

Cultural Due Diligence: Does It Matter In Cross-Border M&As?

Master Thesis

Submitted in Fulfillment of the Degree

Master of Arts (M.A.) - International Marketing & Sales

University of Applied Sciences Vorarlberg
International Marketing & Sales

Submitted to

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Dornbirn, 30. June 2020

Abstract

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Much research has been conducted in recent years to discover the reasons for the high failure rate of M&As, whereas one frequently cited reason is the incompatibility of the corporate cultures. In order to minimize this risk and to be able to react to these differences already at an early stage, Cultural Due Diligence offers itself as part of the due diligence process. Unlike existing, more general research, I emphasize the cultural challenges companies face when investing transnationally with this thesis. Using the results of a single case study with inductive character, I answer the question how to conduct Cultural Due Diligence in cross-border M&As and propose an appropriate model. The findings reveal that especially in cross-border M&As, cultural incompatibility poses a risk for failure. I was able to find out that companies that seek to grow internationally with M&As deal with similar issues in terms of corporate culture as pointed out in existing Cultural Due Diligence methods. The present study, however, shows that national culture has a great influence on corporate culture, which is why it is essential to include it in the cultural assessment in cross-border acquisitions. This provides information about *why* there are differences, besides the fact *that* they exist. Only this understanding puts a company in the appropriate starting position to recognize differences, understand them, assess whether these differences are acceptable, as well as to develop appropriate strategies to address them in the integration phase.

Key Words: Cultural Due Diligence, Cross-Border M&A, Corporate Culture

Kurzreferat

Cultural Due Diligence: Macht es bei grenzüberschreitenden M&A-Transaktionen Sinn?

In den vergangenen Jahren wurden zahlreiche Forschungsarbeiten durchgeführt, um die hohe Misserfolgsquote bei Fusionen und Akquisitionen zu ergründen. Ein in diesem Zusammenhang häufig angeführter Faktor stellt dabei die Inkompatibilität der Unternehmenskulturen dar. Um ein solches Risiko zu minimieren und bereits frühzeitig auf etwaige kulturelle Unterschiede reagieren zu können, bietet sich die Cultural Due Diligence als Teilprozess des Due Diligence Prozesses an. Im Vergleich zu bestehenden, allgemein gehaltenen Untersuchungen, stelle ich im Rahmen dieser Arbeit die kulturellen Herausforderungen heraus, denen Unternehmen bei transnationalen Investitionen gegenüberstehen. Anhand der Ergebnisse einer Einzelfallstudie mit induktivem Charakter beantworte ich die Frage, wie eine Cultural Due Diligence bei einem grenzüberschreitenden M&A durchgeführt werden kann und schlage ein dafür geeignetes Modell vor. Die Ergebnisse zeigen, dass vor allem bei grenzüberschreitenden M&A-Transaktionen die kulturelle Unvereinbarkeit ein erhöhtes Risiko für das Scheitern darstellt. Ich konnte herausfinden, dass Unternehmen, die mit Fusionen und Unternehmensübernahmen auf internationaler Ebene wachsen wollen, mit vergleichbaren unternehmenskulturellen Themen konfrontiert sind, wie sie in bestehenden Cultural Due Diligence Methoden aufgezeigt werden. Die vorliegende Untersuchung verdeutlicht jedoch, dass die nationale Kultur einen großen Einfluss auf die Unternehmenskultur hat, weshalb es unerlässlich ist, sie in die kulturelle Bewertung bei grenzüberschreitenden Übernahmen einzubeziehen. Nur so lässt sich neben der Tatsache, dass es Unterschiede gibt, verstehen, *warum* es diese gibt. Erst dieses Verständnis versetzt ein Unternehmen in die geeignete Ausgangslage, Unterschiede in der Unternehmenskultur zu erkennen, diese zu verstehen, zu beurteilen, ob diese Unterschiede akzeptabel sind, sowie geeignete Strategien zu entwickeln, um diese Unterschiede in der Integrationsphase entsprechend zu adressieren.

Preface/Acknowledgement

I would like to express my sincere thanks to all interview partners who, despite the sensitivity of the subject, offered me valuable insights.

I wish to show my gratitude to my supervisor Prof. (FH) Dr. Sierk Horn for his consistent support and guidance throughout this project, as well as his inspiring impulses.

I would also like to acknowledge Ronald Furst for his encouraging comments on this thesis.

Table of Contents

List of Figures	VII
List of Tables	VIII
List of Abbreviations and Symbols	IX
1. Introduction	1
1.1 Background	1
1.2 Research Question and Objective	2
1.3 Structure	3
2. Literature Review	4
2.1 Mergers & Acquisitions	4
2.1.1 Definition	4
2.1.2 Motivation for M&As	5
2.1.3 Reasons for Failure	7
2.2 Culture	12
2.2.1 Concept of National Culture	12
2.2.2 Organizational Culture	16
2.2.2.1 Models of Corporate Culture	17
2.2.2.2 Functions of Corporate Culture	20
2.2.3 Culture in M&As	21
2.3 Cultural Due Diligence	26
2.3.1 Definition	26
2.3.2 Necessity and Application	29
2.3.3 Existing Approaches	31
3. Method	35
3.1 Research Design	35
3.2 Research Setting	36
3.3 Data Collection	38
3.4 Data Analysis	40
4. Results	42
4.1 National Culture	43
4.1.1 Politics & History	43
4.1.2 Communication	44
4.1.2.1 Language	44

4.1.2.2 Interpretation	45
4.1.3 National Characteristics	46
4.2 Corporate Culture	48
4.2.1 Leadership Style & Management	48
4.2.1.1 Leadership Style	48
4.2.1.2 Decision-making	49
4.2.2 Values & Business Philosophy	50
4.2.2.1 Recognition of Employees	50
4.2.2.2 Work Practices	51
4.2.2.3 Tradition & Change	52
4.2.3 Infrastructure	53
4.2.3.1 Transparency & Cooperation	53
4.2.3.2 Organizational Structure & Hierarchies	54
4.2.4 Success Factors & Performance Indicators	56
4.2.4.1 Financial Objectives	56
4.2.4.2 Customer Orientation	57
5. Discussion	59
5.1 Theoretical Contribution	59
5.2 Implications for Practice	64
5.3 Limitation and Future Research	66
6. Conclusion	68
References	70
Appendix	84
Statement of Affirmation	88

List of Figures

Figure 1: Global M&A transactions	1
Figure 2: M&A waves	5
Figure 3: Merger performance as business case versus typical merger performance	8
Figure 4: Regional variations in value enhancement of deals done in 2007-2009	9
Figure 5: M&A process and tasks	9
Figure 6: Need for more attention to culture	11
Figure 7: Top risk factors for cross-border M&A deals	12
Figure 8: The dynamic of top-down-bottom-up processes across levels of culture	14
Figure 9: Hofstede's dimensions of culture	15
Figure 10: Culture according to Schein	17
Figure 11: The cultural dynamics model of Hatch	18
Figure 12: The culture onion	18
Figure 13: McKinsey 7-S framework	19
Figure 14: Acquired firm's modes of acculturation	24
Figure 15: Cultural end states	25
Figure 16: How much integration?	25
Figure 17: Development of the level of information	27
Figure 18: Culture Due Diligence process	31
Figure 19: Model: Cultural Due Diligence in cross-border M&As	65

List of Tables

Table 1: Theories of merger motives	7
Table 2: Definitions of the term culture	13
Table 3: Classification of national cultures	16
Table 4: Existing Cultural Due Diligence approaches	33
Table 5: Dimensions to be assessed during Cultural Due Diligence	34
Table 6: National characteristics in the United States and Switzerland according to the managers at Germania South	47

List of Abbreviations and Symbols

CDD: Cultural Due Diligence

M&A: Merger and Acquisition

1. Introduction

This chapter aims to explain and justify the background of the specific field of research, to define the research question and the objective of the thesis, and to give an overview of the structure.

1.1 Background

In 2019, the worldwide transaction volume in the area of mergers and acquisitions (M&As) reached a total of USD 3.7 trillion.¹ Looking at the figure below, it is striking that, based on the transaction volume, cross-border operations became more and more important within the past 30 years.

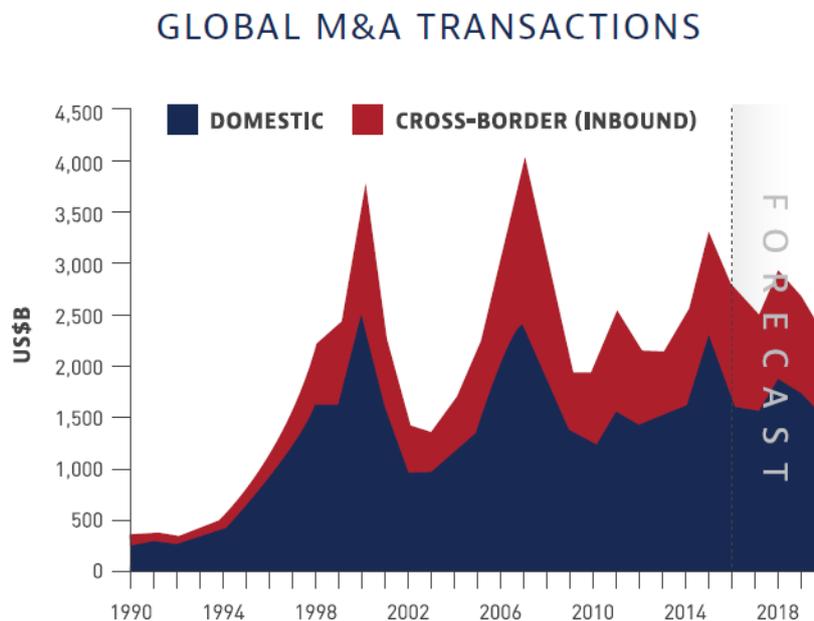


Figure 1: Global M&A transactions. In: Baker McKenzie 2017, p. 7

In recent decades, changes in the global environment have made it necessary for many companies to become competitive on an international level and, therefore, to establish their presence worldwide.² Today, M&As primarily serve to create value by getting access to technological know-how and products, penetrating markets and achieving synergy effects.³ However, even if it seems to be a trend with promising outcomes, such as synergy gains and external business growth, approximately 10% of all major mergers and acquisitions are canceled;⁴ dependent on the source of information, up to 90% of all M&As fail.⁵ For years, researchers have been trying to investigate the reasons behind this development. Among many other reasons, the human factor and cultural integration issues seem to have an influence on the success or

¹ Cf. Institute for Mergers, Acquisitions and Alliances 2020

² Cf. Ristovska; Ristovska 2015, p. 49

³ Cf. Deloitte Consulting LLC 2009, p. 1

⁴ Cf. Bahreini et al. 2019

⁵ Cf. Barbin 2017; Cf. Backovic et al. 2019

failure of M&As. According to Mercer's study 'Mitigating Culture Risk to Drive Deal Value', in 43 percent of the M&A transactions worldwide, serious cultural problems are seen as the reason for closing delays, negatively impacted purchase prices or even the termination of M&A transactions. The study furthermore highlights that in 67% of the operations, cultural issues lead to a delayed realization of synergy effects.⁶

Even though it seems as if there is a high similarity between cross-border and domestic M&As, the international orientation of cross-border mergers and acquisitions poses additional challenges for the cultural integration process. It is said that "the degree of cultural fit between the two companies is a measure of the 'shock' that employees will experience by entering a new organizational environment."⁷ This is even more the case when it comes to a cross-border M&A where the headquarters of the acquirer firm and the target firm are located in different countries.⁸ Such M&As require double-layered acculturation, whereby not only different organizational cultures have to be combined, but differences in national cultural values and practices pose additional challenges.⁹

1.2 Research Question and Objective

The acquisition of companies has become a strategic option in the middle of entrepreneurial activity. As described in the previous chapter, researchers have dealt a lot with the failure of mergers and acquisitions within the last decades and found out that one decisive factor is that soft facts such as cultural aspects are often considered too late in M&As.¹⁰

Cross-border M&As play an exceptional role in this area, because here not only the different corporate cultures pose a challenge, but also national cultures, which have an influence on organizations as well as the individuals working in it.¹¹ Even though the influence of national culture on a cultural clash might be significant, it is striking that study on cross-border M&As rarely deal with both national and organizational culture in depth.¹²

In order to find out whether problems can arise in the post-merger phase that are attributable to the culture at an early stage, carrying out due diligence regarding cultural aspects constitutes one solution approach. Research shows that in the past, some scientists have already devoted themselves to the topic of Cultural Due Diligence in the context of achieving post-merger success. However, it can also be seen that here the focus lies primarily on M&As in general and not on the differences between domestic and cross-border M&As.

