the extent to which the members of a culture feel threatened by uncertain or unknown situations" (Hofstede 2001, p. 167). It is associated with traditionalism, superstition and authoritarianism and reflects the way, members of a society cope with ambiguity and anxiety. The establishment of law and rules is one of the crucial differences between weak and strong uncertainty avoidance countries. A high uncertainty score indicates low tolerance towards ambiguity and uncertainty. Hence, those cultures are rule-oriented and follow established laws and control. Moreover, they maintain "rigid codes of belief and behavior" and exhibit intolerance towards unorthodox behavior or ideas (Hofstede, 1984). Examples are Japan, Russia, Greece or France. These countries exhibit a strong desire for truth and tend to monitor, control and plan over long periods (Hofstede, 1980). People pursue job security, resist changes, seek behavioral rules and fear failure. In opposite, people from countries with low UA, such as in Sweden, Singapore or UK, readily accept change, take more initiative, show tolerance to deviating behavior and are willing to take risk.

The level of UA has several implications for CBM&As and post-acquisition integration approaches. Firstly, countries, which exhibit low UA, prevail more confidence and are more likely to buy or sell firms through M&A activities. A crucial aspect hereby plays trust, which has beneficial effects on the integration process of M&As and facilitates a much smoother post-merger cooperation between countries with low UA (Zak & Knack, 2001). Furthermore, CBM&As always imply change, novelty and risk for at least one participant. Post-deal integration starts with a high level of ambiguities about people's roles within the company, their responsibilities and potential addition of tasks (Cartwright & Cooper, 1992). Managing those uncertainties and having room for change are key elements in post-merger integration. Lubatkin et al. (1998) found, that managers of French acquirers tend to exercise higher formal control during PMI than those from UK or the U.S. Furthermore, their results suggest, that U.S. acquiring firms rely more on informal communication and cooperation than French firms, who emphasize formal control procedures.

Hofstede's Cultural Dimensions all imply areas, where two countries can differ, which is related to what researchers call *cultural distance*. Cultural distance has been defined as "the sum of factors creating, on the one hand, a need for knowledge, and on the other hand, barriers to the knowledge flow and hence also for other flows between the home and the target countries" (Luostarinen 1978, pp. 131-132, cited in Benito and Gripsrud 1992). The term is problematic, since many assume, that distance means 'incongruence', which would imply, that congruence can only be achieved by similarity. However, evidence suggests, that congruence can also be achieved by complementary (Haspeslagh & Jemison 1991; Shenkar & Zeira, 1992; Teerikangas and Very 2006). Related to Hofstede's Dimensions, Shenkar & Zeira for instance, found that PD and masculinity/femininity gaps have a positive correlation with the role ambiguity of the CEOs of M&As. By contrast, Individualism and UA gaps were negatively correlated with it. The illustration in figure V. that can be seen in the Appendix shows a summary of cultural key differences in working situations.

It should be pointed out, that there is no such a rule that culture clashes or cultural integration challenges exclusively and automatically occur between countries who exhibit large gaps in the previously displayed cultural dimension scores. One of the largest mergers in Nordic history in 1999, the Talia-Tenor Merger is a suitable example case. The Merger between the largest telecom operators in Norway and Sweden has shown that despite high similarity in national culture, language and corporate practice, cross-cultural business ventures can fail. Both countries are the world's most feminine countries (see figure IV. in Appendix) and are nearly identical by way of Individualism, PD and UA. According to Hofstede (1989), negotiations between feminine cultures are much easier than between masculine ones. However, despite the objective congruence in cultural dimensions, a comprehensive investigation involving multiple perspectives shows that some aspects, such as historical intricacies "are often submerged or even forgotten in the current preoccupation with national dimensions and indexes" (Fang et al., 2004, p. 577). Aside from other reasons, strong nationalistic sentiments and differences in the cross-cultural approach to negotiation ultimately contributed to the merger failure. Furthermore, in line with other studies (Fenwick et al., 2003), this case is an example for how managers tend to underestimate or even ignore actual cultural and subcultural differences, when there is perceived similarity between the involved parties.

To conclude, Hofstede's culture theory provides an established and valid research framework which is widely used and highly considered by consultants in many fields relating to economics and international business. Most of the cross-cultural studies use his methodology to proxy for culture. However, it does not represent the only approach to be considered when one is trying to understand the subtle and complex reality of CBM&As.

3.3. National Cultural Distance:

Related to the previously displayed framework, Kogut and Singh (1988) use the cultural distance paradigm to explain M&A integration outcomes. The researchers developed the National Cultural Distance Index, which is an aggregate of Hofstede's cultural theory and has often been used in studies of foreign entry (Agarwal & Ramaswami, 1992; Benito & Gripsrud, 1992; Cho & Padmanabhan, 1995). National cultural distance concerns the specific routines, norms and repertoires for organizational design (Kogut & Singh, 1988; 1998). It refers to the difference in cultural background between people and especially managers from a home and a host country. Company routines are related to a company's innovation effectiveness (Shane, 1995), its power and control structures (Brossard & Maurice, 1974), entrepreneurship (Garth et al., 1192) and decision-making practices (Kreacic & Marsh, 1986). Based on Hofstede's large-scale study, the index is defined as the degree to which cultural values of two different countries differ from each other. With the objective to assess cultural correspondence or similarity, Kogut and Singh incorporate studies of cultural fit and cultural compatibility as well as management style. The cultural fit seeks similarities in style, leadership, direction, communication, and organization policies. The key assumption, underlying cultural fit approaches implies, that the degree of compatibility or similarity between the involved cultures is a crucial determinant of the subsequent integration process and deal outcome (Cartwright & Cooper, 1996; David & Singh, 1994; Weber et al., 1996). A large number of studies conclude, that the greater the cultural distance, thus incompatibility, the greater the likelihood of cross-border M&A failures (Teerikangas & Very, 2006).

Although many authors claim that it is not imperative to have similar cultures, dissimilarities are certainly an impeding integration factor, requiring extra time, effort and communication. However, Cartwright and Cooper's model of cultural compatibility (1993) states, that the way cultures vary, e.g. regarding the degree of constraint they impose on individuals, has a pivotal impact on the integration process. Another critical issue in the cultural fit between the two firms is management styles. Bijlsma-Frankema (2001) argue, that if preferences for style of management, methods of planning, formalization, rewards and sanction modes, time perspectives and growth orientations point in the same direction, it is easier to design an integrative structure, than when those preferences are far apart. Similarly, Larsson & Finkelstein (1999) measured management similarity by comparing the degrees of formality and participation across merging organizations within a large case-study analysis. They found that management similarity was significantly related to synergy realization. In accordance with these findings, the “cultural distance hypothesis” maintains, that cross-cultural difficulties such as costs, risk and communication barriers increase with cultural distance between organizations (Morosini et al., 1998).

All the before-mentioned findings on cultural distance are confirmed, when national and corporate culture fit positively impacts integration (Weber et al., 1996). Vice versa, dissimilarities in national, organizational and professional cultures result in cultural risk (David & Singh, 1994). On the other hand, cultural distance findings are disconfirmed, when cross-border deals are found to be more successful in achieving synergy (Larsson & Risberg, 1998) and when greater distance results in benefits for a company (Morosini et al, 1998). Stahl and Voigt (2004a) tested the intuitive hypothesis, that cultural distance hinders cross-border acquisition performance. Their results associate cultural differences with negative outcomes at the socio-cultural level. Moreover, Schein (1990) revealed a significant effect of cultural distance on leadership and top management, which is crucial in shaping and transferring corporate culture signals to the whole organization. Their motivation and commitment have a substantial impact on the other employees, who are embedded in their own national culture. Cultural distance can cause complicated interactions or miscommunication, resulting in negative feelings and confusion as well as decreased loyalty, productivity and overall satisfaction (Schein, 1990; Hofstede, 2001). Additionally, the willingness to cooperation as well as the level of commitment are affected and can create polarization, resistance to change and ethnocentrism amongst employees. Interestingly, some researchers point out, that the cultural fit between two companies can either be too close to realize those previously named synergies or too far apart to achieve synergetic improvements without negatively impacting firm performance (Appelbaum et al., 2013; Bijlsma & Frankema, 2001). The Daimler-Chrysler merger is one example of too distant cultures and too little cultural fit, which illuminates this criterion of fit in M&As. Finally, empirical evidence shows, that consequences of cultural distance are high information costs and difficulties in transferring management and business techniques (Weber et al., 1996).

3.4. Limitations of cultural distance with regards to CBM&As

Critics have been pointing out conceptual and methodological flaws of the national distance paradigm. Teerikangas and Very (2006) highlight three different areas of complexity regarding its framework. Firstly, the authors address the concept of culture: “while the trend in sociological and organizational research is toward a more complex, multinational view of culture, we note that extant research in M&A has retained a more traditional view of culture” (p.45). They propose to acknowledge culture as a mix of national, industrial, organization, functional, professional and occupational cultures and suggest considering the interconnectedness between those levels of culture. The second complexity focuses on the dynamics of the cultural integration process and managerial efforts during the integration phase as well as the relationship between a firm’s selected integration strategy and its preference for acculturative modes. Thirdly, methodological concerns regarding the timing, construct operationalization and measurement are found. Besides, several researchers regard the assumption that any kind of cultural difference is necessarily detrimental to organizational performance, as an oversimplification, which fails to take the synergetic interactions between different cultures into account (Morosini, 1998; Shenkar, 2001; Teerikangas and Very, 2006). In addition to the already mentioned limitations, the Kogut and Singh index is liable to the same criticism of Hofstede's dimensions, since it takes its roots in that theory. However, as one can see, national cultural distance matters and can affect CBM&As at the organizational and individual level. The question, whether it deteriorates or improves their success will be discussed in detail in later parts.

4. The culture-performance relationship – a dilemma amongst researchers

Increasing globalization of businesses has heightened the opportunities for CBM&As, but simultaneously put pressure to engage in them. Behavioral Economics has shown that people do not solely act based on rational calculations and optimizations. If that was the case, domestic, as well as CBM&As would be effective and not face any difficulties. Nevertheless, M&As are executed by human participants, whose behaviors and decisions are driven by individual personalities as well as shared national and corporate culture.

Whereas most studies in the past focused on differences in corporate culture in *domestic deals* (e.g., Buono & Bowditch, 1989; Chatterjee et al., 1992; Datta, 1991), there has still been insufficient theoretical and empirical research on national cultural differences in *cross-border M&As* (Weber et al. 1996). Empirical evidence suggests, that acquisitions across borders perform even worse than those within borders (Angwin and Savill, 1997; Moeller and Schlingemann, 2005). For instance, Moeller and Schlingemann (2005) found that international acquisitions by U.S. firms are characterized by significantly lower performance than U.S. domestic transactions. Their study was based on a sample of 4,430 acquisitions, measured by stock returns and operating performance. Numerous studies claim cultural differences to be the major cause of high failure rates in *cross-border* M&A (King, Dalton, Daily & Covin, 2004). However, researches on the relationship between culture and M&A performance still provide inconsistent and conflicting findings due to different methodological and conceptual approaches. Some even claim, that research outcomes about domestic M&As are useful for CBM&A research, since their cultural difficulties are mainly similar (Shimizu, Hitt, Vaidyanath, & Pisano, 2004; Very & Schweiger, 2001). It may be argued in this case, that there are several phenomena, such as LOF or double-layered acculturation, which only occur in CBM&As. Those need to be considered within research on the impact of cultural differences on CBM&As. Besides a group of researchers, who do not support either a positive or negative relationship between cultural differences and performance (Reus and Lamont, 2009), the remaining investigators are far from conclusive regarding the effect of cultural distance on M&A performance. The main theories about the culture-performance relationship amongst researchers will be discussed in the following.