Based on this knowledge, the research question to be answered in this thesis is as follows:

How should Cultural Due Diligence be conducted in cross-border M&As in order to reduce the risk of a cultural clash?

⁶ Cf. Mercer LLC 2018

⁷ Cortina 2015

⁸ Cf. Shimizu et al. 2004, p. 309

⁹ Cf. Schneider; Barsoux; Stahl 2014, pp. 14-15

¹⁰ Cf. Weber; Tarba 2012, p. 289

¹¹ Cf. Leung et al. 2005, p. 363

¹² Cf. Weber; Tarba; Reichel 2011, p. 11

As Carleton and Lineberry state, "Cultural Due Diligence will rarely be a critical factor in whether >to do the deal< or not, but rather a significant factor in making a deal work."¹³

This Master Thesis aims to identify the cultural challenges that a medium-sized company faces when it comes to a transnational M&A. Within the framework of a single case study, the cultural factors that mainly affect the course of the post-merger phase and, thus, should be addressed and evaluated at the earliest possible stage are to be identified.

This thesis does not address the development of an integration plan or the best possible procedure for post-merger integration. The focus lies explicitly on the aspect of Cultural Due Diligence in the pre-merger phase of a cross-border acquisition project and the cultural elements concerning national and corporate culture that should be considered in this context.

1.3 Structure

The present work is structured in five major parts. After introducing the background of the topic, the research question as well as the objective of the thesis, the second chapter deals with the theoretical foundation of the subject Cultural Due Diligence in cross-border M&As. The first subchapter of the second part deals with the global market phenomenon M&A in general, whereby the motives for this kind of external growth, as well as the reasons for the frequent failures, are discussed. The second subchapter deals with the topic culture, whereby various definition approaches are compared with each other. Furthermore, the interacting spheres of culture are explained to illustrate the holistic concept of culture and to highlight the connection between the national culture and organizations. The third subchapter refers to the frequently neglected aspect of Cultural Due Diligence, with a focus on its necessity, the application, as well as concepts, which already exist in the academic literature.

The third part of the paper presents the method used for the empirical investigation. The selection of the research design, the research setting, the data collection, as well as the approach for the data analysis are explained and justified.

In the fourth chapter, the results of the case study are presented in a descriptive way.

This is followed by a discussion, where the results are interpreted and examined regarding overlaps or deviations compared to the existing literature in order to answer the question resulting from the title of the thesis as well as the research question. Furthermore, the aim is to formulate practical implications, but also to inform about the limitations of the conducted research.

The last chapter is formed by the summary of the results to answer the initial research question and to formulate an outlook on the future field of action of cross-border M&As regarding Cultural Due Diligence.

¹³ Carleton, Lineberry 2004 cited in Meynerts-Stiller; Rohloff 2015, p. 159

2. Literature Review

To gain a basic understanding of the field of Cultural Due Diligence in cross-border acquisition projects, the following chapter focuses on the theoretical foundation about the three areas M&As, culture, and Cultural Due Diligence. Due to space constraints, only the surface will be covered with the most important aspects for the empirical part of this thesis.

2.1 Mergers & Acquisitions

The following subchapter focuses on M&As in general, the underlying motives for this type of corporate growth, and the reasons for the frequent failure of such projects.

2.1.1 Definition

In general, the growth of companies can be either organic or inorganic. Organic or inner growth is a process that allows a company to grow through internally developed resources.¹⁴ Inorganic growth, also known as external growth, in contrast, is, for instance, achieved by merging with or acquiring an existing company or entering a strategic alliance.¹⁵ Organic growth has one decisive disadvantage compared to external growth, which is the time required for the development.¹⁶ The merger with or the acquisition of an established company, therefore, offers an alternative strategy and an opportunity for faster growth.¹⁷ Mergers and acquisitions are “the combination of two or more companies into one new company or corporation.”¹⁸ In M&A literature, the two terms merger and acquisition are frequently used either as a conceptual pair or as synonyms, even though mergers and acquisitions are based on different ideas and concepts.¹⁹ While “a merger is a combination of two or more firms, often comparable in size, in which all but one ceases to exist legally”²⁰, within an acquisition, “a company takes a controlling interest in another firm, a legal subsidiary of another firm, or selected assets of another firm, such as a manufacturing facility.”²¹ The acquirer can, however, obtain a controlling influence on the acquired company without the M&A object necessarily losing its legal status.²² Due to its relevance for the empirical part of this thesis, the term M&A will be used as a synonym for acquisition processes in the further course of this paper.

From a historical perspective, as illustrated in Figure 2, a number of M&A waves can be identified, which are tied to the United States as an economic power. It is evident that these waves are related to economic milestones in history, such as the industrial revolution or the economic situation on the stock market.²³ The formation of global systems characterizes the fifth wave

¹⁴ Cf. Gomez; Weber 1989, p. 15; Cf. CFI Education Inc n.y.

¹⁵ Cf. Gomez; Weber 1989, p. 15

¹⁶ Cf. Chadam; Pastuszak 2013, p. 1271; Cf. DePamphilis 2011, p. 141

¹⁷ Cf. Carleton; Stevens 2004, p. 38

¹⁸ Wallace; Moles; Roberts 2003, p. I/2

¹⁹ Cf. Junni; Teerikangas 2019, p. 1

²⁰ DePamphilis 2015, p. 23

²¹ DePamphilis 2015, p. 24

²² Cf. Wirtz; Becker 2006, p. 27

²³ Cf. Müller-Stewens 2012, pp. 51-67

and thus is a driver of globalization and international competition. Since then, external corporate growth through cross-border M&As has become an essential part of international management strategies.²⁴

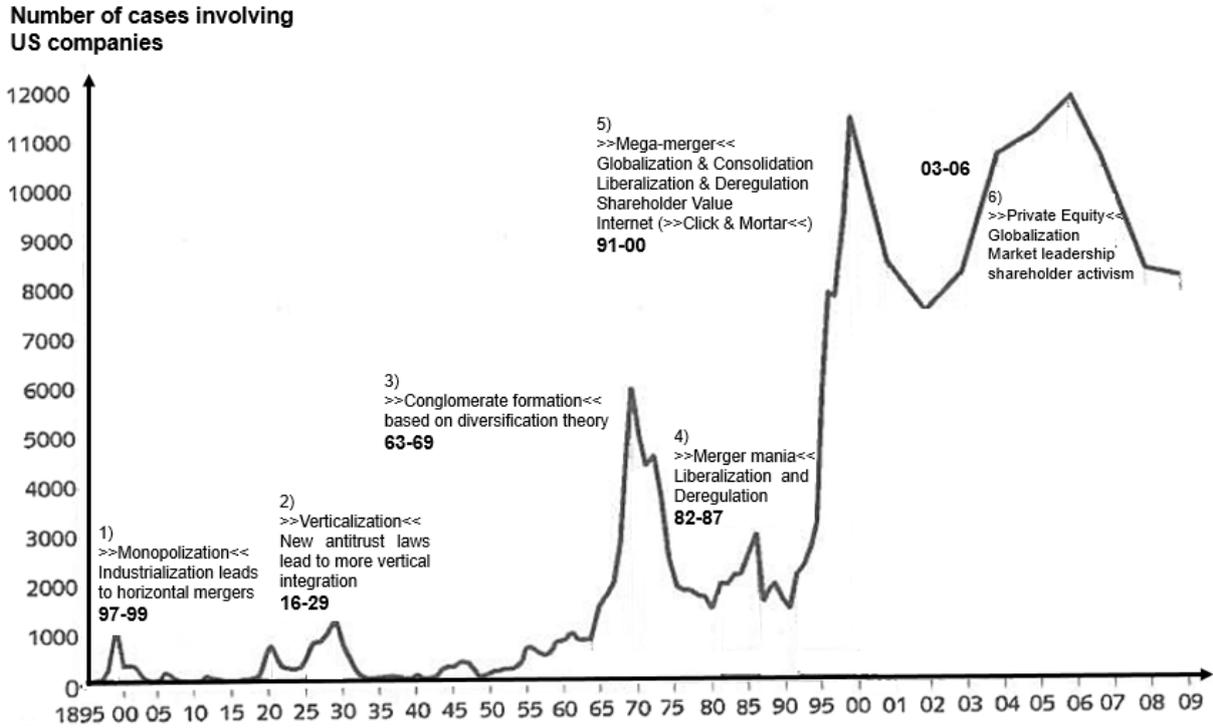


Figure 2: M&A waves. Source: Based on Müller-Stewens 2012, p. 49

2.1.2 Motivation for M&As

An acquisition can generally be differentiated as to whether it is a hostile or friendly takeover and whether it is a vertical, horizontal, or conglomerate operation. A hostile takeover is an action by an investor to buy a company without the support of the directors of the company to be acquired. In friendly takeovers, the board of directors of the target company is willing to sell the company.²⁵

The purpose of a horizontal acquisition is to take over a company that offers the same products or services, which is why it is likely that the acquired company is a direct competitor of the acquiring one. In vertical acquisitions, on the other hand, a company is taken over, which is active in the same industry but in an upstream or downstream area. The underlying motive for such an acquisition is, for example, to secure the supply of certain raw materials.²⁶ A conglomerate M&A is the acquisition of a company that is active in a completely different business area. Such an investment is usually based on a diversification strategy.²⁷

²⁴ Cf. Jansen; Picot; Schiereck 2001, p. VII
²⁵ Cf. Sraders 2019
²⁶ Cf. Markovska 2020
²⁷ Cf. Kusstatscher; Cooper 2005, p. 12