4.1. Negative relationship

Intuitively, one would expect a negative relationship between cultural differences and CBM&A performance. This is also revealed by a stream of researchers, who display culture clashes and unavoidable "cultural collisions" during the M&A process. They highlight a detrimental impact of cultural differences on CBM&As and underline various factors, which can contribute to incompatibilities and challenges within the integration (Buono, Bowditch, & Lewis, 1985;

Jemison & Sitkin, 1986). Moreover, management literature claims, that cultural differences constitute barriers to integration and increase costs (Kogut and Singh, 1988; Brouthers and Brouthers, 2000; Weber et al. 1996; Ahern et al., 2015). The widely cited models of Cartwright and Cooper (1993) and Chatterjee (1992) conclude, that corporate culture differentials negatively affect the financial performance of buying firms. Moreover, they provided evidence for a negative relationship between the degree of cultural integration and shareholder value, which decreases with strong integration.

As already mentioned above, culturally distant countries have different organizational practices, regarding management, decision-making, Human Resource management practices and codes of ethics (Slangen, 2006). Proponents of a negative relationship maintain, that the more dissimilar two cultures, the more difficult it is to integrate, transfer and manage those practices. Datta (1991) argues that significant differences in management styles can contribute to what Buono, Bowditch and Lewis (1985) call *cultural ambiguity*, a situation characterized by uncertainties concerning whose style or culture will dominate. Relatedly, Weber, et al. (1996) show that large cultural differences result in lower top management commitment and cooperation, thus representing a major barrier to the use of synergies even in the case of related mergers, which fit strategically. Different views and values concerning employees' responsibility, power structures, gender roles and uncertainty, as they are demonstrated by Hofstede's cultural dimensions, support these assumptions.

Finally, a negative relationship is supported by the concept of LOF, by impacts of double-layered acculturation and by the cultural distance hypothesis. Furthermore, researchers who analyzed criteria for successful integration, revealed that cultural fit, increased levels of communications, direction, and leadership, are all present in successful CBM&As. By contrast, a significant part of these aspects was missing in failed CBM&As. This is supported by Bijlsma and Frankema (2001), who claim, that the closer the cultural fit between the two companies, the less adversity there will be during the integration.

4.2. Positive relationship

Even though mainstream literature advocates a negative culture-performance relationship, empirical evidence does not always confirm this view and shows contradictory findings. Moreover, theories, which advocate a negative culture-performance relationship are subject to criticism. Proponents of a positive relationship claim, that CBM&As within culturally distant countries can perform even better than in culturally similar countries. They argue, that those organizations realize cultural synergies rather than facing increased costs (Chakrabarti et al., 2009; Stahl and Voigt, 2008; Teerikangas and Very 2006; Shimizu et. al 2004; Barkema et al., 1996). Furthermore, researchers pointed out that difference does not necessarily mean discordance and that some differences may be complementary (Morosini et al., 1998; Larsson & Risberg, 1998). Moreover, critics of the cultural distance hypothesis claim it to be too simplistic and to disregard potential moderators of the culture-performance relationship, such as the relative sizes of the combining firms (Bergh, 1995; Bruton, Oviatt, & White, 1994), or the degree of relatedness between the combining firms (Lubatkin, 1983; Stahl and Voigt, 2003). Within a quantitative study, Morosini et al. (1998) find that national culture enhances cross-border M&A performance by offering access to various new routines and repertoires, embedded in the target company's or acquirer's national culture. The researchers conclude, that CBM&As perform better with increasing distance. Very et al. (1996) address acculturative stress and assert, that depending on the nationalities of the firms, cultural differences can even cause perceptions of attraction rather than acculturative stress.

Various scholars relate to these findings and provide possible explanations for a positive relationship. One explanation states, that national distance between organizations implies significant differences in norms, routines and business processes. This can increase the company's competitiveness (resource-based view of strategy), since it makes it difficult for rival companies in the host country to imitate those practices, that are transferred from the mother company to the subsidiary. Moreover, CBM&As between culturally far distant countries enable multinational companies to enhance the combined firm performance by building a mechanism to access those diverse routines and repertoires and implement the "best out of both cultures" (Barney, 1991; Bleeke et al., 1993).

Finally, Evans, Pucik and Barsoux (2002) point out differences in the level of cultural awareness among participants of domestic and CBM&As. They highlight increased awareness and of organizational and national cultural topics amongst involving parties in CBM&As. Larsson & Risberg (1988) support this assumption and describe CBM&As as "blessed" with a higher propensity for cultural integration management. In opposite to domestic acquirers, who tend to neglect cultural differences, cross-border acquirers pay greater attention to critical cultural issues and soft factors within M&A management.

4.3. Uppsala Internationalization Process Model

The Uppsala *Internationalization Process Model* is a theory by the Swedish Business theorists from 1977, which generally displays the profound impact of knowledge and learning on a firm's approach to foreign markets. The internationalization process, described in the Uppsala model, is rooted in the behavioral theory of the firm and states, that firms stay in the vicinity of their past practices and routines (Cyert & March, 1963; Benito, G. & Gripsrud, 1992). The model describes the process of firms, which progressively intensify their activities in foreign markets after having gained sufficient experience and knowledge from the domestic markets. Moreover, it conceptualizes the process of learning, which plays a key role in firms' internationalization (Forgsren, 2002). It argues, that the acquisition of knowledge and learning progress determine the speed by which firms expand internationally. Moreover, this has further influence on the choice of regions, which firms decide to enter as well as operation methods, they chose to employ in foreign markets (Carlson, 1975).

Firms experience several uncertainties when operating internationally, such as local habits, market structures and uncertainty about how to approach customers' preferences (Johanson & Vahlne, 1977). However, they accumulate knowledge about country-specific markets and business processes over time. This accumulated knowledge is called "*experiential knowledge*", which is a crucial resource for successful operations abroad and requires sufficient time and efforts. Furthermore, the experiential knowledge approach stresses, that the more an acquiring firm leans about local conditions and habits, the less dependent it is on the indigenous organization.

To conclude, Uppsala's key notions highlight the relevance of cultural barriers in the foreign entry process and firms' learning processes about these barriers through earlier experiences that enhance accumulated knowledge. This has been sufficiently proven right by subsequent studies, which found that acquisition performance is positively related to the extent to which an acquirer has codified knowledge about an acquired unit (Luostarinen, 1978; Tschoegel, 1992; Zollo & Singh, 2004).

4.4. Other theories: U-Shape Model and the Degree Dependent Model

In contrast to the previously displayed linear culture-performance relationships, several studies found an inverted U-shaped relationship between cultural distance and performance (Geringer & Hebert, 1989; Richard, et al., 2004). The *U-shaped theory* displays two different stages of culture-performance relationships. In the beginning, firm performance may increase with greater cultural differences between the acquirer and target. But from a certain time, firm performance starts to suffer gradually with increasing operations in more and more countries. Reasons for this downfall are rising coordination and governance costs which surpass the benefits of international expansion. Consequently, performance decreases and the distance-performance relationship turns out to become negative.

Another view-point separates the influence of cultural differences between *long-term* M&A performance and *short-term* M&A performance (Chakrabarti, Gupta-Mukherjee and Jayaraman, (2009). Results of a separate investigation expose, that in the long run, acquisitions between culturally distant companies significantly perform better. This is due to potentially higher synergies and organizational strengths, which help the acquirer to function in the global marketplace. The researcher support therewith the assumption of a positive relationship between cultural distance and M&A performance. Relatedly, Van de Steen (2010) illustrates how, on the one hand, organizational cultural differences have negatively impact firm performance as they hinder communication and reduce coordination. On the other hand, increased information collection might improve firm performance in the long term.

Some argue, that cultural differences themselves do not have an effect. The *degree-dependent theory* suggests, that the diverse findings and theories about the impact of cultural distance are contingent upon the level of post-acquisition integration. Proponents of this model argue, that CBM&A performance is entirely dependent on the targeted *degree of integration* (Slangen, 2006). This approach claims that at low integration levels, cultural differences are a boon, whereas at high integration levels, they are a bane. Moreover, cultural differences harm the performance of acquiring or merging companies, which seek tight integration and a great extent of implementation. The level of harm is dependent on the extent of autonomy that is provided by the acquirer. The more room for autonomy, the less interaction with the target and the less harm. Morosini et al. (1998) support this theoretical approach by qualitative evidence, which shows, that differences in culture are beneficial, if the level of PMIs is not too high. Whenever the acquired firm can select country-specific practices of the acquirer, they consider PMIs to be most useful. In low attempted levels of PMI, where the acquired organization is not forced to implement all foreign practices, cultural differences do not become harmful. However, it remains doubtful, how beneficial low levels of integration within CBM&As really are.

Finally, some scholars do not find any relationship between cultural differences and CB&A performance (Rahahleh & Wei, 2013; Aybar & Ficici, 2009; Markides & Ittner, 1994).

5. Methodology

The focus of this research is a soft topic, which implies very subjective characteristics and causal connections, for which no data are available what makes a quantitative method inappropriate. By employing qualitative modes of inquiry, namely interviews, this research attempts to illuminate the diverse contextual aspects of CBM&As and to explore the relevance of cultural differences in practice. The subjective nature of this research method enabled an in-depth analysis of culture related topics. As already mentioned before, culture has a highly implicit and intangible nature. Thus, quantitative analysis, which uses measurable "hard" data would be inappropriate to explore interviewee's experiences, thoughts and understandings of "soft data", related to culture. This qualitative, exploratory research, on the other hand, seeks to gain an understanding of the interconnected causes and processes that are related to the culture-performance relationship. Rather than proving statistical significance of culture within CBM&As or simply verifying the underlying hypotheses, this research method aims to provide valuable insights into problem areas, that directly affect the culture-performance relationship and is used to uncover trends in thoughts and opinions. There is no doubt, that statistical analysis or questionnaires provide a wider scope due to larger samples, potentially controlled variables and more structured procedures. However, quantitative research requires the standardization of data collection to allow statistical comparison and generalizability of the findings, which is not the purpose of this research. Contrarily, one-to-one interviews provide more flexibility and enable the researcher to have direct control over the flow of primary data collection. Moreover, they enable the chance to clarify emerged issues during the process, if it is necessary. While the qualitative data may be limited in scope, it is rich in depth and accuracy and contains extremely detailed and nuanced quality. It allowed to dive deeper into everyday realities of people from corporate practice and to analyze how theoretical aspects of CBM&As, such as in pre- and post-merger stages, are put into practice. Additionally, new topics that appear to cause cultural challenges could be revealed. It is not possible to reduce these descriptions to numbers, which advocates once more a qualitative approach.

Twelve semi-structured interviews were conducted with professionals from the field. The interviews took on average 60 minutes and were all conducted via recorded phone calls, which were evaluated and partly transcribed afterward. The twelve interviewees come from diverse backgrounds, regarding their organizations' size and ownership structure as well as operating industry. Some respondents also work as M&A consultants or PMI advisors and have legal qualifications. This provides a comprehensive view over the research topic and supports the findings' validity. Regarding the questions, all interviews contained closed-ended as well as open-ended structured questions. Especially the latter allowed interviewees to provide interesting, added information and to share own experiences and feelings towards the topic. Even though the same set of questions with the same interview focus had been prepared for each interview, additional questions were asked to clarify or further expand on issues that arose during the conversations. Moreover, new questions and information gathered in the process of research shaped subsequent interviews' questions. All participants were male, with an average age of 40 and have more than five years of international M&A experience. The majority is of

German origin. Eight interviewees work in (joint-) stock corporations (AGs), one comes from a partnership limited by shares (KGaA), one expert works in a family-owned company and two respondents work in global consulting firms, specialized on M&A/PMI.

Upon their requests, all information about the respondents' personal data and their companies will be reported anonymously. The only exception is the interviewee Anirvan Sen, Partner at Global PMI Partners, located in Amsterdam. He offers more than 20 years of experience as a global leader with hands-on management in (CB)M&As, PMIs and organization re-structuring and a broad spectrum of operational experience. Furthermore, he has worked in several culturally distinct regions, such as Western and Eastern Europe, China, India, ASEAN, U.S., UK, Brazil, Middle-East and Africa. In addition, his broad industry experience covers Financial Services, Industrial, Energy, Healthcare, Transportation & Logistics, Technology, and Retail. To name a few examples, Anirvan Sen has worked for companies, such as Sony, General Electrics, Dell and Coca-Cola. Moreover, he has consulted various mid-sized companies and advised start-ups as well was Private Equity firms. The remaining participants also exhibit diverse practical experience in the field of international M&A activities and work in firms with an international orientation.

All interviewees received an interview request, which contained the research background about inconsistent findings regarding the culture-performance relationship. Furthermore, the requests highlighted the objective of conducting qualitative interviews, in order to compare experience from corporate practice with the research literature that has been displayed above. It should be mentioned, that it was a challenging and difficult process to reach these professionals, who receive numerous interview requests by students and who are very restrained for time. However, due to various communication channels and shared contacts, a satisfactory number of expert interviews could be conducted. The anonymous handling of all information implied a crucial advantage related to shared contents and the interviews' qualities. It provided a non-threatening and comfortable atmosphere for all interviewees, who could express themselves without fearing to violate confidential agreements.

The following table summarizes relevant information of all participants other than Anirvan Sen, to get an overview of their professions, their field of activities and the scope of industries, they come from:

Figure 3. Information on interview participants:

Participant	Profession	Location	Industry
1	Senior Manager M&A	Germany	Automotive
2	Head of M&A, Separation and Integration	Germany	Chemical/Pharma
3	Head of Private Equity and M&A	Germany	Global professional services
4	M&A Consultant	Germany	Global professional services
5	Senior Project Manager, PMI	Germany	Industrial Manufacturing
6	Head of M&A and Integration Management	Germany	Manufacturing
7	Vice President M&A/ CFO	Germany	Mass Media
8	Global Head of M&A	Germany	Railway Transport/Logistics
9	Senior Director M&A, Global Business Development	Germany	Software
10	Head of M&A, EMEA	Germany	Software
11	Head of M&A	USA	Software

The following section will describe the interview structure and the focus questions. Every verbatim comment from a respondent will be indicated in quotation marks. Moreover, related contents that were not part of the interview findings will be displayed at the end of section (5.2.).

5.1. Interview Questions

Due to the interviewees' diverse backgrounds and wide-ranging M&A experiences, each interview had an individual structure. As already mentioned, many questions arose in the context and were sometimes not foreseeable. This is especially due to the multifaceted nature of CBM&As and diverse know-how of the respondents. Each respondent had an individual viewpoint and shared specific experiences and stories. However, all conducted interviews contained three key questions, which aimed to identify the main challenges of cultural differences and served to test the hypotheses that were stated in the introduction. They form the core of the interview and were accompanied by several related questions, which were adjusted to each single interviewee with respect to his background.

With regards to the first hypothesis, the first focus part questions attempted to reveal, the time frame of cultural relevance during the CBM&A process. In order to, the interviews started with the previously presented different staged of CBM&As and aimed to investigate when culture actually becomes a relevant topic. Hereby, interviewees were specifically asked to explain how cultural differences affect pre-deal stages as well as due diligence and post-deal processes. Moreover, they were asked to elaborate on the level of pre-deal awareness of cultural topics compared to financial, strategic and economic aspects of CBM&As as well as their prioritization during target selections. It was appropriate to emphasize the previously displayed unique risks of CBM&As at this point, since they are related to the transaction stages. Thus, the interviewees were asked to share their experience with liability LOF during due diligence and double-layered acculturation as well as ethnocentrism during the PMI. Additionally, the PMI stage of CBM&As was illuminated with respect to the level of employee engagement, leadership commitment as well as the methods, that respondents' companies use to integrate cultures and to evaluate employee satisfaction.

Similarly, the second interview focus aimed to test the related hypothesis, which states, that only certain types of CBM&As are affected by cultural differences. The questions, accordingly, shed light on different transaction motives and asked respondents to share their experience regarding the impact of culture on experienced acquisition types. In order to derive comprehensive results, various motives were named besides geographical expansion, such as production/new products, marketing and customer reach, managerial expertise or cost reduction and competitiveness. Wherever possible, respondents were asked to provide details about the way, each acquisition type is challenged by cultural differences and specific countries, which may exhibit specific behavioral patterns during CBM&As.

Thirdly, with respect to the last hypothesis, which states that cultural differences only affect leadership, the third interview focus included questions, that aimed to reveal which corporate divisions and business areas are really affected by culture and cultural differences, especially during the PMI. To indicate possible organizational interfaces, the respondents were given examples, such as Human Resources (HR), leadership, sales and marketing or finance and controlling departments. Moreover, the research aimed to establish links between the latter two hypotheses, in terms of any relationship between acquisition types and affected corporate divisions.

Finally, several general questions about the importance of cultural integration and its measurability as well as drivers for successful integration were taken. The focus questions and those related questions, which could be directed at all respondents will be presented in the Appendix.

5.2. Research Findings

Generally, this qualitative research obtained valuable information that could help to answer the research question within the scope of its respondents' experiences. Furthermore, it provided substantial information, which enabled to test two out of three hypotheses extensively. All respondents were evidently aware of the complex nature of culture and its multiple facets. Moreover, the majority of respondents could relate to connected topics that were discussed in the literature review, such as LOF, double-layered acculturation and ethnocentrism.

Additionally, all respondents described experiences and observed behavioral patterns within CBM&A transactions, which are directly related to Hofstede's cultural dimensions albeit without naming the latter explicitly. These dimensions will be referred to within relevant sections during the presentation of the results. Even though the respondents showed a great diversity in their professional background, their age and their origin, the interview findings do not show large inconsistencies or noticeable "outliers". Nevertheless, some statements opened a new viewpoint of the topic culture and encouraged further investigations.

Anirvan Sen clarified in the very beginning of the interview, which "first of all, we need to frame, what we mean by culture, since it has different sides and angles." He further distinguished between the "geographical-linguistic backgrounds of culture", an "organizational culture" and within an organization a "functional culture", which also implies "branch or section cultures". Subsequently, Sen illustrated three dimensions of organizational culture, which is "a reflection, based on what the first *leader* wanted the culture to be or based on the *region or area*, it is from or defined by the *market environment*." Startups, for instance, reflect the strong culture of the *leader/owner*, who has built up and grew with the company. In contrast, the leadership culture of a company, which is located in a certain area for 20 years, exhibits "an amalgamation of the individual, the leader, and more importantly the culture of that *region*, where the leadership comes from". Sen was involved in an acquisition of a company, which is located in Nijmegen for many years, and outlines exactly this second dimension of regional driven culture. *Market driven* organizational cultures exhibit differences in leadership, dependent on customers which can vary between government organizations, private sectors and consumers. This categorization goes beyond the twofold presentation of national and corporate culture within the literature review and highlights the many-sidedness of culture in the context of CBM&As.

The average ranking of "culture" (from 1 to 10, whereas 10 means highly critical) in a list of critical elements in deal success was **7.5.** Similarly, respondents ranked culture as an area of importance amongst other important factors during PMIs on average as 8 (10 means most important area). Several respondents pointed out, that an isolated analysis of the culture-performance relationship is impossible. Only half of the respondents perceived culture as a deal-breaker and viewed cultural differences as a bane. This small share of participants, that perceive culture as a bane, is surprising with regards to the high reported failure rates and the numerous studies that blame culture for their failure. One interviewee said in this context, that "if the financial performance is not really sustainable, *that* could kill an acquisition. But a deal was never delayed or killed because of cultural differences". This insight suggests, that negative CBM&A outcomes cannot be traced back to a single cause or source, namely cultural differences. Simultaneously, it implies a reflection on aspects during CBM&As, whose connectedness with culture are not easily recognizable at first sight. One M&A consultant, who emphasized this idea, argued that "high M&A failures are not due to one single reason, it is more a complex web of causes, most of them related to operational problems, and you cannot separate cultural aspects from operational aspects". It raises the question, what other aspects impact CBM&A performances as well as how and whether those aspects are related to cultural differences.

Having all these considerations in mind, the following section seeks to display the interview findings and illustrate this described interplay of causes and relationships. Moreover, it seeks to provide insights about the approaches and measures, companies use to handle cultural differences in everyday practice. The results will be discussed, as far as it is possible, in the same structure as the literature review.

1. Relevance of culture within the M&A process

With the objective to test the first hypothesis, the occurrence of culture as a relevant topic was examined by means of several questions, which related to each CBM&A stage, that was discussed in the literature review. Moreover, unique challenges of CBM&As, such as communication barriers, ethnocentrism and double-layered acculturation were illuminated within accompanied questions.

- *Pre-Deal awareness of culture*

Nearly all respondents agreed, there is little until no cultural awareness in the pre-deal phase. People reported, that the importance of culture as a soft factor besides financial, strategic and economic aspects of CBM&As is minor. The same number stated, that the awareness and significance of culture arises after due diligence, i.e. from the post-deal stage onwards. Besides, only a few interviewees confirmed to track cultural fit and cultural alignment during their target selection analysis. However, several respondents confirmed a trend towards a higher emphasis on soft topics within the target selection. Sen stated, that “culture as an element plays a role from different angles throughout the journey of M&As”. He claimed, that within successful CBM&As, “culture always played the second fiddle after strategic fit. But a lot of companies overlook that.” Moreover, in the context of target selection, Sen stressed, that strategic actions and cultural assessment are linked together. He explained, that most companies acquire other companies in the first place, because they are financially in a position to do so, rather than due to strategical considerations. In the next step, they “figure out” how to create added value and synergies through the acquisition. This can have negative effects on the PMI process, since those companies “have not put enough thought in how to integrate the companies and sooner than later, the individual resistance starts creeping in, because nobody knows what is the end goal and nobody wants to give up their bonusses/commissions, which are tied to KPIs and performance rather than to integration.” This insight underlines the essential role of a thoughtful target selection that is not only driven by financial and strategic aspects. Greatest examples are, according to Sen, the failed mergers between Daimler-Chrysler Nokia and Microsoft or AOL and Time Warner.

A major difficulty in this context is the intangible nature of soft topics and “the challenge of getting a grip on intangible assets”. By contrast, quantifiable assets, such as financial figures are easier for analysts to use within valuations and to build models on. They base their decision on hard facts rather than arguing on soft facts. From a M&A advisory perspective, cultural fit or cultural alignment are not key decision criteria or requirements for further procedures within a M&A project. M&As as well as CBM&As are more market- and financially driven than influenced by human factors, which a lot of managers perceive as “easy manageable” and “easy to get it through a gut feeling after first contact". Especially, when integrating companies in the same or similar businesses, top executives often assume, that they are "just like us". However, the larger and more internationally engaged the company is, the more it sees culture as important as analytics, financial performance or technology. Moreover, the ownership structure of the company and its regulatory topics impact the focus during pre-deal analyses. Listed companies for instance, are automatically compelled to pay more attention to risks compared to private organizations, due to the existence of shareholders. They also exhibit different management requirements.

Many respondents indicated other reasons, why cultural integration is not or cannot be prioritized during the pre-close phase. One crucial problem is the lack of time and room for questions and analysis regarding cultural aspects. Not least due to competitive reasons, for instance in competitive target auctions where the acquirer needs to "get things done under time pressure, before losing the target". Under those circumstances, financial aspects and a strategic fit self-evidently play a dominating role.