Berkovitch and Narayanan name synergy, agency and hubris²⁸ as the three main motives for an M&A. Within the scope of the categorization, the target and total gains are compared with each other. The synergy motive indicates that economic growth, which is the result of merging the resources of the involved companies, is seen as the reason for engaging in acquisition activities. In the case of the agency motive, the decision to acquire another company is driven by the self-interest of the management of the acquiring company. This means that the management of the acquiring company benefits at the expense of the shareholders of the acquirer. The hubris hypothesis assumes that the perception of managers of being able to create value does not correspond to reality in many cases and that a project is only carried out because the evaluations were not correct.²⁹

The underlying motives for the takeover of an existing company, however, can be much more diverse. Based on the statements of senior executives, the motivation for the acquisition of another company lies primarily in the following aspects:

- Synergy effects;
- Market share increase;
- Weakening or eliminating competitors to protect markets;
- Acquisition of products and/ or technologies;
- Strengthening the core business by expanding in the areas of highest competence;
- Foothold in other parts of the world;
- Competitiveness.³⁰

Ahern and Weston also identify different types of potential gains, which are economies of scale, economies of scope, extending technological capabilities, industry consolidation strategies, industry roll-ups, new capabilities and managerial skills, first-mover advantages, customer relationships and globalization.³¹ Cross-border acquisitions offer the acquiring companies several different opportunities, which are market opportunities but also opportunities for learning, accessing valuable and complementary resources as well as for innovation.³² Besides strategically justifiable motives, the literature also repeatedly contains references to the so-called 'empire building syndrome', where managers have the desire to improve their image and to extend their area of responsibility by conducting acquisition projects.³³

Various scientists dealt with the variety of the motives that speak for the acquisition of or the merger with an existing company and attempted to cluster the underlying reasons accordingly. Trautwein, for instance, offers an overview of the underlying motivations and the theories behind.

²⁸ Hubris (Greek *hybris*): excessive pride or self-confidence

²⁹ Cf. Berkovitch; Narayanan 1993, pp. 350-351

³⁰ Cf. Bohlin et al. n.y.

³¹ Ahern; Weston 2007, p. 6

³² Cf. Hitt; Pisano 2003, pp. 134-136

³³ Cf. Chadam; Pastuszak 2013, pp. 1271-1272

Merger as rational choice	Merger benefits bidder's shareholders	Net gains through synergies	Efficiency theory
		Wealth transfer from customers	Monopoly theory
		Wealth transfers from target's shareholders	Raider theory
		Net gains through private information	Valuation theory
	Merger benefits managers		Empire-building theory
Merger as process outcome			Process theory
Merges as macroeconomic phenomenon			Disturbance theory

Table 1: Theories of merger motives. In: Trautwein 1990, p. 248

A look at the numerous motivations as well as the theories behind reveals that each M&A is based on a different reasoning and that there is no universal motive for acquiring another company. It is thus essential to understand that there is always a need for a case-specific investigation.

2.1.3 Reasons for Failure

„Our business is really simple. When you look at the deal and its structure looks like an octopus or a spider, just don't do it.“³⁴

As described, M&As are characterized by a high failure rate. Dependent on the source of information, between 50% and 90% of all M&As fail and do not achieve the objectives that initially justified the project.³⁵ Gomes-Casseres defines three golden rules that companies should consider before a deal to achieve a positive outcome with an acquisition or another type of business combination:

1. Combinations need to have the potential to create more value than the parties could do on their own;
2. The design and management of the combination have to be in such a way that value creation can be realized;
3. The value creation has to be symbiotic for both parties.³⁶

The expenses of an M&A must be justified by specific goals or clearly defined synergy effects, which means that the potential value creation of the merger or acquisition must be higher than the potential of one party alone. This is oftentimes expressed as '1 + 1 = 3' or an unequal share

³⁴ Timothy Sloan cited in Campbell 2011

³⁵ Cf. Barbin 2017; Cf. Bahreini et al. 2019; Cf. Backovic et al. 2019

³⁶ Cf. Gomes-Casseres 2015

of value such as '1 + 1 = 1.4 + 1.6'.³⁷ The potential synergies are usually interpreted very ambitiously to justify the acquisition premium paid.³⁸

Since companies are assumed to have a desire for self-preservation, it can be concluded that the management or shareholders of the acquiring company generally respect these golden rules. The questions to be clarified are, therefore, what it means when an acquisition fails and what reasons contribute decisively to the failure of a well-prepared and well-conceived acquisition. Whether an M&A project was successful or not is often merely determined based on financial and strategic variables.³⁹ The long-term positive outcome of an M&A project takes, for example, the following criteria into account:

- Increase of market share;
- Positive balance sheet total development;
- Realization of synergy effects;
- Positive development of customer base;
- Development of new markets and business areas;
- Company size.⁴⁰

According to Carleton and Stevens, success is measured by whether the business plan, which was used to justify the M&A decision, was achieved or not. A failure, as researchers call it, is reached when the period to achieve a stable performance is postponed to the future compared to what was initially intended. This often results in years of underperformance and a loss of innovative strength and brand image.⁴¹

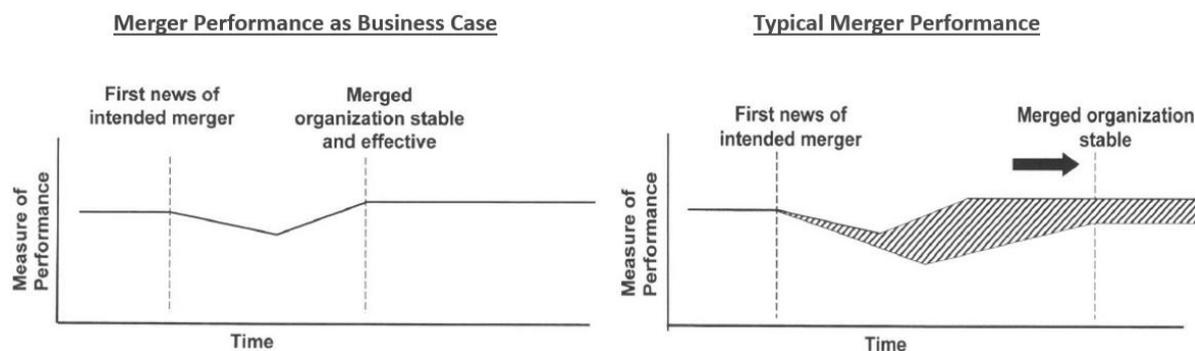


Figure 3: Merger performance as business case versus typical merger performance.

In: Carleton; Stevens 2004, p. 39

Past studies done as part of the KPMG Global Survey show that the proportion of M&As that achieve an increase in value by merging with or acquiring another company is deficient.

³⁷ Cf. Gomes-Casseres 2015

³⁸ Cf. Pidun 2019, p. 183

³⁹ Cf. Iankova 2014, p. 375

⁴⁰ Cf. Keuper; Häfner; Glahn 2013, p. 190

⁴¹ Cf. Carleton; Stevens 2004, p. 39

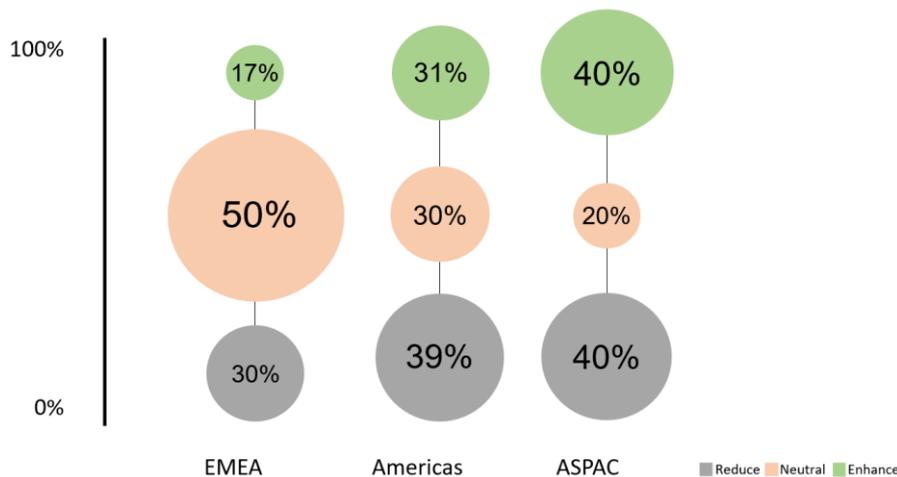


Figure 4: Regional variations in value enhancement of deals done in 2007-2009.
In: KPMG International 2011, p. 13

Looking at the process of an M&A project, it becomes clear that many factors can theoretically lead to failure if not considered appropriately. While some researchers like DePamphilis divide the M&A process into several consecutive phases⁴², M&A projects can generally be divided into three separable, however interdependent phases: the Pre-Merger Phase, the Merger Phase and the Post-Merger Phase.⁴³ Figure 5 shows the ideal-typical process of an M&A transaction as well as the respective areas of interest. It highlights that there are many different aspects, which must be considered in an M&A project as all of them provide a suitable target for failure.

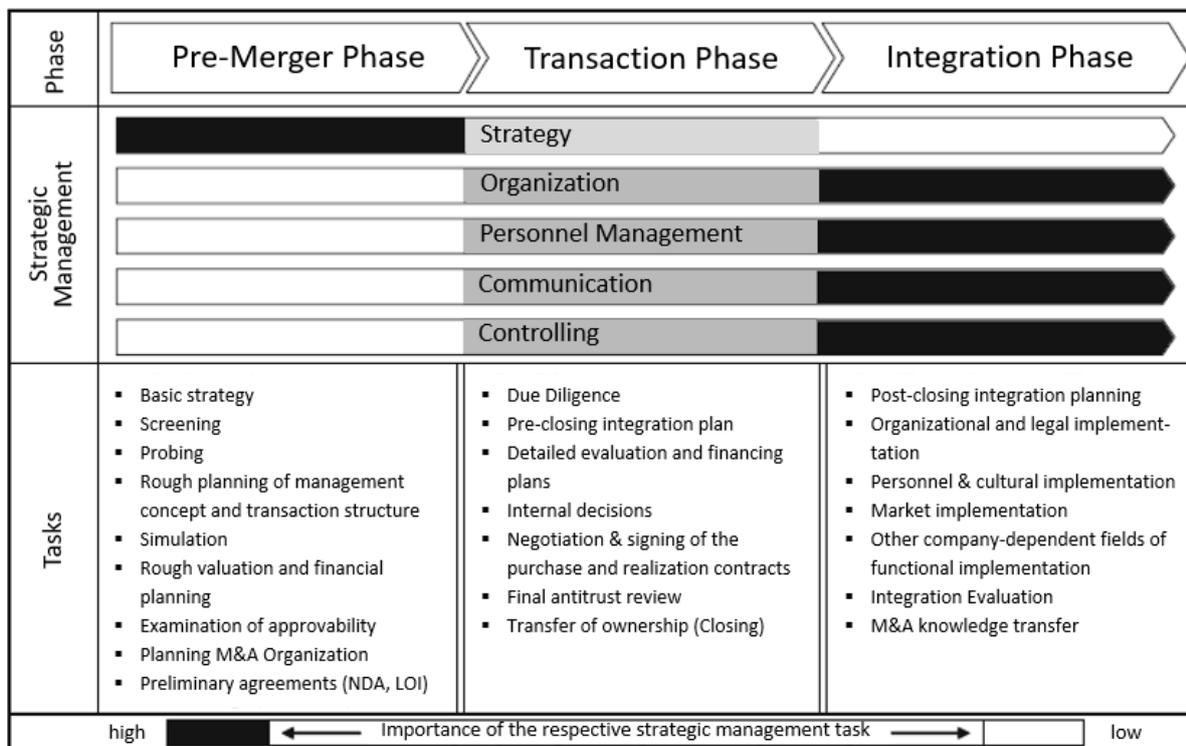


Figure 5: M&A process and tasks. Based on: Keuper; Häfner; Glahn 2013, p. 43

⁴² Cf. DePamphilis 2011, p. 126

⁴³ Cf. Keuper; Häfner; Glahn 2013, p. VII

During all M&A phases, the fundamental aspects of M&A management need to be regarded:

- Holistic approach for planning, execution, implementation and integration;
- Formulation of strategic objectives, decision-making, vision and communication;
- Fit between the companies through analyzing commonalities and culture.⁴⁴

Siegenthaler identifies several possible reasons for the failure of M&As:

- **Ignorance;**
- **No shared vision**, which means that there is no common understanding of what the company stands for and how it should work in the future compared to today;
- **Nasty surprises** resulting from inadequate due diligence;
- **Team resourcing** for the integration team is addressed too late;
- **Poor governance** regarding the decision-makers in problematic situations;
- **Poor communication** about the M&A project towards employees who have an interest in the reason behind the transaction and the changes they must expect;
- **Poor programme management;**
- **Lack of courage** with respect to the critical decisions on integration;
- **Weak leadership;**
- **Throwing out the baby with the bathwater**, which means that culture is something that cannot be bought but must be embraced.⁴⁵

The results of an M&A “heavily depend on the way the operation is implemented, and on the nature and specific characteristics of the companies involved”⁴⁶. This means that it is not only about the strategic factors, which have an impact on the actual success of an acquisition. Both literature and study results show that it is primarily the integration phase that is associated with the failure of an M&A. In addition, Trompenaars and Woolliams stress the complexity of today’s business world and point out that “simplistic approaches to integration do not work, which is why too many mergers fail to realize the expected benefits.”⁴⁷

The so-called merger syndrome often accompanies the changes associated with an M&A. This is characterized by different behavior and reactions of the employees during the operation, which includes bias, stress reactions, or a lack of communication. Furthermore, the attitude towards management develops negatively, and integrating cultures are rejected. Consequently, uncertainty, loss of trust, and dissatisfaction occur.⁴⁸ One of the reasons for this reaction on the part of the employees is that they are not convinced of the “way of doing things”⁴⁹ in the acquiring company. Such a negative development, which refers to dissatisfaction but also mental aspects, can result in a higher rate of employee absenteeism and poor performance, and thus have a significant impact on the success of the M&A.⁵⁰

⁴⁴ Cf. Morosini 2001, p. 37

⁴⁵ Cf. Siegenthaler 2010

⁴⁶ Sinatra; Singh; Von Krogh 2016, p. 480

⁴⁷ Trompenaars; Woolliams 2012, p. 5

⁴⁸ Cf. Böning 2016, pp. 257-258

⁴⁹ Hill 2013, p. 502

⁵⁰ Cf. Appelbaum; Gandell; Shapiro; et al. 2000, p. 680

In their report, the two BCG consultants Monnery and Peck clearly state that „The Work Begins After the Deal Is Closed“.⁵¹ Insufficient planning of the integration process leads to the situation that the forecasted and exceeding values do not materialize.⁵² Like in a relationship, opposites can attract each other, but to keep the partnership going, the same values must be shared by both sides. Since M&As are after all about people, it is also essential that the company's values go in the same direction.⁵³

A well-established corporate culture can represent an important competitive advantage in direct comparison with similar companies.⁵⁴ Accordingly, it is also important in the case of M&As that the integration of the acquired company takes place in such a way that the corporate culture contributes positively to the growth of the organization. However, known merger examples from the past show that many mergers fail or at least take high risks because the cultural differences between the parties are either completely ignored or are not considered sufficiently during the planning process.⁵⁵

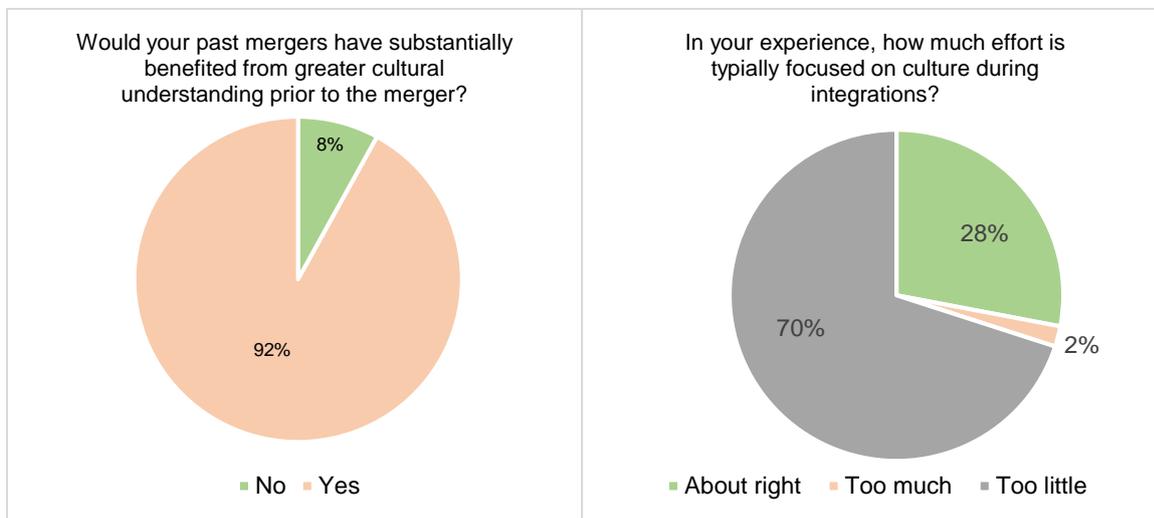


Figure 6: Need for more attention to culture. In: Baker McKenzie 2017, p. 7

Literature shows that failed M&As are rather characterized by a shareholder focus than an employee focus. The reason behind might be that the focus of M&As is often set on figures and results and not on soft facts.⁵⁶ In the pre-merger phase, the key issue is selecting the right merger; this selection depends primarily on financial analyses and an examination of whether a strategic fit exists between the acquiring company and the target company, whereas the influence of cultural differences is often only considered at a very late stage, the post-merger stage.⁵⁷

⁵¹ Monnery; Peck 2000 cited in Berner 2005

⁵² Cf. McKinsey&Company 2010, pp. 5-6

⁵³ Cf. Barbin 2017

⁵⁴ Cf. Collins 2014; Cf. Wahyuningsih et al. 2019, p. 142

⁵⁵ Cf. Rathje n.y., p. 103

⁵⁶ Cf. Appelbaum; Gandell 2003, p. 371

⁵⁷ Cf. Weber; Tarba 2012, pp. 289-290

Deloitte conducted a survey with approximately 500 M&A-experienced executives across different regions and industries and found out that 28% do see 'Culture and talent' as one of the top risk factors for cross-border M&A deals; however, on the other side, it is not seen as a critical aspect of due diligence.⁵⁸

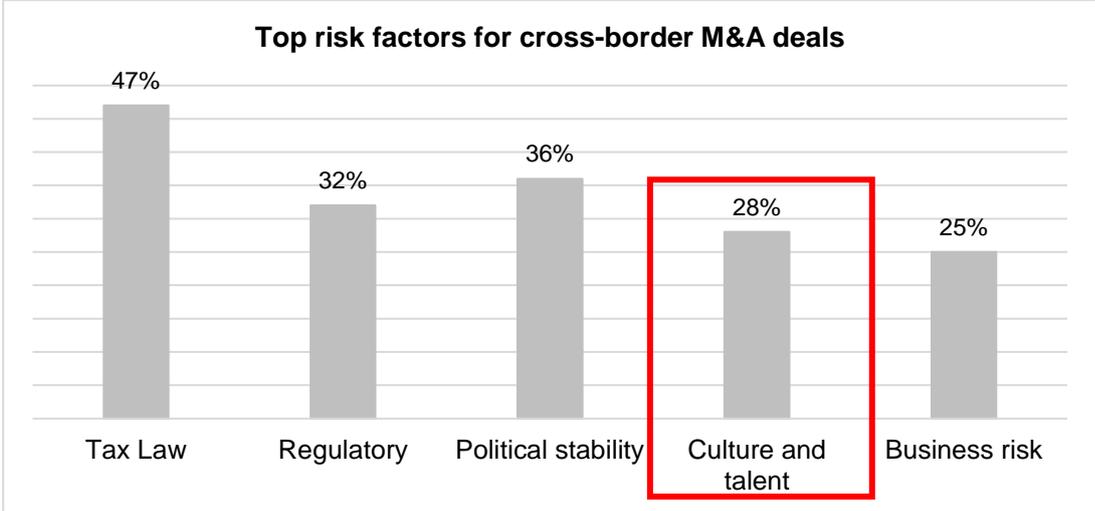


Figure 7: Top risk factors for cross-border M&A deals.
In: Deloitte Touche Tohmatsu Limited 2017, p. 9

Since the integration phase and the incompatible cultures are an often-stated reason for the failure of M&As, the focus in the further course of the thesis lies in the cultural aspect.

2.2 Culture

The interest in the concept of culture has been growing for several decades on the economic side. In the following chapter, the term culture itself, organizational culture as well as the relevant models associated with it, and the role of culture in M&As will be examined in more detail.

2.2.1 Concept of National Culture

The concept of culture is diverse and complex, as can be seen from the many different attempts to define it. Depending on the field of research, there are different views and, thus, different interpretations of the cultural concept, which is why a uniform and overarching definition is not possible. Table 2 aims to provide a short overview of some of the different definition approaches that can be found in the literature. It is noticeable that most of these approaches cover similar areas, but that they differ from each other mainly in their comprehensiveness and depth.

⁵⁸ Cf. Deloitte Touche Tohmatsu Limited 2017, p. 9

Rijamampianina 1996, p. 124	Culture is created, acquired and/or learned, developed, and passed on by a group of people, consciously or unconsciously, to subsequent generations. It includes everything that a group thinks, says, does, and makes-its customs, ideas, mores, habits, traditions, language, material artifacts, and shared systems of attitudes and feelings-that help to create standards for people to coexist.
Rogers; Steinfatt 1999, p. 79	The total way of life of a people, composed of their learned and shared behavior patterns, values, norms, and material objects.
Ferraro; Briody 2013, p. 10-12	Everything that people have, think, and do as members of their society.
Schein 2004, p. 17	[a] pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, feel in relation to those problems.
Hofstede; Hofstede; Minkov 2010, p. 6	It is the collective programming of the mind that distinguishes the members of one group or category of people from another.