Interestingly, one case revealed opposite experiences and provided different input regarding pre-deal prioritization of culture. A traditional, family owned business, which is acting worldwide and selling chemical products in premium quality conducts a very intense selection process of potential targets, whereby culture "is very important to assess right from the start". Most of the targets are family owned themselves and exhibit at least the same standards of product quality. The head of M&A and integration management of that firm states, that they would not acquire a company, even though financially highly attractive, if they feel that the people behind the company would not get along with each other or that challenges will be too hard to solve without losing synergies. Furthermore, he highlights the importance of product and brand reputation, which overweight's any financial attractiveness. An innovative leader, which offers premium quality within its sector and is proud of its superior technology, must maintain a certain professionalism and be "picky", especially in cross-border operations. This has implications for the target selection, since the company does not engage with targets from countries, such as Thailand, where technology is less developed. He claimed, that those targets would pay insufficient attention to the acquirer's high-premium technology and automatically downgrade its product quality and brand reputation. Ultimately, such an acquisition or merger would destroy synergies.

In conclusion, sufficient awareness and assessment of cultural alignment is essential besides a strategic fit and has to be considered in the pre-deal phase of CBM&As. Moreover, a culture clash can not only occur between two different national cultures, as it is displayed within Hofstede's framework, but also between a low-quality provider and high-quality provider. They do not necessarily have to come from distinct parts of the world or be based across borders. This observation underlines the need of acquirers to assess within the target selection, whether companies share their vision and value sensitive topics in the same manner. Additionally, the extent to which companies prioritize financial factors can also be dependent on the type of the firm and its ownership structure.

- *Due Diligence*

A few respondents described culture becoming truly relevant in the Due Diligence phase. Some respondents, coming from either pharmaceutical, automotive or manufacturing industries, claimed, that especially in large transactions, culture is assessed upfront in due diligence. However, the majority states, that culture becomes visible and relevant as soon as interactions between both parties take place. This is according to Sen "around the closing stage, where both leaders need to come up with a common vision and a common list of strategic actions. That is where individual cultural differences often play a role." In this context, several respondents report, that "leaderships' biases and prejudices can be major obstacles to find a joint path".

Even though due diligence includes interactions between the parties, interviewees claim, that several aspects can impede an adequate assessment of culture. The most cited obstacles are communication, language gaps and limited "in-depth" contact. When participants were asked to elaborate on this problem, the pointed out, that geographically far distant M&As often involve a large amount of "impersonal contact", e.g. in the form of skype conferences. These forms of communication dilute communication and risk a lot of content, to get lost in translation. Additionally, firms report, that cross-border M&As with certain countries imply a lack of information transparency and high uncertainty about the truth of exchanged information during negotiations. This leads to the fact that M&A executives often have to rely on judgements or subjective reports of their own leadership that is in contact with the counterparty's leader. This observation goes along with liability of foreignness, which has been mentioned above.

A noticeable number of respondents confirmed experience with LOF during CBM&As. Russia was repeatedly mentioned as a country, where companies always faced corruption and economic nationalism. That involves a higher financial engagement and increases costs. This has also induced cost-sensitive companies to exclude Russian companies as potential targets. On the contrary, top-line driven companies have faced less difficulties due to LOF. When cost-savings and cost-consolidation are not the key drivers, companies can plan extra budget and activities to ensure success when operating in countries, which exhibit LOF. Thus, budget (e.g. for local professional advisors or lawyers) gives them an extra comfort and avoids negative confrontations due to LOF.

Another crucial inhibitor can be differences in leadership styles, that were not sufficiently assessed during due diligence. A case example, given by one interviewee, highlighted, how insufficient assessment of leadership styles can impact a whole organization. The recruitment of a highly successful Russian CEO into a U.S. company location for instance, failed due to the lack of sufficient assessment of differences in leadership styles between Russian and American CEOs. The interviewee explained, how "(…) cultural integration of a single person during due diligence already failed to assess the capability of this CEO of culturally integrating himself and into a U.S. organization. This small due diligence mistake had detrimental consequences and is difficult to solve, since you cannot easily coach or educate such a person". Relatedly, Sen claimed, that during due diligence "companies have to get an understanding of the leadership cultural orientation *and* the employer cultural orientation". He stated, that a key aspect of many weak due diligence processes is, that companies overlook this need and mainly focus on non-cultural aspects.

- *Post-deal integration (PMI)*

This section of the interview required respondents to give information on the cultural challenges, which occur during PMI and the role of employee engagement within the integration process. Furthermore, respondents were asked to indicate whether they have experienced ethnocentrism during PMI. Overall, respondents affirmed the hypothesis, that culture and cultural differences become relevant in the post-deal phase of CBM&As. The reason is, as already mentioned in the previous two sections, that the intangible nature of culture is outweighed by hard factors that imply the main drivers for any cross-border transaction. Moreover, several respondents explained, that in practice, the effort to assess cultural alignment and its scope are largely dependent on the target's culture.

Interestingly, many respondents mentioned Hofstede's cultural dimension in an indirect way. According to several reports, companies from countries with strong uncertainty avoidance can easily impede or even destruct the integration process, since strong uncertainty avoidance often implies top-down management and requires short-term feedback. This may have a beneficial impact on financial M&A performance, since it can quickly generate sales growth. However, the PMI process can be rushed or "checked-off" artificially by control and monitor measures instead of cultural integration that goes into considerable depth and respects consensual decisions. Respondents speak in this context about long-term consequences after a deal.

Moreover, responsible people within PMI, that come from highly collectivistic cultures, exhibit distinct approaches to "bring two cultures" together compared to people from more individualistic cultures. Their background is already characterized by the "U.S.". Sharing an identity or a vision and adjusting to knew processes can be easier for those employees. In this context, hierarchical structures of the company can also impede the speed of integration or cultural imposition of the acquirer. One respondent experienced challenges of PMI due to a "too egalitarian culture of the target firm, where it is okay to disagree about everything with the boss or to move actions without his approval". By contrast, companies, in which communication follows a hierarchical chain and employees make an effort to comply, acquiring companies face "an easier game" to integrate or impose their culture, at least on the surface.

Besides, in the context of culture dominance and its imposition, respondents revealed a positive relationship between the acquiring company's firm size and the dominance of its culture. In most of the acquisitions, the acquirer implements and imposes its culture on the target, being the dominant party. Usually, this acquirer is the larger company and has the "cultural priority". Reverse cases are attributable to the strategic rationale of the acquirer. One interview noted, that "sometimes it is necessary not to be too dominant in order to realize targeted synergies, e.g. acquisitions, driven by specific know-how, technological or market strategic".

Additionally, interviewees noticed, that employees in high power distance cultures or patriarchal societies, such as Latin American countries or Japan, exhibit less tolerance or openness to change or adjustment. On the other hand, people in European or U.S. firms are "quicker in adjusting". This confirms the literature findings regarding ethnocentrism, which were displayed at the end of section (2.3.2.) Interestingly, Chinese corporations tend to show new trends regarding business values. Compared to ten years ago, they are more open and tolerant to new ideas and approaches, Moreover, Chinese companies exhibit a strong emphasis on strategic rationale and their investments are more and more long-term oriented. However, areas of conflict and misalignment in values still exist between Western and Chinese corporations. Chinese high growth expectations are one example, given by a respondent. According to a respondent, “Negative growth is an alien concept to the Chinese”, which indicates difficulties to harmonize expectations and management decisions.

A large number of respondents revealed, that the more hierarchical a company’s structures, the more its corporate culture is influenced by leadership. They maintained, that leadership nearly fully reflects the culture of a company, like a “mirror of their organization”, regardless of the company size. Sen described leadership as “a good indicator, of how a company thinks and what it values”. However, looking at companies’ ages, start-up companies exhibit a lower degree of “leadership-reflection” than established, traditional companies. Moreover, respondents stated, that leader-orientation is highly influenced by the national culture and affirmed a considerable influence of high power distance on leadership dominance. Continuous commitment from top management and leadership is also a frequently mentioned topic in this context. As one respondent pointed out, “to have them all on board, people need to feel welcomed, cherished and valued”. All these observations support the previously displayed findings about the implications of uncertainty avoidance, individualism, power distance and leadership for CBM&As.

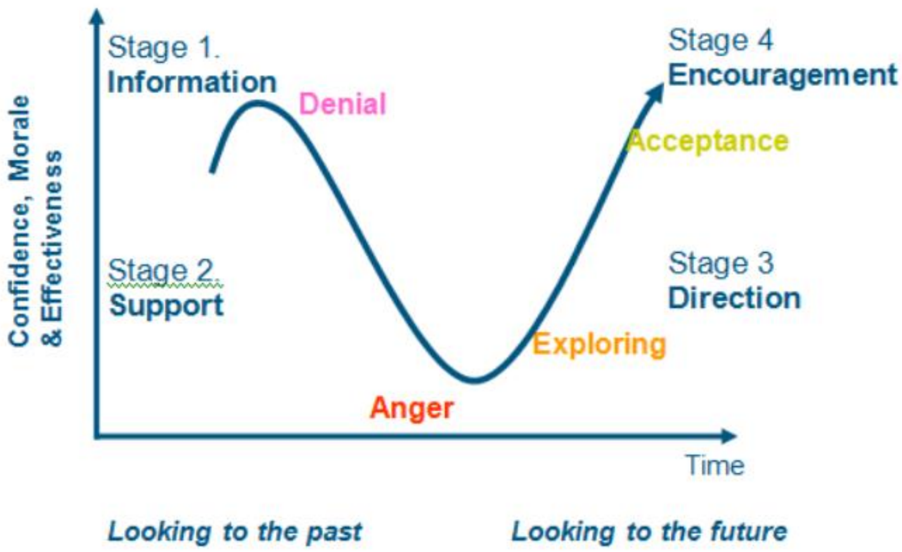
According to a range of respondents, language is a further factor, which limits the speed and smoothness of PMIs. It is referred to as one of the biggest challenges during PMI. One respondent clarified: “(…) a language gap does not necessarily mean two different languages.” Coming from Technology industry, he works solely with people, who all speak English. However, they exhibit, dependent on their origin, different communication styles, such as high-content vs. low-content or laid-back vs straight-forward ways of communication. Thus, he stressed that “(…) it is necessary to find a way of communication between both cultures and a language, both parties really understand”. Other interviewees reported, that otherwise, the involved parties face frustration and despair due to comprehension problems and miscommunication. These reactions are relatable to the framework of double-layered acculturation, which was displayed in (2.4.) and highlight the importance of communication to avoid culture clashes.

- *Communication of changes and employee engagement*

All participants accorded great importance to employee engagement. To quote one respondent, “if you don’t manage people working together, you failed the PMI, since working together is a part of culture. This should be every organization’s cultural integration goal.” To stay in the context of communication, only a small number of respondents agreed, that changes during the PMI are communicated proactively throughout all levels in their organizations. By evaluating the answers, it can be concluded, that the extent and depth of communication depends on the level, the company relies on its workforce. Companies from software industry for instance are massively dependent on their people and “if the people run away, you lost your deal”. Therefore, communication efforts are much higher throughout all levels within those organization. Interestingly, some interviewees unveiled, that management does not often feel very comfortable to communicate changes and therefore use impersonal communication mediums, such as internal flyers or magazines. Similarly, the majority of respondents maintains, that only high levels of management are fully engaged in the PMI process. However, this is often simply due to the size of the company, since "you need to distinguish when you have more than 1000 employees worldwide". In this case again, the traditional, family owned company reports, that they organize joint employee meetings, "where all employees are invited to take part and be informed." He claimed, that you can create an environment, where employees are more efficient, by signaling trust and an open information policy. One interviewee set the successful example of the acquisition of Jaguar Land Rovers by Tata Motors in 2008: "(…) changes were communicated proactively throughout all levels and trust was signaled by leadership and C-level[4] management". Employers of the acquiree expressed positive feelings towards the acquisition and were happy to gain autonomy as well as financial support.

Related to the question of employee engagement and reaction within changes, more than a third of the participants described patterns of the traditional change curve, like it is taught in the model about the stages of personal transition and organizational change. The change curve was originally created by Elisabeth Kubler-Ross in 1969 to illustrate how people deal with the news, that they have a terminal illness. General phases are denial, anger, exploration and acceptance. This is relatable to acculturative stress and double-layered acculturation, which were illustrated as unique risks of CBM&As in the literature review. The change curve also implies high engagement of C-level in the first place, which quickly turns into control, while lower levels which were not highly engaged in the beginning, gain more responsibility over the time. To prevent from further verbal explanations, the change curve process will be displayed graphically below:

Figure 7. The Change Curve



Source: Based on Kübler-Ross, E. (1977). The Change Curve

[4] top executives or highest level corporate positions in an organization.

- *Motives for cultural integration measures*

Interviewees expressed, that employees, as well as leadership exhibit anxiety and fear during the PMI. They are afraid to lose their jobs or to face additional workload, which they cannot cope. Some companies are aware of this problem and try to address those fears and anxieties in company conferences or large meetings, where employee's questions are answered. They aim to take the huge uncertainties (especially of acquired company's employees) away. Referring to successful PMIs, respondents stress the importance to get involved all the workforce and to provide the feeling of security, that they will not lose their job or status within the corporation. Leadership deals with a "fear uncertainty doubt cycle", since their position in the future is not clear as well. According to one respondent, "this makes executive leadership for good cultural integration even trickier". The same person interestingly stated, that the establishment of culture related measurements during PMIs and merger integration related functions is often motivated by this fear of leadership, "to get beaten up for bad merger success". This insight gives reason to doubt, about the incentives and motives for increased cultural prioritization during PMI as well as its intentions.

- *Ethnocentrism in PMI*

Interestingly, less than half of the interviewed experts indicated, that they experienced ethnocentrism during PMI, in the way, it was described in the literature part. An interviewee, who was engaged in several CBM&As between geographically far distant firms, perceives ethnocentrism as something "normal about human nature, since people are creatures of habit". Generally, all respondents reported, that ethnocentrism during PMIs can occur and manifest itself in different forms and the reasons behind it are multi-faceted. Some see a challenge in motivating and incentivizing those people, who used to interact in their former organization but do not cooperate with their new entity. They described, how those people develop a strong reluctance and can have an inhibitory effect, especially when they operate in key positions, that are sensitive for the PMI. Other respondents experienced different levels of employee reluctance depending on the region and leader ship style of the organization. "I would also say, that in Europe and in the U.S., people are quicker and more open to change and adjustment than in countries, where we have more autocratic and patriarchal communities and leadership style."

Nearly half of the respondents see the phenomenon of ethnocentrism as the key problem of every corporation. Some respondents, predominantly M&A consultants or PMI advisors, had observed, that the degree of ethnocentrism depends on "on the maturity and smartness of the target companies' processes". According to their experience, ethnocentrism does not succeed in sectors, where processes are not negotiable, such as in the finance and banking sector, which exhibit stringent process requirements. Others highlighted the maturity of companies as a determining factor. Traditional companies, that have long-established values and operating processes, "people work there for a very long time and are reluctant to adopt new approaches". Contrarily, participants, who cooperated with Start-up companies noticed far less resistant and "rigid" behavior of employees during the PMI. The employees' age and mindset was thereby frequently mentioned as a vital factor that is mostly correlated with the type of company. One respondent argued, that "many companies out there are around in operations for long time and their business models have been proven in the markets for decades, they have established processes for ages, change is not always easy for them. He claimed, that it depends on the company's mindset and for "how long it is around". Start-ups, on the other hand, are characterized by younger work force and management teams and most of them have been working internationally in the past. They are more open to new values and processes, since their nature implies innovation and change. In opposite to established companies, e.g. from manufacturing or automotive industry, for which it has often been sufficient to stay in their origin country. Additionally, most respondents clearly confirmed a correlation between the employees' mindsets, their age range and the type of company they work for. These findings have important implications for further research, which might need a change of viewpoint.

- *Ethnocentrism and the degree of integration*

Participants from mass media and manufacturing industries stated, that less centralized companies, which largely seek low levels of integration, experience less ethnocentrism compared to their counterpart. Some of those respondents experienced, that companies consciously choose to carry out a low level of integration in CBM&As, knowing that they will miss out on potential larger synergies. This decision has the objective to avoid culture clashes and ethnocentrism. One respondent described it as "a proactive decision at the lowest possible price, which probably left synergies on the floor but saved disruption". This finding is in accordance with the before-mentioned integration strategies (preservation, holding) and supports the degree-dependent view on the culture-performance relationship. It shows, that the level of integration does not only impact the overall outcome of PMIs but also its speed and the occurrence of challenges, such as ethnocentrism within PMIs.

- *Employee Surveys*

In response to the question, whether employee surveys are conducted, nearly all respondents affirmed employee survey, on average every two years. However, special measurements immediately after the deal-announcement or during and after the PMI stage are only indicated by a few respondents. Their companies use purpose-built PMI-related surveys to design best practices and to deepen their knowledge on specific measure related outcomes. All respondents agreed though on potential improvements and benefits from using specific surveys right after deal-closure and during PMI. It is questionable, why this measure of employee satisfaction is not used in connection with PMI evaluations.

The first focus part shed light on the question, when culture plays an important role within the CBM&A process. The results and various findings show, that culture does not only play a role in last stage, like it was assumed in the first hypothesis but throughout the whole process. However, numerous insights and reported experiences revealed, that the cultural aspects are usually outweighed and neglected in pre-deal and due diligence, where financial and strategic factors prevail. By contrast, the honeymoon of M&As faces various challenges and difficulties, which can significantly impair its progress and threaten a happy-ending. Anirvan Sen described it as the following: "Culture is like the force of a river, you can't swim against it, but if you align and go with the stream, then it is no problem”. Finally, all respondents confirmed an increasing awareness of culture-related topics and of the need to go with the stream instead of trying to swim against it. It is questionable, how this imbalance of relevance between soft factors and hard factors differs between distinct types of acquisitions. The following section aimed to investigate this upcoming question and had the purpose to test the second hypothesis.

2. Affected types of acquisitions

Since this research solely focuses on cross-border M&As, the second interview focus, referring to most affected types of acquisitions, has not revealed extraordinary findings. This is due to the fact, that cross-border activities inevitably imply different cultures. Generally, any acquisition which is driven by factors, that require personal interaction and cooperation, are impacted by cultural differences. “Whenever the important parts, that form culture, play an important role in the value creation that is desired.” Acquisitions driven by geographic expansion and internationalization targets were always named. An acquisition of simply technological (physical) assets, for instance, cultural facts are not a part of value creation and therefore not relevant in the PMI. “Most of the acquisitions of licenses do not even involve people, so culture is irrelevant.” Another example of little relevance has been brought up about acquisitions within industries, which include a large share of the workforce that is easily and inexpensively replaceable. One example was set about the acquisition of an industry park “with 99% blue collar workers that are easily replaceable. In those cases, cultural integration narrows down to the way people need to continue to work and have not to go on strike. Because in the end, these acquisitions are financially driven.” Respondents all agreed, that acquisitions primarily seek to ensure sustainable financial long-term success.

One respondent differentiated the given acquisition types in more precisely and referred to differences in organizational culture as the main driver for culture clashes. Concerning product driven acquisitions, differences in organizational culture and values can cause significant challenges. One example is a clash between a quality oriented and a price oriented culture. The culture clash occurs in the importance, those companies attribute to aspects, which are decisive for several related business areas, such as marketing and sales. These topics will also further influence a firm’s turnover. Interestingly, some respondents stressed, that when those cultures are too similar, learnings of one company may enhance the product development of the other company. Moreover, acquisitions driven by marketing and customer reach can face challenges due to differences in their sales force approaches. An interviewee with recent experience in this context claimed, that “the way the sales force talks to customers is basically reflecting the company culture they stand for”. He contrasted a highly engaged organizational culture, where “the sales person picks up the phone at night to help” with a company, which had a “nine to five mentalities” and whose sales staff only sell standard products and are not able to face demands. Thus, the level of service quality is a determining factor regarding cultural impact in those types of acquisitions. These findings stress, the different dimensions of organizational culture and quality related values that can be crucial causes for culture clashes within CBM&As. Consequently, a carefully considered target selection is essential for deal success.

Furthermore, technology tuck-in acquisitions were frequently mentioned by respondents from the Technology sector. Tuck-in acquisitions, often referred to as "bolt-on acquisitions" describes a type of acquisition, in which the acquiring company merges the target company into a division of its entity. A classic example is the acquisition of WhatsApp by Facebook for $19 billion in 2014. Tuck-in acquisitions mostly seek to benefit from comparative advantages and technological breakthroughs of the target. Furthermore, this type of corporate strategy aims to increase revenues and to enhance the acquirer's capabilities and resources. The targets are usually small sized companies and the acquisition prices are very high. Respondents argue, that these types of acquisitions consume precious leadership time and organizational capacity. Moreover, they set their focus on the people, who are perceived as the "key to the acquired technology". This technology is not standardized and requires specialist expertise. Thus, a high level of interactions occurs, which implies "a lot of potential cultural minefields".

Interestingly, several respondents confirmed, that the extent of the cultural impact is dependent on the targeted synergies. Relatedly, many answers within this interview section implied, that the impact of cultural differences does not depend on the motive of acquisitions, but on the intended level of integration. An M&A consultant who approved this view, simply explained, that "synergies always mean degree of change". Moreover, the same respondents maintain, that occurring cultural difficulties are dependent on the scope of synergies and the changes, introduced to the company. "The higher the degree of integration, the more changes will be faced by both sides". This viewpoint is supported by the degree dependent model, which was introduced in section (3.4.). Relatedly, a PMI consultant reported, that the effect of cultural differences is highly determined by the extent of change, which is introduced within an acquisition or a merger during the PMI. According to his experience, transactions between production companies, for instance, are likely to have close-down plans after a deal-closure, implying layoffs and employee relocations to obtain synergies on the cost side. By contrast, an acquisition of a sales organization, which usually faces fewer difficulties, since the introduced changes mostly involve "new management and new hierarchy above the entity which was acquired".

The second interview focus pointed out, that the related second hypothesis cannot clearly be verified by only distinguishing between acquisition motives. However, the before mentioned insights regarding the relationship between acquisition types and cultural relevance reveal several factors that determine the effect of cultural differences: organizational culture, the level of employee involvement in certain acquisition types and the pursued degree of integration. Having this in mind, rather than questioning, which types of acquisitions are affected most by culture, the question should be, how different acquisitions involve cultural aspects. A comprehensive analysis that goes beyond the motives of an acquisition is essential to find an answer to this question.

3. Affected business areas within organizations

The third interview focus served to test the related hypothesis about affected corporate divisions and business areas. A common view amongst interviewees was, that culture can never be completely excluded, no matter from which division. However, they revealed that the level of impact and complexity varies depending on the degree of integration and type of company.