Table 2: Definitions of the term culture. Own Table based on various researchers

The origin of the term culture can be found in the Latin terms 'colere', 'cultura' and 'cultus', which can be translated as 'cultivating'.⁵⁹ All these terms originate from the field of agriculture and show an important aspect because they denote the things, which are made by humans. Culture can therefore be interpreted as the way people live their lives including the products created by their thoughts and actions.⁶⁰ The definitions given above show that, over time, the concept of culture has been extended to fields other than agricultural activity. According to modern interpretations, it is primarily a social phenomenon within a society.⁶¹ Culture is not created within a short period but develops over centuries and is passed on from one generation to the next. This implies that culture is a construct that cannot be learned through theory alone, but that requires interaction with the environment.⁶² One important aspect here is ethnocentrism: people tend to define their society and thus their behavior as normal and use it as a benchmark for judging the behavior of other people.⁶³ The French philosopher Jean Baudrillard describes that "to open our eyes to the absurdity of our own customs is the charm and benefit of travel"⁶⁴, which indicates that one's own culture might not always be apparent, but is perceived as soon as dealing with another culture that differs from one's own.

⁵⁹ Cf. Nünning 2009

⁶⁰ Cf. Maletzke 1996, p. 15

⁶¹ Cf. Nünning 2009

⁶² Cf. Ferraro; Briody 2013, p. 11

⁶³ Cf. Ferraro; Briody 2013, p. 22

⁶⁴ Baudrillard, cited in Schneider; Barsoux; Stahl 2014, p. 16

Cultural anthropology is about understanding why people differ in some of their behavior or show common traits.⁶⁵ The definitions repeatedly refer to the term 'group', which implies that culture is a collective phenomenon and that groups of people living in the same social environment share the same culture.⁶⁶ There is often a tendency to limit one's own culture to the nationality, but the cultural groups to which humans belong are diverse. Rosinski has defined several categories from which these groups emerge:

- Geography and nationality, region, religion, ethnicity;
- Discipline: profession, education;
- Organizations: industry, corporation, union, function;
- Social life: family, friends, social class, clubs;
- Gender and sexual orientation.⁶⁷

Furthermore, as Figure 8 shows, there are top-down-bottom-up processes across the various levels of culture.

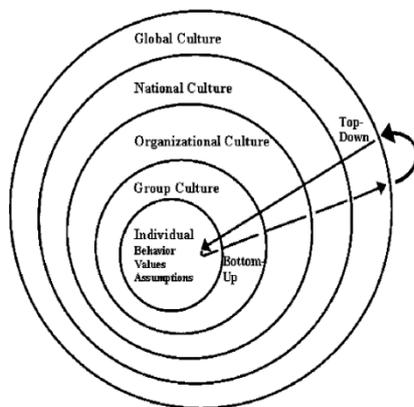


Figure 8: The dynamic of top-down-bottom-up processes across levels of culture.

In: Leung et. al 2005, p. 363

As we have shown, various anthropologists and sociologists have dealt with the definition of the term culture; however, the definition varies depending on its context: it is not only about nationality or ethnicity but also about communities, organizations, and other systems. This implies that culture is not a one-dimensional construct, but that an individual belongs to various cultures and subcultures.⁶⁸ Tajfel and Turner also observe that people belong to multiple social groups, which indicates that they operate within various cultures.⁶⁹ The identity of each individual is consequently formed by the interaction of the different cultural spheres, whereby situational behavior is dependent on the group one is surrounded by.⁷⁰

For the comparison of national cultures, many anthropologists and sociologists have tried to define cultural dimensions. This concept is based on the idea that there is a specific set of

⁶⁵ Cf. Ferraro; Briody 2013, p. 3

⁶⁶ Cf. Bennett 2015, p. 253

⁶⁷ Rosinski 2003, p. 21

⁶⁸ Cf. Hofstede; Hofstede 2006, pp. 12-13

⁶⁹ Cf. Tajfel; Turner 2004, p. 283

⁷⁰ Cf. Rosinski 2003, p. 21

issues every culture has to deal with.⁷¹ Geert Hofstede, who is one of the most cited anthropologists in this field of research, has defined six dimensions, which represent issues that all cultures deal with. These findings are based on a survey with more than 100,000 employees of the multinational company IBM in more than 50 countries.⁷²

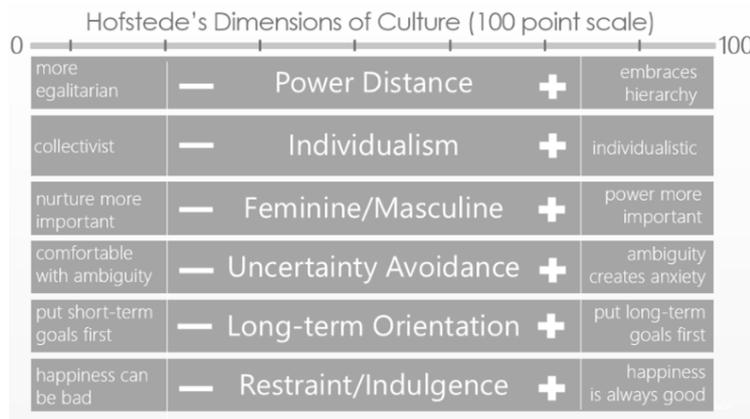


Figure 9: Hofstede's dimensions of culture. In: Unknown 2017

Even though it is considered the most popular model for the representation of cultural differences, it is also criticized in many ways. McSweeney levels the most widespread criticism against Hofstede's approach in his 2002 paper. Among many other points, he criticizes that the characterization of culture is very limited in Hofstede's work, that methodical flaws can be identified, that a generalization based on questionnaires is made to all people of a nation or professional group and that in the end it has not been shown how people think.⁷³

Next to Hofstede, various scientists have approached different dimensions to analyze or classify the national cultural systems more precisely. This also shows that culture is a very versatile construct, which has multiple dimensions and can be viewed from different angles.

Author(s) / Year	National Cultural Dimensions
Kluckhohn and Strodtbeck, 1961	Human nature orientation; man-nature orientation; time orientation; activity orientation; relational
Parsons and Shills, 1962	Affectivity-affective neutrality; self-orientation-collectivity-orientation; universalism-particularism; ascription-achievement; specificity-diffuseness
Hofstede, 1980 / 2001	Power distance; individualism/ collectivism; masculinity/femininity; uncertainty avoidance; long term/ short term
Schwartz, 1992 / 1999	Conservatism vs. autonomy; hierarchy vs. egalitarianism; mastery vs. harmony
Trompenaars and Hampden-Turner, 1997	Universalism vs. particularism; individualism vs. communitarianism; specific vs. diffuse; neutral vs. emotional; achievement vs. ascription; sequential time vs. synchronous time; internal direction vs. outer direction

⁷¹ Cf. Hofstede; Hofstede 2006, p. 28

⁷² Cf. Hofstede 2011, pp. 6-8

⁷³ Cf. McSweeney 2002, pp. 95, 102, 112

House et al., 2004	Power distance; uncertainty avoidance; assertiveness; institutional collectivism; in-group collectivism; future orientation; performance orientation; humane orientation; gender egalitarianism
Lewis, 2005	Task-oriented highly organized planners (linear-active); people-oriented, loquacious interrelators (multi-active); introverted, respect-oriented listeners (reactive)

Table 3: Classification of national cultures. In: Khan; Law 2018, p. 38, complemented by Lewis 2005, p. 39

2.2.2 Organizational Culture

“Each company is influenced by the path by which it developed (its organizational history) and the values, norms and practices of its management (its management culture).”⁷⁴ Every company distinguishes itself through its own set of values that support the vision.⁷⁵ While the national culture focuses on the values that differentiate groups of nations or regions from each other, the organizational culture targets the practice differences between organizations but also between parts within the same organization.⁷⁶ As shown in chapter 2.1.1, the ongoing globalization process is contributing to companies' growth through international M&As. Such decisions require the acquiring company to consider the respective corporate culture, in which country-specific attitudes and behavior patterns of the local population are reflected. The reason for this is that “national culture differences affect the efficacy of an organization, and the behavior of persons from different cultures straightly affects the organization.”⁷⁷ Since the 1980s, much research has been done and published both on the topic of organizational culture and the differentiation of national cultural imprints and the related effects on the corporate world. „In any case, multiple national cultures introduce an additional complexity that must be considered when analyzing corporate cultures.”⁷⁸ This is because there is a correlation between the national culture and the organizational culture, as was pointed out further above. When applying this knowledge on cross-border M&As, it becomes clear that not only the corporate culture itself plays an important role, but also that an understanding of the national culture has to be established, since it influences the organization as well as the individuals working in it.

Especially in business life, it is essential to be culturally open and to try to understand the other person by taking into account historical, social, and cultural aspects.⁷⁹ Similar to general cultural research, the concept of corporate culture is characterized by a multitude of definitions. Here, as well, it is clear that the term ‘corporate culture’ is not used homogeneously, which can be explained by the different perspectives that the scientific approach to corporate culture involves. Nevertheless, it can be seen that the attempt to define corporate culture is often based on the general definition of culture and thus focuses on similar phenomena.⁸⁰ Hofstede defines corporate culture as “the way in which members of an organisation relate to each other,

⁷⁴ Bartlett; Beamish 2018, p. 218

⁷⁵ Cf. CultureIQ 2014

⁷⁶ Cf. Schram 2017, minute 04:18

⁷⁷ Warter; Warter 2015, p. 69

⁷⁸ Carleton; Lineberry 2010, p. 21

⁷⁹ Cf. Ferraro; Briody 2013, p. 23

⁸⁰ Cf. Högemann 2011, p. 553

their work and the outside world in comparison to other organisations.”⁸¹ While the term corporate culture first appeared in the early 1980s and at that time has only attracted low attention, today, even non-profit organizations state that corporate culture is a decisive factor for employee satisfaction as well as the efficiency and effectiveness of processes within the organization.⁸² To make the concept of corporate culture more tangible, diverse models with respect to organizational culture are presented in the following section.

2.2.2.1 Models of Corporate Culture

A company’s culture consists of various tangible and intangible features. Edgar Schein, who is regarded as the pioneer in this field of research, describes corporate culture as “a pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, feel in relation to those problems.”⁸³ He has identified three distinct levels in an organization’s culture: artifacts and behaviors, values and assumptions, as well as the accompanying underlying aspects.⁸⁴ The basic assumptions from the lowest level consist of the environment, human actions, interpersonal relationships, and the understanding of truth and time. As illustrated in Figure 10, these orientation and behavior patterns have a direct influence on the beliefs and values and, ultimately, the actions of people living within a culture.

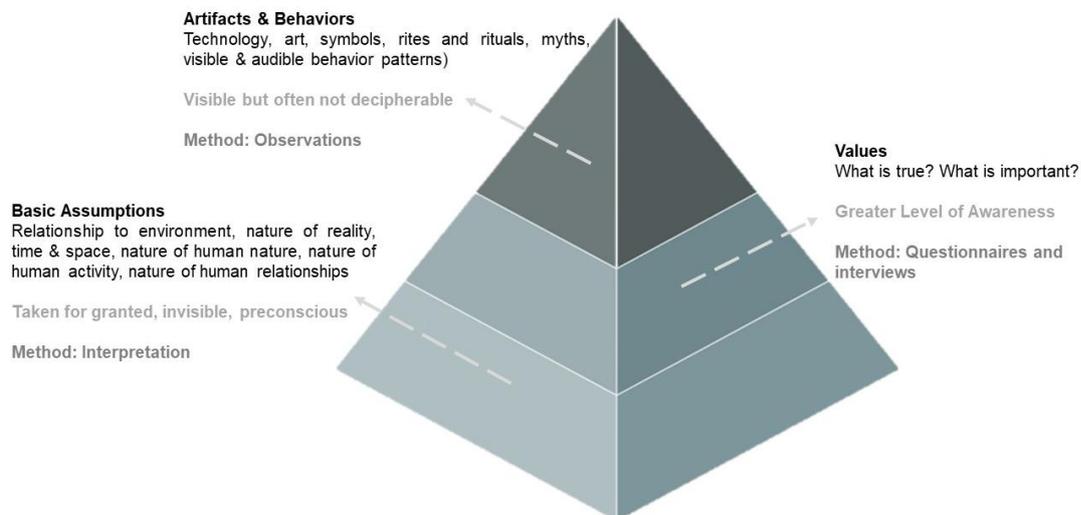


Figure 10: Culture according to Schein. Own figure based on Schneider; Barsoux; Stahl 2014, p. 30; Schein 1984, p. 4

Various researchers such as Hatch and Hofstede have extended Schein’s idea of corporate culture or came up with other approaches.

⁸¹ Hofstede Insights n. y.

⁸² Cf. Sackmann 2017, p. V

⁸³ Schein 2004, p. 17

⁸⁴ Cf. Hattangadi 2017

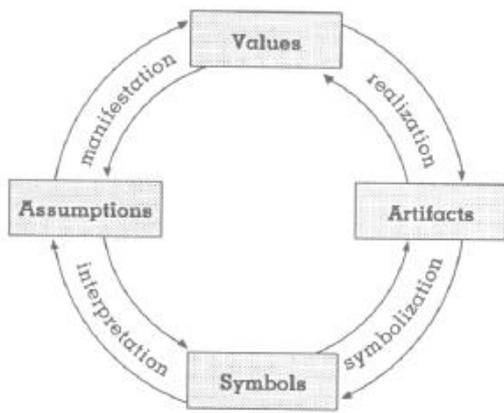


Figure 11: The cultural dynamics model of Hatch.
In: Hatch 1993, p. 660

Hatch's concept represents a modification of Schein's three-level model, whereby she does not look at the individual levels, but at their inter-relationships. In addition to the elements defined by Schein, she also lists symbols. As can be seen in Figure 11, in this model, the elements are not built up in hierarchies or levels but rather as a cycle. The elements that determine an organizational culture are connected by various processes: manifestation, realization, symbolization, and interpretation. While in his model, Schein wants to show what artifacts and values tell about the basic assumptions, Hatch is interested in answering the question of how culture

is formed by the influence of assumptions, values, artifacts, symbols, and the related processes.⁸⁵ During manifestation, processes are described as expectations. These expectations, which arise from sensual perceptions, cognitions, or emotions, influence the values.⁸⁶ Artifacts are shaped by the values and arise from them, which is the step of realization. The process of symbolization takes place when the members of the organization add the artifacts to their symbol collection. In the last step, the contextual interpretation of the symbols follows.⁸⁷

Hofstede summarizes the characteristics of the corporate culture as follows:

- Holistic;
- Historically conditioned;
- Related to the subject of anthropology;
- Soft;
- Hard to change.⁸⁸

Cultures differ in several ways. Hofstede states that these differences are manifested in symbols, heroes, rituals and values.⁸⁹ Based on this, he developed the so-called onion diagram, which is shown in Figure 12. Hofstede summarizes symbols, heroes and rituals as practices. How they are performed is generally recognizable to the observer but without understanding the underlying rea-

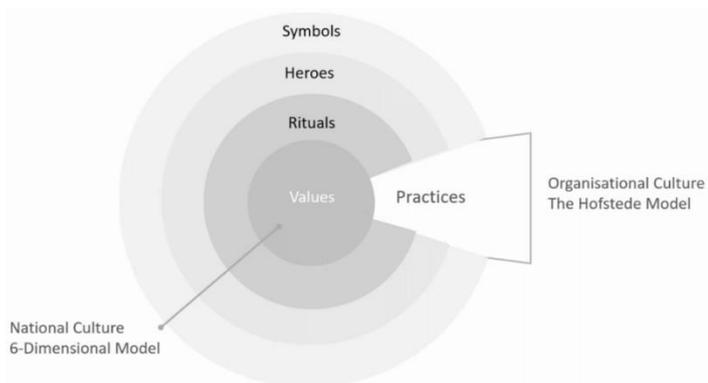


Figure 12: The culture onion. In: Hofstede Insights 2017

⁸⁵ Cf. Hatch 1993, p. 660

⁸⁶ Cf. Hatch 1993, p. 665

⁸⁷ Cf. Hatch 1993, p. 675; Cf. Wien; Franzke 2014, p. 32

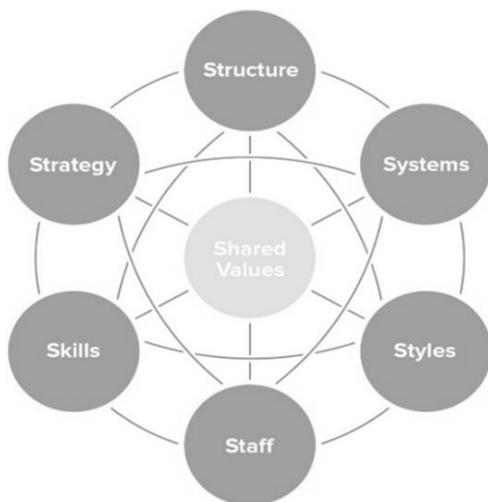
⁸⁸ Hofstede; Hofstede 2006, p. 393

⁸⁹ Cf. Hofstede; Hofstede 2006, p. 7

sons and thus the cultural background. The core of the onion diagram is formed by the values of an individual, which are based on an individual's national culture. According to his definition, values are feelings that are oriented towards the plus or minus pole.⁹⁰ The outer layer of the onion diagram is defined by symbols, which are things that are observable from the outside, such as company logos or certain colors. Heroes are all those people who play an important role in the company, which does not necessarily have to do with their position in the hierarchy. The rituals include, for example, the meeting culture, whereby it is a question of whether people meet to exchange information or simply to receive it. The more one deals with these aspects and tries to understand the background, the closer one gets to the values, which shape an individual's identity and emotions.⁹¹

Hofstede has further developed a model, which makes it easier to characterize a corporate culture. This model consists of six dimensions, which themselves have two opposing extremes:

1. Organisational effectiveness: means-oriented vs. goal-oriented;
2. Customer orientation: internally driven vs. externally driven;
3. Level of control: easygoing work discipline vs. strict work discipline;
4. Focus: local vs. professional;
5. Approachability: open system vs. closed system;
6. Management philosophy: employee-oriented vs. work-oriented.⁹²



The 7-S model by Peters and Watermann, also known as the McKinsey 7-S framework, divides between soft factors, which are the shared values, skills, style and staff, and hard factors, which are strategy, structure, and systems. Therefore, the model does not only describe the corporate culture itself but also considers the organizational context.⁹³

Figure 13: McKinsey 7-S framework. In: Emerald Works Limited n.y.

Shared values, behavior patterns, and communication styles are necessary factors of the corporate context to build and pursue a common identity for employees at every level of the hierarchy.⁹⁴ A thriving corporate culture includes symbols, legends, heroes, communication patterns, values, patterns of social interaction, and shared experiences.⁹⁵

⁹⁰ Hofstede; Hofstede 2006, p. 9

⁹¹ Cf. Schram 2017, minute 04:40-06:02

⁹² Cf. Hofstede Insights n.y.

⁹³ Cf. Jurevicius 2013; Cf. Schneider; Barsoux; Stahl 2014, p. 79

⁹⁴ Cf. Ferraro; Briody 2013, p. 24

⁹⁵ Cf. Ferraro; Briody 2013, pp. 24-25

Trompenaars shows that the organizational culture influences the management style. He defines four different organizational culture types: in family cultures, also known as power-oriented corporate cultures, there is a leader who has experience as well as authority. Employees are expected to perform the tasks assigned to them. The Eiffel Tower Culture is strongly characterized by bureaucracy and clearly defined roles. Leaders assume a role here that can be quickly replaced. The status in the Eiffel Tower is attributed to the role. Guided-missile cultures are very task-oriented. This type of culture typically has generalists and not specialists as leaders who are responsible for sub- and final assemblies. In an incubator culture, the self-expression and self-fulfillment of the members is in the foreground.⁹⁶ Well-known theories about how organizations should best be set up furthermore reflect the social concerns and cultural backgrounds of individuals. These include Max Weber's (German) bureaucracy, Henri Fayol's (French) management model, and Frederick Taylor's (American) scientific management.⁹⁷ As these three scientists have shown, cultural aspects are reflected in an organizational structure.

2.2.2.2 Functions of Corporate Culture

Research by Trompenaars and Hampden-Turner shows that the behavior of employees is largely influenced by the country of origin, religion, or the type of industry.⁹⁸ The corporate culture and the associated shared identity hold the company's employees together and serve as a damper for the clashing attitudes, values and behavioral patterns that come together due to the different cultural backgrounds of the members.⁹⁹

The Swedish sociologist Alvesson devoted himself to the existing literature on the topic of organizational culture and thereby distinguishes between the following metaphors of various authors:

- Exchange-regulator, functioning as a control mechanism in which the informal contract and the long-term rewards are regulated, aided by a common value and reference system and a corporate memory;
- Compass, in which culture gives a sense of direction and guidelines for priorities;
- Social glues, where common ideas, symbols, and values are sources of identification with the group or organization and counteracts fragmentation;
- Sacred cow, where basic assumptions and values point to a core of the organization that people are strongly committed to;
- Affect-regulator, where culture provides guidelines and scripts for emotions and affections and how they should be expressed;
- Disorder, ambiguity, and fragmentation as key aspects of organizational culture;
- Blinders, un- or nonconscious aspects of culture, culture as taken-for-granted ideas leading to blind spots;
- World closure, cultural ideas and meanings creating a fixed world within which people adjust, unable to critically explore and transcend existing social constructions.¹⁰⁰