Generally, all departments and organizational functions, that are involved in cultural issues or interpersonal exchange or, are directly affected by cultural differences. Similarly to findings in the previous section, respondents claimed, that one have to consider, which corporate areas “have the quickest and largest impact on value creation” in order to answer this question. However, almost all interviewees intuitively mentioned Leadership and Human Resources (HR). “(…) in HR for example, you are more likely to find people who are prone to soft factors and focus on cultural issues than in other functions”. Moreover, some claimed, that companies exhibit different levels of awareness of corporate culture within organizational functions. “The board level normally exhibits great awareness of corporate culture and a high focus on corporate cultural values”. Moreover, some respondents mentioned, that sales and marketing departments handle cultural integration quicker, since they involve a high level of communication and interaction, which is also attributable to those people’s personalities.

Additionally, a considerable number of respondents stated, that every operational division or interface is affected by cultural issues due to their essential role regarding financial results. An interviewee pointed out, that since most CBM&As are driven by financial sustainability, dysfunctionalities within operational divisions are revealed quicker than potential difficulties between leadership and HR, since those difficulties are not directly reflected in financial figures. This was confirmed by several other statements, which stressed this main emphasis on financials.

By contrast, some respondents report, that financial or controlling departments are less affected, unless corporations want to implement their financial/accounting system on the target. The Head of Integration of an international leading German Pharma company, reports that “there are organizations that live completely in parallel after an acquisition”. He gave an example from his own corporation, which acquired a large listed German pharmaceutical company XY in 2003: “You can still see, how a lot of people in our organization carry around the XY heritage, which was a transaction of almost 20 years ago”. Especially finance divisions, where there is little communication were named in this context, as areas, where employees “sometimes completely miss out the integration and even 10 years later, you can still feel the old culture, when you talk to those people”. Similarly, another respondent reports, that many PMI processes reveal a “side by side integration**”.** This occurs, “if you grow parallel cultures with different groups and different people that think and act differently”. The majority agrees, that this will surely not contribute to a sustainable success of the joined company. One participant referred to the Daimler-Chrysler merger failure as a good example. Based on conversations with the project lead of that merger, who he is well acquainted with, he reported that “(…) the main reason for their unsuccessful integration was, that there was no integration. The organizations in large parts never merged. They lived in parallel and therefore synergies were not realized.” In side-by-side integrations, not even highly visible business areas, such as leadership or HR are fully impacted by cultural topics.

Returning to the initial motivation for the third interview focus, the hypothesis, that cultural differences only affect leadership can clearly be rejected. The results of investigations show, that culture has an impact on any corporate division and business area, which is involved in the changes that are required within the PMI. Moreover, targeted synergies, which imply and determine those changes play a key role with respect to cultural effects.

- *Homogeneity of industry specific cultures*

To take a step away from specific *divisions*, another important finding was about recent developments towards "cultural homogeneity" in certain *industries*, such as Technology and Software. According to a respondent, that attended this year's Merger Market Conference in Düsseldorf, certain sectors recently exhibit "one unified culture". Those sectors are globally driven, mostly by core values and ideas from Silicon Valley, and imply high uniformity and transparency. A large number of respondents, who were asked about this phenomenon, confirmed such a development. However, the same number of interviewees, who affirmed this assumption, cited examples, that showed the opposite. They claimed to have observed similar patterns in their experience with Software and Tech-Companies and described Silicon Valley as a typical example of a centralized industry that involves people, who exhibit a similar mindset and lifestyle. One respondent contrasted the homogeneous culture amongst "techies" against the still very locally driven culture amongst people from manufacturing or construction industries, who work in decentralized markets. This is not least due to their educational background. "Certain industries have a need for certain specific skillsets, and people who acquire those skillsets have certain personality types. These personalities ultimately shape and form a large part of company culture and in the end also industry culture." Statistics indicate, that the majority of high management positions in Software and Technology industries exhibit similar educational backgrounds, mostly coming from international, top-ranking universities. In this context, Sen spoke about the integration of global talent and global vision of industries, such as Technology. They also exhibit a high level of language proficiency. Moreover, peoples' personality types in companies, such as Google or Microsoft, show several similarities, that were identified by a large number of respondents. Their leadership displays typical features and the dynamics in those organizations are much faster. By contrast, leading positions in e.g. mechanical engineering companies, display highly heterogeneous backgrounds and often lateral entrants.

Additionally, Anirvan Sen pointed out two other factors that influence the nature of certain industry cultures. According his opinion, one might question two things: Firstly, how integrated is the global supply chain for the industry." A construction company, such as Caterpillar, may not necessarily have an integrated supply chain as a technology company. In the latter, employees face global interaction on a daily basis, in the form of E-Mail exchanges and thought-sharing. Secondly, it should be analyzed "(…) how long has the culture developed in isolation in that particular industry and company". According to Sen, technology companies are extremely well connected due to their innovative and fast-moving character.

Not all respondents agreed, that there is such a thing as a "global culture" in certain industries and argued, that regardless of how internationally integrated businesses and companies are, cultural aspects always remain country-dependent rather than industry-dependent. They agreed, that there are certain cornerstones, but "the culture of company XY in Brazil will never be like the culture of XY in South Africa or Russia". Several interviewees could confirm this statement about the culture of subsidiaries that belonged to their own companies. Sen provided an interesting example of two companies, which indicates, that this investigated trend of a "homogeneous culture" has limitations and cannot generalized throughout all industries. The Dutch-British consumer goods company Unilever is a multinational company, that owns more than 400 brands and whose products are available in 190 countries. Unilever is successful through cultural heterogeneity amongst headquarters and subsidiaries, which are each locally driven and adjusted. Contrarily, their competitor in the same industry, Procter & Gamble, aims to reflect a global culture with one global mission amongst all its locations. It has the objective to give customers the feeling that is an American company, regardless of where they buy their products.

To conclude, industries play a role regarding the way they are shaped and the skillsets they require. Moreover, industries that reveal similar styles of leadership and power structures within their companies are most likely to find similarities in their cultures.

- *Measuring M&A success*

Nearly all respondents reported, that only quantitative measurements are applied to evaluate M&A success. Generally, firms see success at revenue and profitability increase. Thus, they analyze financial key performance indicators (KPIs), revenue, EBIT and Cash-Flow as well as sales performance. The focus hereby is dependent on the targeted synergies and their "form of appearance in the balance sheet". For instance, market driven acquisitions examine revenue and sales, whereas acquisitions, driven by customer access, consider supplier synergies. As mentioned in the literature review, culture is an intangible asset, which is difficult to quantify or measure. To describe it with the words of an interviewee "soft facts are not an easy equation to solve and not even to formulate, because one plus one does not always equal two". Hardly any respondent suggested a clear approach, how to measure integration success or cultural PMI performance. To quote one respondent, that summarizes the findings to this question: "If you ask me, what is successful cultural integration, we can write a book about it. It should be rather asked about a successful *approach* to cultural integration. Key success factor in my opinion is, however, the achievement of financial aspirations. In that case, everybody will automatically assume, that cultural integration was successful, but this might not necessarily be the case. It might have been not successful, but the firm performed well in other areas and nobody will ask, did you do a survey about cultural integration?" Nevertheless, attrition rates were frequently mentioned as a possible indicator for PMI success.

Some participants pointed out, that there is not such a thing as a positive or successful cultural integration that is uniformly defined and measurable. "Companies have to set a clear target or image, how they would like the company's culture to look like in 3 years or in 10. One interviewee stressed in this context, that "success of cultural integration is, if you have a clear image, what success actually means. (…) You have to consider what you want to achieve and what is the cultural integration, needed, to achieve these goals". Furthermore, one respondent explained, that integration does not necessarily mean "that cultures have to melt into one new culture, a joint culture. Companies can also say, they want the leadership style and capabilities and incentive management of the acquired company." Having set those specific goals of cultural integration, companies can examine afterward, whether they achieved their targets. Many CBM&As apparently lack this clear idea or image of cultural integration goals and therefore fail to subsequently evaluate any integration success using particular indicators.

Only two respondents reported, that their companies conduct qualitative measures to examine, how satisfied the people are and to find out if necessary, why employees left. As one of them pointed out, "(…) a mass exodus of employees from a certain department for example, is a clear sign that something has gone wrong and cannot be neglected". Nevertheless, firms can also exhibit the goal of cultural integration to reduce employees or only keep a certain group of key performance people, implying high churn rates. In that case, adequate measurements of integration success would look differently.

Generally, any measurement requires time, costs and effort and obviously, these three things are scarce resources within CBM&As.

- *Process documentation and experiential knowledge*

A minority of participants indicated, that they consistently track and document PMI processes and conclude best-practices. Not least due to financial and capacity reasons. M&A advisors rather document PMI procedures and their developments. One interviewed company claimed to have gained a lot of experiential knowledge through documentation. Based on that, it developed internal and external trainings for PMI, where the M&A management, which preserves this knowledge, coaches project leaders. This enables benefits and improvements for further business operations. The respondent claimed, that "it is a big investment and not low cost. It needs a lot of sustainable long-term dedication and the right leadership!" This view supports Uppsala's theoretical approach of knowledge and learning, which was introduced in section (4.3.).

However, most participants indicated, that experiences, earned through the M&A cycle, are highly contextual. Integration subjects are hard to quantify and "bring on a paper or a project protocol". In response to the question, whether there is such a thing as experiential knowledge, as it was displayed within Uppsala's theoretical framework, most respondents affirmed it. They state, that the more experienced they are with local markets, the more effective CBM&As are carried out. Anirvan Sen said in this context, that "it is like when you cook, after the tenth time, you know how much salt is needed". Relatedly, some participants suggested that familiarity and experience can not only be gained in cultural issues, but also in legal issues and market networks. Those respondents argued, that LOF decreases with increasing experience and knowledge. One respondent pointed out in this context, that "the more an acquiring firm learns about local conditions and habits, the less independent it is on the indigenous organization".

Interestingly, some sated, that despite this awareness of potential benefits of accumulated knowledge, nowadays knowledge preservation is also hindered by procedural changes of CBM&As compared to twenty years ago. The role of investment banks and external M&A consultants have gained increasingly importance, which "outsources gained experiential knowledge" and "companies themselves cannot get better". However, a third of the participants reported, that they acknowledge the advantages of measures such as "lessons learned sessions" and internal as well as external PMI trainings and that their companies have started to focus on knowledge management.

- *Key drivers for a successful deal*

All interviewees were asked about the most important reasons for unsuccessful integration according to their experience and the key requirements for successful PMIs.
The table below displays the most cited answers:

Top reasons for unsuccessful integration:	Requirements for a successful PMI:
• Misalignment/wrong choice of target	• Qualified personnel on both sides
• Lack of cultural awareness	• Careful planning
• Insufficient communication	• A clear strategic rationale
• Poor leadership and integration effort	• Employee engagement
• Lack of commitment and dedication	• Maintaining high visibility
• Insufficient internal budget	• Monitoring and feedback

According to Anirvan Sen, "there is no standard answer to all cultural elements and cultural pieces". However, several aspects regarding both questions were frequently mentioned. Furthermore, many respondents stressed, their companies seek to identify key success factors within every deal. Their experiences showed, that a precondition is to form targets and to define the right measurements. To express it in the words of an M&A consultant, "Whenever companies know precisely what they want, then they know the key success factors for cultural integration". Besides, respondents repeatedly pointed out, that committed leadership, which maintains high visibility through the whole PMI can avoid a "vicious circle" of misinterpretation, communication barriers ethnocentrism, frustration and mistrust. Moreover, synergies must be looked at from a long-term perspective. A lack of cultural awareness, which was repeatedly named as a reason for unsuccessful integration, implies various aspects, such as a "360-degree cultural assessment". According to Anirvan Sen, many companies fail to sufficiently assess cultural fit. In answer to the question, how companies should carry out cultural assessment, he stated, that organizations need to examine, "how the people in a company are substantiating the company's mission and vision." Moreover, he stated, that within cultural assessment, it must be analyzed, "how aligned the leaders are behind the strategy. That gives a very good indication, because leaders often tend to be a reflection of what the culture of an organization is". This insight summarizes many previously displayed findings and emphasizes the importance of cultural awareness as well as the alignment of leadership with the organizational culture and strategy.