⁹⁶ Cf. Trompenaars; Hampden-Turner 2012, pp. 128-140

⁹⁷ Cf. Schneider; Barsoux; Stahl 2014, p. 94

⁹⁸ Cf. Trompenaars; Hampden-Turner 2012, p. 192

⁹⁹ Cf. Wahyuningsih et al. 2019, p. 143

¹⁰⁰ Alvesson 2011, p. 17

In return, some scientists regard corporate culture as a "root metaphor"¹⁰¹ and therefore do not see it as part of the company, but understand the company itself as culture. "While national culture refers to the deepest, "pre-conscious" characteristics of culture, corporate culture values appear to be better associated with working habits, practices and styles."¹⁰² It focuses on relevant experiences that several people have had together and about common ways of interpretation.¹⁰³ Culture is assumed to be a learned product coming from the top management. The beliefs and values shared by this group of people contribute to the culture and have an influence both on decision-making and behavior.¹⁰⁴ The management task is therefore facilitated to the extent that the culture already indirectly and informally guides the behavior of the employees of an organization.¹⁰⁵ Researchers found out that corporate culture has an impact on organizational performance and financial results, and therefore is key to business success.¹⁰⁶ This is justified by the fact that corporate culture influences the way employees interact with each other, whereas it is about understanding and attitude towards the own work and the company, how the actions of others are perceived, but also the attitude towards changes.¹⁰⁷

Researchers assign four primary functions to corporate culture, which in turn result in a multitude of secondary functions:

- Order function: A social system is formed by the values shared by all members of the organization;
- Stabilizing function: Even if the corporate culture changes in the course of time, it is a constant construct due to its inert character. Knowledge, values, and norms, which are needed for problem-solving behavior, are thus preserved, which is why the culture has a stabilizing effect;
- Sense imparting function: Corporate culture has an influence on how facts and circumstances are interpreted and evaluated as well as how to react;
- Streamlining function: In organizations based on the division of labor, the shared values support decision-making and learning processes.¹⁰⁸

2.2.3 Culture in M&As

In the case of M&As, a distinction can be made between mergers, which is the combination of equal partners, and acquisitions, which can be of a friendly or hostile nature.¹⁰⁹ In both cases, two historically grown corporate cultures and their respective subcultures collide. How their common future will look like and function depends on several aspects such as the motives and strategic logic behind the merger or acquisition¹¹⁰, as well as the degree of difference between

¹⁰¹ Smircich 1983, p. 347

¹⁰² Morosini 2001, p. 141

¹⁰³ Cf. Weber; Menipaz 2003, pp. 55-56

¹⁰⁴ Cf. Weber; Menipaz 2003, p. 56

¹⁰⁵ Cf. Wien; Franzke 2014, p. 17

¹⁰⁶ Cf. Carleton; Lineberry 2010, pp. 19

¹⁰⁷ Cf. Carleton 1997, p. 68

¹⁰⁸ Cf. Sackmann 2017, p. 59; Cf. Wirtz 2006, p. 592

¹⁰⁹ Cf. Sraders 2019

¹¹⁰ Cf. Nahavandi; Malekzadeh 1988, p. 80; Cf. Stahl et al. 2004, p. 92

the two corporate cultures.¹¹¹ Several researchers have sought to explore the relationship between the success of acquisitions and the cultures of the companies involved, whereby the studies aimed to find out to what extent the cultural distance of the companies influences the course and success of the acquisition project. It is still disputed, whether cultural proximity in M&As is beneficial or detrimental. Cultural differences are not to be assessed in a directly negative way. In various studies, researchers found out that the highest possible cultural fit leads to a good merger result.¹¹² However, other scientists, such as Morosini, for example, have found that the greater the diversity of the national culture, the better the performance.¹¹³ When people of two different cultures work together and understand and respect each other's views, individual and entrepreneurial synergies can arise from this.¹¹⁴

An aggravating factor in cross-border M&As is that it not only is two different corporate cultures that come together but also national cultures, which have an impact on the behavior of the employees and, thus, on the corporate culture.¹¹⁵ Companies that want to go international should not assume that they can export their corporate culture 1:1, but must be ready to adapt to the country-specific cultural differences and thus adjust their corporate culture to a certain extent and develop a localized version of it.¹¹⁶ Differing corporate or national cultures can cause what is known as a cultural clash, which can be followed by a number of negative consequences such as the loss of values.¹¹⁷ Weber and colleagues state that both the national culture and the corporate culture determine the merger process and its outcome. However, they also observe that negative developments due to national cultural differences are better predicted.¹¹⁸ Acculturative stress due to a cultural clash is more prominent in cross-border projects than in the case of mergers or acquisitions of companies on a national level.¹¹⁹ While a large number of different studies have shown that differences in national cultures serve as an explanation for the failure of cross-border M&As, the idea that differences in culture can also serve as a source of value creation and learning is well supported by empirical studies.¹²⁰

When merging with or acquiring an existing company, there exist different approaches regarding the depth of acculturation and, hence, the expected changes within an organization. The degree of kinship between two companies in an M&A depends on the objectives of the corporate merger.¹²¹ Depending on what type of M&A it is about, it is necessary to develop a suitable strategy, which depends on or even indicates to what extent the two companies will have to be combined and the employees will work together. The higher the degree of integration is, the more intense this clash of cultures turns out to be.¹²² The interaction between the two companies is low if the acquired company is managed with a high degree of autonomy. This is the case in unrelated mergers, where the degree of integration is limited. In such a case, the acquiring company does not intend to exert much influence on the existing business.¹²³ If, on

¹¹¹ Cf. Weber; Shenkar; Raveh 1996, p. 1218

¹¹² Cf. Chakrabarti; Gupta-Mukherjee; Jayaraman 2009, p. 216

¹¹³ Cf. Morosini 2001, p. 140

¹¹⁴ Cf. Ferraro; Briody 2013, p. 26

¹¹⁵ Cf. Schneider; Barsoux; Stahl 2014, pp. 14-15

¹¹⁶ Cf. Ferraro; Briody 2013, p. 25

¹¹⁷ Cf. Kleppesø 1998, p. 148

¹¹⁸ Cf. Weber; Shenkar; Raveh 1996, p. 1225

¹¹⁹ Cf. Very; Lubatkin; Calori 1996, p. 59

¹²⁰ Cf. Sarala; Vaara 2010, p. 1368; Cf. Stahl; Voigt 2008, p. 160

¹²¹ Cf. Nahavandi; Malekzadeh 1988, p. 80

¹²² Cf. Weber 1996, p. 1199

¹²³ Cf. Shrivastava 1986, p. 73

the other hand, the mergers are related, they require the highest level of integration, so there is a lot of interaction between the two previously independent companies and employees.¹²⁴ The research of Stahl & Voigt shows that cultural differences can be both an asset and a liability, which depends on the degree of the cultural differences that can be observed. In the case of related M&As, where a high degree of integration is required, differences in corporate culture can lead to obstacles. The situation is different for M&As that require a low level of integration. Here, cultural differences, especially concerning the national culture, are positively related to integration benefits and thus do not negatively influence the achievement of synergy effects.¹²⁵ Some argue that cultural fit is an important factor as the degree of cultural fit may be directly related to the success of the M&A.¹²⁶ Hereby, it is not necessarily about the investigation and assessment of the entire organization, but it can be focused on business units or functional areas.¹²⁷ The answer to the question of what cultural fit means is not entirely clear, because congruence is not achieved solely through similarity, but also through complementarity.¹²⁸

It becomes clear that the importance of the cultural aspect in international business and, thus, in cross-border acquisitions is indisputable. This is especially true against the background of the many studies that show that national culture influences different company-specific aspects. These include, for example, the decision-making process¹²⁹, the management style applied¹³⁰, and the organizational structure¹³¹.

A well-defined corporate culture ensures that all employees of a company share the same vision, which leads to increasing efficiency and more competitiveness.¹³² It is therefore essential that the companies involved in such an M&A project need "a high-level vision of this end-state before agreeing to a deal"¹³³. How the culture of the companies will look like is dependent on how the companies relate to each other and the objective of the acquisition. The modes defined by Berry, which are integration, assimilation, separation, and deculturation, were summarized by Nahavandi and Makezadeh in one figure. Here, the interest in retaining one's own culture, on the one hand, and the attractiveness of the new culture, on the other hand, play an essential role.¹³⁴

¹²⁴ Cf. Kusstatscher; Cooper 2005, p. 24

¹²⁵ Cf. Stahl; Voigt 2008, p. 172

¹²⁶ Cf. Cartwright; Cooper 1993, p. 60

¹²⁷ Cf. Pellet 2011

¹²⁸ Cf. Weber; Shenkar; Raveh 1996, p. 1216

¹²⁹ Cf. Glazer; Karpati 2014, p. 25; Cf. Schneider; Barsoux; Stahl 2014, p. 110

¹³⁰ Cf. Schneider; Barsoux; Stahl 2014, p. 94

¹³¹ Cf. Trompenaars; Hampden-Turner 2012, p. 127

¹³² Cf. Ferraro; Briody 2013, p. 25

¹³³ Marks; Mirvis 2011, p. 659

¹³⁴ Cf. Nahavandi; Malekzadeh 1988, p. 83

		How much do members of the acquired firm value preservation of their own culture?	
		Very much	Not at all
Perception of the attractiveness of the acquirer	Very attractive	Integration	Assimilation
	Not at all attractive	Separation	Deculturation

Figure 14: Acquired firm's modes of acculturation. In Nahavandi; Malekzadeh 1988, p. 83

Integration is appropriate when the acquired company feels the need to preserve its own culture and thus remains independent. While cultural integrity is partially preserved, the members are perceived as part of the larger social network.¹³⁵ This leads to structural assimilation, in which fundamental beliefs and organizational systems are retained, but the integration takes place, for example, in relation to the structures in the acquiring company.¹³⁶

Where the individuals do not want to maintain their cultural identity but want to interact with the other culture, the assimilation strategy is applied.¹³⁷ One company thus takes over the cultural and structural identity of the other company. This strategy can be found in companies in which it was recognized that the culture and the way of working impeded success in the past.¹³⁸

Separation results when the target company has no interest in adapting to a new corporate culture, but the members of the company insist on retaining the existing corporate culture.¹³⁹ This means that the members of the acquired company want to protect both their cultural and systematic identity and have no interest in merging. In practice, this means that the acquired company is a separate autonomous entity under the financial roof of the parent company.¹⁴⁰

Deculturation occurs when the members of a culture or an acquired company are not convinced of their own cultural elements and systems, but at the same time do not want to integrate into the acquiring company.¹⁴¹

For Marks and Mirvis, there are five different final stages of an M&A, which differ according to the degree of change expected by the acquiring and the acquired company. These are absorption, transformation, best of both, preservation and reverse merger.