5.3. Related Findings

At several stages during the interviews, respondents referred to occurring challenges between companies from countries with different cultural dimension scores, related to Hofstede's framework. Moreover, Anirvan Sen pointed out, that organizational culture can be illuminated from different perspectives, such as from a geographical, historical, linguistic or regional view. Having this in mind, the following case examples illustrate insights that are based on other people's research, which has been conducted outside of this study's investigation and support the previously displayed interviews findings. Moreover, company reports and relevant literature reviews served to present the obtained findings. These specific examples enable a deeper insight into certain aspects that were addressed during the interviews without specifications about the companies and clarify mentioned problems and observations, related to Hofstede's cultural dimensions.

One example of a culture clash due to an *individualism* gap as well as differences in organizations' historical roots is the strategic merger between the Russian company Lukoil and the U.S. firm ConocoPhillips in 2004. It was initially viewed as a merger of equals. Both companies saw promising and effective synergies in the merger, such as country-specific knowledge transfer, a reduction of business risk due to geographic expansion and benefits of leading-edge technology. However, the cultural gap was too large to overcome several difficulties within the merger process, as it can be seen by the different dimension scores. Most of Russian's business practices have their roots in soviet methods and have always been distant from outside influences. Therefore, ConocoPhillips faced difficulties to implement changes in operational practices, which involved changes of practices that were part of the corporate culture (ConocoPhillips Final Report, 2008).

Moreover, the Daimler-Benz and Chrysler merger was repeatedly named during the interviews as an anecdotal evidence of merger failure due to incompatible cultures and a large *power distance* gap. This encouraged to further research, which revealed interesting findings that supported insights, which were gained through the qualitative research. The merger was initially promoted as the "perfect marriage", benefitting from geographical distribution, common R&D, production of scale and large savings as well as market growth potential. However, the merger ended up failing due to corporate cultural differences, misalignment in management styles and fundamentally different organizational practices. Furthermore, their *philosophies* on diverse topics as well as operating styles and level of formality exhibited significant differences. Moreover, the two organizations could not properly integrate due to different approaches concerning administrative issues, such as pay scales and travel expenses (Nguyen & Kleiner 2003). Known as a diverse and creative corporation, Chrysler exhibits a more freewheeling and open culture. This stood in contrast with Daimler's traditional, top-down management style. Daimler openly imposed its culture on Chrysler and became the dominant counterpart, which reduced employee satisfaction at Chrysler. Cultural potential or mutual dependence was neglected by conscious effort of Daimler-Benz's ex-chairman Juergen Schrempp, who moved members of his German management team into key Chrysler positions. This taken measure was a clear signal of the lack of intent to share one vision. Consequently, due to an unwillingness to cooperation amongst the management teams and lack of commitment, the two firms managed to combine solely some administrative departments, such as finance and public relations. Not even components and platforms were shared, because Mercedes-Benz' executives did not want to share parts of Chrysler's "inferior technology components" (Arai, 2004). In hindsight, the merger failure would have been predictable if the firms had carried out an evaluation of cultural fit, rather than focusing only on benefits due to shared technology and resources.

The acquisition of the European and Asian arms of Lehman Brothers by the Japanese Financial Company Nomura Holdings Incorporation is another useful case example, that is related to *uncertainty avoidance*. It supports several previously reported findings, such as the importance of national and organizational cultural fit and the need to assess culture with respect to leadership. Nomura's key acquisition strategy was and to expand their international franchise and client base, to maximizing synergies using competitive resources and to reduce operating costs with the acquisition of Lehman Brothers' global infrastructure platform (Nomura, 2008). Nomura aimed to access a worldwide customer base and finally achieve its longstanding ambition to become a world-class Investment Bank. This long-term goal had been restrained in the past by Nomura's strong risk and uncertainty avoidance in terms of business expansion. However, the Japanese-U.S. alliance failed because of misalignments in corporate culture and corporate values. Lehman Brothers management was accustomed to an aggressive, quick decision-making and risk-taking and way of conducting business. Nomura, on the other hand, was very conservative and exhibited strong avoidance for uncertainty and risk. Furthermore, in terms of values, attitudes to clients and planning horizons regarding income were significantly different between the two contrasting cultures (Nomura, 2008). While Nomura preferred to work with long-term and reliable clients rather than pursuing risky deals, Lehman Brothers prioritized short-term income over long-term customer relations and therefore preferred risky but potentially beneficial deals. Lack of trust, which goes hand in hand with uncertainty avoidance, was another crucial issue, which caused suspicions and understandable irritation, since even Lehman Brother's top-level executives were monitored and followed by Nomura's "shadows" (Nakamoto & Tucker, 2010). All these cultural differences and Nomura's impositions on former Lehman Brothers' employees had noticeable financial impacts, namely a loss of USD 78 million in the first year. This amount underlines, how detrimental long-term consequences of a target misalignment and insufficient cultural assessment can be.

6. Conclusion

Only half of all M&As meet the initial financial expectations and several analyses, reports and surveys blame cultural differences for this high failure rate. Involved parties often confirm, that their companies would have substantially benefitted from a greater cultural understanding prior to the merger. In accordance with participants' reports, many researchers blame the underestimation of culture to be a crucial driver for deal failures. This research investigated the impact of cultural differences on the performance of CBM&As, by means of a qualitative approach. Thereby, the impact of cultural differences within the PMI process was investigated and challenges were revealed. Furthermore, this study had the objective to gather insights that serve to test the three related hypotheses about the role of culture within the process of CBM&As. The literature review, that displayed various perspectives on culture, aimed to provide a comprehensive understanding of classical cultural theories, such as Hofstede's cultural framework or the cultural distance index. Moreover, case examples of well-known deal failures in the history of CBM&As aimed to demonstrate, how the lack of cultural assessment and cultural alignment can impact long-term M&A outcomes.

A large part of the literature review's content provided support for the notion, that cultural differences have a negative impact on M&A performance. Additionally, the qualitative findings supported and confirmed many theories and aspects of a negative culture-performance relationship that were explained in the literature review. Previously displayed risks and challenges of CBM&As, such as acculturation, LOF or ethnocentrism were largely confirmed as well. However, the research results revealed, that cultural differences are not necessarily a deal-breaker and can be managed, if companies raise their cultural awareness in earlier stages of the overall M&A process and set clear targets and thought out measurements. In addition, the overall message of several experience reports is, that cultural assessment including cultural fit and cultural potential are imperative in improving the probability of a successful cross-border merger or acquisition. This assessment starts at the early stage within the CBM&A process and not only during the PMI. With regards to the first hypothesis, it can be said, that ideally, culture is not only important or becomes relevant in the PMI phase. However, several respondents' reports confirmed, that in practice, cultural factors, which are soft-factors, do not rank high during pre-deal or due diligence. This is due to the fact, that these two stages are mainly driven by strategic and financial factors. The second hypothesis could be rejected in the sense, that acquisition motives do not solely determine the effect of culture on certain types of acquisitions. Thus, a multitude of other aspects need to be considered, such as targeted synergies, the aimed degree of integration and corporate cultural structures. Finally, the third hypothesis could clearly be rejected, since a sufficient number of respondents pointed out various other affected corporate divisions than leadership. All business areas, that are involved in changes, that are required within the PMI are directly affected by culture and cultural differences. However, leadership turned out to be a key factor and crucial element within the whole CBM&A process. The results further indicate, that committed leadership, which does not fear communication, is essential for PMI success.

Hofstede's cultural dimensions and related characteristics could be partly confirmed through respondents' reports. However, some findings contradict Hofstede's analysis, such as recent developments between Chinese corporations and well-run companies in Western Europe. Whereas China exhibits a high PD score (80) within Hofstede's framework, this research's qualitative findings reveal oppositional experiences regarding characteristics of high PD cultures. Referring to theories about organizational cultures, that have been discussed in the literature review, the qualitative analysis stressed the need to distinguish more precisely between different organizational values and to view organizational culture from different angles. Besides, one should also examine different cultures within one organization, regarding intra-cultural variations. Hofstede's dimensions of organizational culture may provide a too general description in this context.

Finally, partly new results are obtained by evaluating reports about experiences and challenges due to different organizational cultures, different company structures and differences in industries. Deeper insights could shed light on recently observed trends and developments, which can encourage further investigation, such as the theory of homogeneity in certain industry cultures, or the distinction between Startup company cultures and the mindsets of traditional, established companies. In conclusion, this study has led to several implications for employees and managers of multinational companies, who aim a successful transaction across borders. These implications will be discussed below.

6.1. Recommendations

Cross-border mergers and acquisitions face a multitude of problem areas and require more than a single element to succeed. The impact of cultural differences is thereby not to be underestimated. Recommendations about the best way to deal with cultural differences and to minimize the damaging effects of cultural differences are discussed in this section. These recommendations, which are based on the research findings, mainly address leadership and management of acquiring companies, but also internal and external professionals, that are involved in the CBM&A process.

Every company, that is planning an acquisition across borders, needs a clear image of their success goal from the start and a defined vision and strategy for the future organization. Moreover, it should be clearly communicated in the pre-deal stage, to what extent the target company will be integrated. Thereby, both a clear strategic rationale and sufficient financial resources represent essential aspects that can encourage the whole process. Insufficient internal budget or the lack of time to draw up an adequate integration plan can show its negative effects throughout the entire process. Besides financial resources, qualified personnel, that has sufficient capacity to focus on cultural assessment and cultural aspects during due diligence and shows readiness from day one, is another precondition for long-term success.

The target selection process requires a high acknowledgement of the target organizations culture besides its balance sheets and financial health, since soft factors room larger than most firms expect. An in-depth understanding the culture of any corporation requires identifying and deciphering the cultural and subcultural values and beliefs Moreover, early stage integration plans, which include the identification of relevant cultural drivers and the nature of cultural differences, are prerequisites for successful PMIs. Depending on the rationale behind the deal and on targeted synergies, the integration strategy and the responsibilities of the teams should be well defined. Moreover, a successful due diligence can reveal potential risks involved into the business process of integration by means of detailed compliance risk analyses as an integral part of their pre-closing due diligence process. Relatedly, difficulties, which arise due to LOF can thereby be revealed. However, regulatory inefficiency or corruption cannot always be uncovered during the pre-close, due to the lack of direct contact and or interaction with concerned areas or insufficient transparency. In addition, a careful assessment of benefits, risks and operational impact can provide the management security and confidence during negotiations.

The PMI stage is based on knowledge sharing. Proactive communication and high visibility are therefore crucial for a fast establishment of the company's integration goals. Leadership should provide a non-threatening, supportive climate and participative environment, that encourages involved parties from both sides to work together, instead of in parallel. Within the integration stage, tracking the milestones and observing or evaluating employees' developments can serve to achieve previously set integration goals. Employee engagement from the start and transparency regarding changes in the future can avoid misunderstandings, frustration and negative attitudes. Moreover, managing directors can diminish ethnocentrism by not trying to impose their firm's culture and way of working on the target firm. A careful consideration of the desired acculturation mode, depending on targeted degree of cultural autonomy, can also help to avoid emerging issues related to double-layered acculturation.

Especially, when culture gaps are large, and employees have a priori doubts and uncertainties, meetings or employee workshops can help to bring both cultures together and to create trust.

There is no doubt, that not every company has sufficient expertise in this field. Thus, local consultants can be used to hold intercultural workshops that help to explore the best way to deal with cultural differences. In cases, where a large number of externals are involved, the incorporation of evaluations methods that are aligning in all directions i.e. internally and externally, can serve to identify potential problem areas, which can be improved in further transactions. Moreover, it can avoid the loss of knowledge preservation due to the previously mentioned externalization of knowhow through case-specific externals. Thus, both externals and relevant company employees should use feedback tools to evaluate workflows and specific working approaches. Relatedly, specifically designed employee surveys or joint working groups are a helpful measurement to assess current levels of trust and commitment throughout the entire process, particularly right after the closing. It might be impossible for companies, not least due to pressure from competitors and fast-changing market dynamics, to meet all these requirements for a successful integration. However, the acknowledgment of culture as a soft topic and its prioritization in early CBM&A stages can already have an essential impact on long-term CBM&A performance.

6.2. Discussion

There is no doubt, that cultural differences have a large, multifaceted impact, which should not be underestimated. Moreover, mergers and acquisitions are a very difficult process that requires a holistic analysis in order to understand their complex nature. This section will address specific concerns about researchers' approaches to culture and discuss limitations regarding the existing concepts of organizational and national culture.

Researchers have predominantly focused on using descriptions and definitions of culture to measure or determine cultural differences. The focus thereby has lied more on what "is" culture in the concrete CBM&A context. However, CBM&As have changed dramatically during the last twenty years, in terms of industry-specific processes, acquisition motives and even acquisition types. Academic research has not kept pace with these changes. The main focus and analyzed problem areas always remained the same and were isolated within a small generally acknowledged framework. This research has pointed out, that culture in the CBM&A context has various implications, depending on the industry as well as the company's size, age, origin and leadership. There is no doubt, that theoretical frameworks, such as Hofstede's cultural dimensions provide valuable key indicators that can form the basis of a cultural fit assessment. Nonetheless, they should not be regarded as the silver-bullet, by means of which a company can easily determine, whether a target is suitable or not. Recent trends and developments have to be taken into account, in order to be able to take an up-to-date perspective and to identify sensitive cultural topics before a deal.

Moreover, international economic development has given rise to organizations with different ownership types, such as state-owned enterprises, private domestic enterprises and foreign-invested firms. As all previously displayed findings indicate, cultural differences occur within different types of companies. Thus, future research should also build on organizational culture dimensions and cultural differences with respect to different organizational structures.

Finally, more research is needed to understand in detail, which factors may impede socio-cultural integration in cross-border M&As. Researchers should disentangle the various factors, that influence PMIs with the aid of a holistic perspective. Relatedly, researchers' assumption of divergence contained in cultural distance has set the focus on aspects, which distinguish cultures but not on what might bring them together. Thus, highlighting potential chances and benefits of cultural diversity, rather than cultural differences as a negative burden, could represent an approach, that is more effective to achieve long-term success.

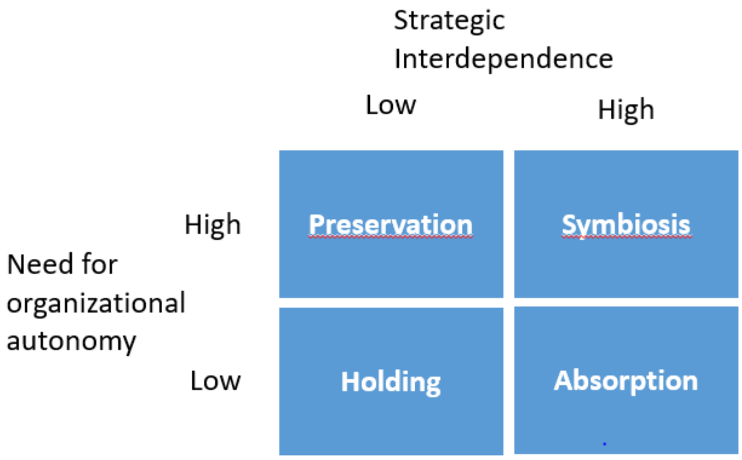
7. Appendix

Figure I. *The five drivers of success in corporate integration, dependent on merger types*

	Merger	Acquisition	Conglomerate
Integration Strategy	Promote "merger of equals". Meritocratic decisions. Practices chosen without respect to previous companies' practices.	Create impression that acquired company was "always there".Acquired company adopts practices of acquiring company.	No major changes in new company. Assimilation of new company in certain key areas, and some oversight functions added.
Integration Team	Full-time, discrete team with ample resources and contributions from senior management. Equal contributions from both companies.	Small, discrete team with ample resources and contributions from senior management. Leadership from acquired company remains.	Leadership from acquired company remains. Management participation in both companies to promote knowledge.
Communication	Customers of both companies must understand changes in business. Employees of both companies must understand new roles and opportunities. Focus on how companies fit together.	Customers of acquired company must understand new opportunities in business. Employees of acquired company must understand new roles. Focus on how acquired company fits into acquiring company's business.	Few changes for customers. Parent company must understand how new company operates and any new synergies. New company must understand parent company's practices and opportunities
Speed	Fast decisions are key for both strategic goals and promoting stability and reducing uncertainty in organization.	Fast decisions are key for both strategic goals and promoting stability and reducing uncertainty in organization.	Fast decisions are primarily important for reducing uncertainty in organization
Aligned Measures	Balance between financial and non-financial measures. Tracking of revenue and const synergies	Focus on how acquired company builds company growth and reduces costs. Acquired company adopts measurement systems of acquiring company.	Most internal measurement stays same for new company. New measures added to assimilate new company into parent company.

Source: Epstein, M. J. (2004). The drivers of success in post-merger integration. Organizational dynamics, 33(2), ***p. 180****.*

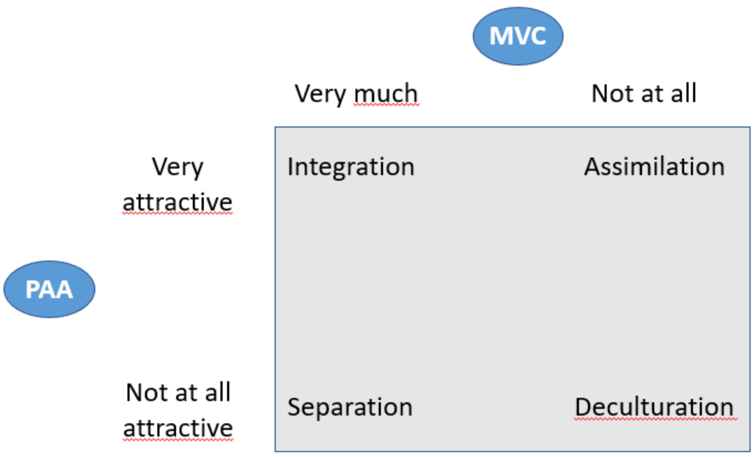
Figure II. *Types of strategic integration*



Source: Haspeslagh, P. C., & Jemison, D. B. (1991). *Managing acquisitions: Creating value through corporate renewal* (Vol. 416). New York: Free Press.

Figure III. *Acquired firms' modes of acculturation*:

The firms' preferences and perceptions impact the decision of acculturation mode (Heidrich, 2003; Nahavandi & Malekzadeh, 1988). These perceptions include the *attractiveness of the acquirer*, the extent, to which the target firm values the *preservation of its own culture* and its degree of multiculturalism. The relationship between the perception of the attractiveness of the acquirer (PAA) and the extent to which members of the target firm value preservation of their own culture (MVC) is displayed in the figure below:



Source: Adapted by Nahavandi, A., & Malekzadeh, A. R. (1988). *Acculturation in mergers and acquisitions.* Academy of management review, 13(1), p. 83.

Figure IV. *Country scores of Hofstede's Cultural Dimensions:*

	I	PD	M	UA
China	20	80	66	30
Colombia	13	67	64	80
France	71	68	43	86
Germany	67	35	66	65
Greece	35	60	57	112
Hungary	55	46	88	82
Italy	76	50	70	75
Japan	46	54	95	92
Korea	18	60	38	85
Netherlands	80	38	14	53
Norway	69	31	8	50
Russia	39	93	36	95
Singapore	20	74	48	8
Sweden	73	31	5	29
Thailand	20	64	34	64
UK	89	35	66	35
USA	91	40	62	46

I: Individualism, PD: Power Distance, M: Masculinity, UA: Uncertainty Avoidance

Source: *Hofstede, G. (1980). Culture and organizations. International Studies of Management & Organization, 10(4), 15-41.*

Figure V. *Overview of Hofstede's Cultural Dimensions:*

Cultural Dimension	Key Difference	Low Index	High Index
Individualism versus Collectivism	Staff commitment	Low	High
	Management of	Groups	Individuals
	Orientation	Relationships	Tasks
Power Distance	Structure/Hierarchy	flat/decantralized	tall/centralized
	Leadership style	Consultative	Authoritative
	eymployees expect	to be consulted	to be told
Masculinity versus Femininity	Managers expectation	use intuition, emotion seek consensus	be decisive, aggressiv,competitive
	Conflict resolution	negotiating, compromising and solving problems	fighting or denying problems
	Stress level	Low	High
Uncertainty Avoidance	Power depends on	position & relationship	control & uncertainties
	Loyalty to employer	weak	strong

Source: Hofstede, G. (2001). *Culture's consequences: Comparing values, behaviors, institutions and organizations across nations*. Sage.

Figure VI. *Expert Interview about the impact of cultural differences on cross-border M&A performance*

Interview Focus: Timeframe, Affected Acquisition types and impacted Business Areas.

General Questions:

- What would you regard as top reasons for unsuccessful integration?
- From 1 to 10 (10 means highly critical): Where would you rank "culture" in a list of critical elements in deal success?
- What are in your opinion the requirements for a successful post-merger integration?
- Is culture a deal-breaker?
- Are cultural differences a boon or a bane?
- How does your company measure M&A success in general?
- How would you measure the success of cultural integration?

1. ***When does culture become relevant in cross-border M&As?***

➢ **Pre-deal**

- Is there already pre-deal awareness?
- Has the level of emphasis on cultural topics changed in the recent years?

- Does your company track cultural fit/alignment during every target selection analysis?
- How is your experience regarding the importance of culture as a soft factor besides financial, strategic and economic aspects of cross-border M&As? How is cultural integration prioritized in both pre- and post-close?

➢ **Due Diligence**

- What is important during Due Diligence?
- What is the role of soft factors and cultural issues during Due Diligence?
- Have you experiences Liability of Foreignness?

➢ **Post-deal (PMI)**

- Within the **post-merger integration** process, will changes be communicated proactively throughout all levels in your organization?
    - And would you say that employees are fully engaged with the process?
    - Does your company use any evaluation platforms or employee surveys?
- What methods are used in your organization to integrate cultures and how successful were those in achieving the company's objectives?
- What is your experience regarding ethnocentrism or "corporate nationalism" amongst employees?

- Do you have a team, which is exclusively responsible for the integration process?
- Do you track and document recent integration processes to make use of experiential knowledge in the future?
- Would you say, is it possible to apply gained knowledge and routines from former integrations to new ones of any country, or have you experiences the integration part as a unique and incomparable process?

2. What type of acquisitions does culture affect?

For example, acquisitions driven by:

➢ Production/new product
➢ Marketing/customer reach
➢ Managerial Expertise
➢ Geographic expansion/market access
➢ Cost reduction/competitiveness

- What is your overall experience? Any specific examples?

3. Where do you experience difficulties and challenges?

- In which corporate divisions do most of the challenges/difficulties occur?
- Which specific business-areas and tasks are affected by culture clashes?

Finally:

- Where do you see the necessity of further investigation in order to solve the current dilemma amongst researchers regarding their findings on culture-performance relationships?

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