¹³⁵ Cf. Berry; Sam 1997, p. 297

¹³⁶ Cf. Nahavandi; Malekzadeh 1988, p. 82

¹³⁷ Cf. Berry; Sam 1997, p. 297

¹³⁸ Cf. Nahavandi; Malekzadeh 1988, p. 82

¹³⁹ Cf. Berry; Sam 1997, p. 297

¹⁴⁰ Cf. Nahavandi; Malekzadeh 1988, p. 82

¹⁴¹ Cf. Nahavandi; Malekzadeh 1988, p. 83

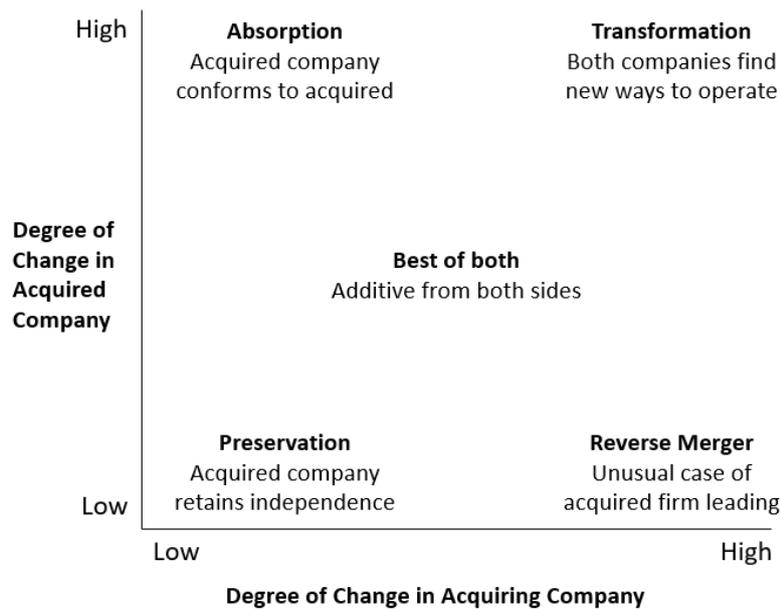


Figure 15: Cultural end states. In: Marks; Mirvis 2011, p. 658

The business areas that need to be integrated as well as the related management implications depend very much on the type of structure that is to prevail in the acquired company.

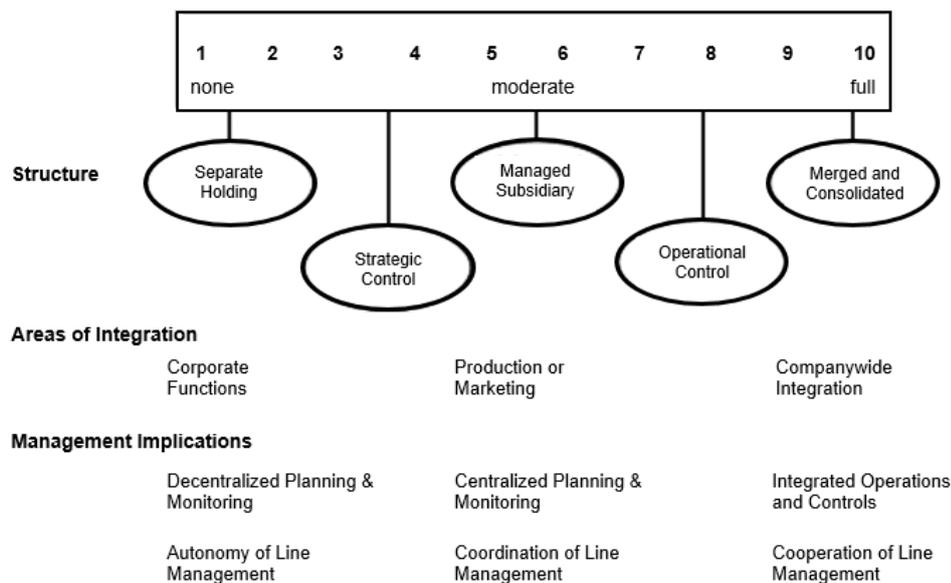


Figure 16: How much integration? Source: Marks and Mirvis in Denison; Guidroz; Adkins 2011, p. 101

Due to the different ways in which two cultures can merge, an M&A project not only provides the opportunity to achieve synergy effects, but also offers a company the chance for strategic changes. The associated changes require a profound analysis of the corporate cultures and the striking similarities and differences. Within the framework of Cultural Due Diligence, the basis for the design of an integration program can be established.¹⁴²

¹⁴² Cf. Pezzillo Iacono 2012, p. 1

2.3 Cultural Due Diligence

“Mergers are like marriages. They are the bringing together of two individuals. If you wouldn't marry someone for the 'operational efficiencies' they offer in the running of a household, then why would you combine two companies with unique cultures and identities for that reason?”¹⁴³

The clash of different cultures particularly plays a role in cross-border M&As because here not only different corporate cultures must be integrated, but, as already pointed out, also different mentalities and country-specific characteristics. The identification, as well as the understanding of cultural differences between the companies, should begin at an early stage to be able to develop suitable measures as to how the desired future culture can be supported. One model used here is the Cultural Due Diligence.

2.3.1 Definition

The management's lack of awareness of the influence of cultural differences on the course of an M&A and the resulting insufficient consideration of these differences are major competence deficits.¹⁴⁴ Cross-border M&As exhibit an increased potential for conflict due to the two cultural areas of country and company; it is thus important that the cross-cultural differences are managed appropriately to make the M&A more successful.¹⁴⁵ Scientists such as David and Singh recommend to analyze potential sources of risk at an early stage, whereby the challenge is that cultural distance does not always have the same influence, but depends on different aspects.¹⁴⁶

Since the 1980s, consulting firms have also started to focus on the topic of culture in M&As.¹⁴⁷ In the past, various methods were conceptualized to minimize cultural risk. One approach originating from the eighties is the Cultural Fit Analysis, by which the corporate cultures of the participating companies are examined with regard to defined criteria and compared for conformity to be able to make statements about the post-merger strategy.¹⁴⁸ Later, the Cultural Due Diligence (CDD) was developed from this. “In the simplest terms, Cultural Due Diligence (CDD) is a diagnostic process conducted to ascertain the degree of cultural alignment or compatibility between companies that are party to a merger or acquisition. [...] CDD should be views as a mandatory step to maximize post-merger or acquisition organizational effectiveness and profitability.”¹⁴⁹ Cultural Due Diligence aims at considering certain parameters of the corporate culture in the pre-merger phase in order to discover both similarities and differences between the companies involved. This is to weigh up the risks that may have an influence on the integration phase and, hence, on the outcome of the M&A, against the opportunities.¹⁵⁰ In

¹⁴³ Sinek 2020

¹⁴⁴ Cf. Stüdlein 1997, p. 8

¹⁴⁵ Cf. Jansen; Picot; Schiereck 2001, p. 15

¹⁴⁶ Cf. David; Singh 1994, p. 252

¹⁴⁷ Cf. Morosini 2001, p. 15

¹⁴⁸ Cf. Juch; Rathje; Köppel 2007, p. 90; Cf. Morosini 2001, p. 15

¹⁴⁹ Carleton; Lineberry 2010, p. 53

¹⁵⁰ Cf. Warter; Warter 2015, p. 59

this context, it should be said that cultural differences are not necessarily negative; on the contrary, they can also be viewed as “a powerful seed for something new.”¹⁵¹

The due diligence process, in general, is a systematic analysis and evaluation of a company in connection with a contractual agreement to buy or sell this company.¹⁵² During the due diligence phase, the responsible persons collect information about financial, legal, business, technical and environmental aspects in order to weigh up the potential benefits and risks.¹⁵³ In this process, important arguments for the price negotiation are developed.¹⁵⁴ The term ‘Cultural Due Diligence’ is a derivative term of the Financial Due Diligence, which is carried out in any merger.¹⁵⁵ In this process, a wide variety of documents are analyzed in order to assess the financial risk - a step which is indispensable in comparison to cultural analysis, even though it is known that the study of cultural differences can lead to relevant findings.¹⁵⁶ Looking at the chronological sequence of a company acquisition (Figure 17), the due diligence process takes place at an early stage, before the drawing up of a draft agreement.

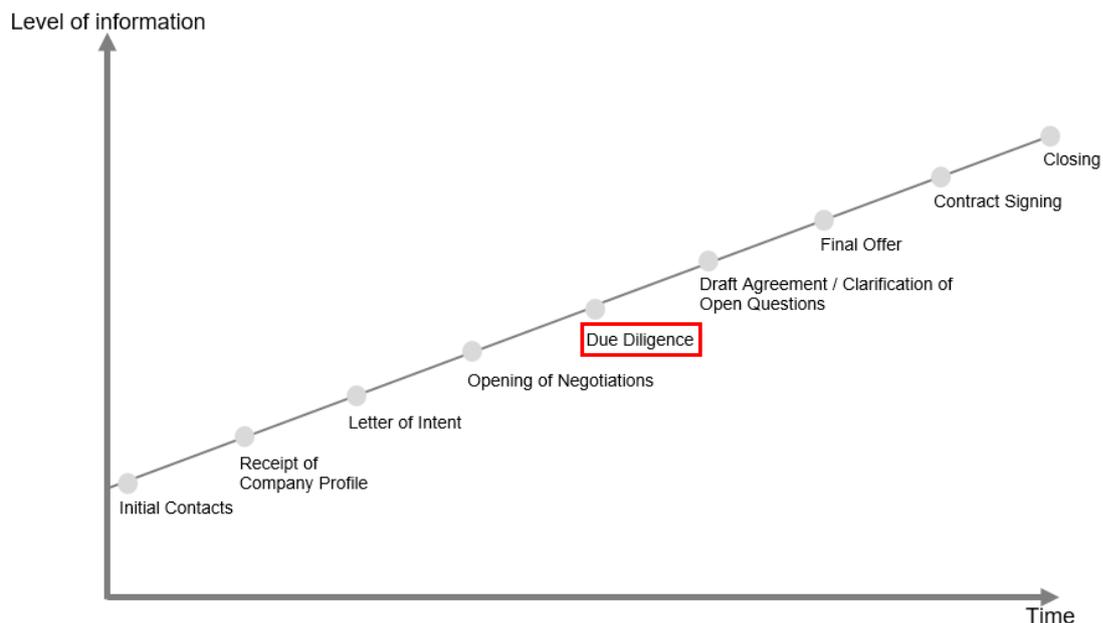


Figure 17: Development of the level of information. In: Funk 1995, p. 497

During the due diligence stage, the company to be acquired should be analyzed systematically in order to identify possible risks that could endanger the success of the transaction. In many cases, the focus is on fact-based information of a financial or legal nature.¹⁵⁷ As has been explained above, however, the difficulties or unrealized synergy effects are often attributed to soft facts, in other words aspects related to culture or human resources.¹⁵⁸ Some researchers such as Thomas believe that too many companies do not take the factor ‘cultural clash’ into

¹⁵¹ Emerson 2001, p. 3

¹⁵² Cf. Jensen; Redlein 2017, p. 215

¹⁵³ Cf. Jensen; Redlein 2017, p. 215

¹⁵⁴ Cf. Högemann 2011, p. 563

¹⁵⁵ Cf. Stachowicz-Stanusch 2009, p. 66

¹⁵⁶ Cf. Warter; Warter 2015, p. 64

¹⁵⁷ Cf. Freitag 2015, p. 134

¹⁵⁸ Cf. Deloitte Touche Tohmatsu Limited 2017, p. 9

account sufficiently and say that the Cultural Due Diligence process, which is “a systematic method for making rapid, cost-effective assessments of the cultures of both acquirer and target”¹⁵⁹, is indispensable for M&As.¹⁶⁰ Despite this knowledge, these aspects are often not or not sufficiently considered in the due diligence process as managers tend to focus more on the strategic fit than the organizational fit.¹⁶¹

Besides weighing up whether the deal makes sense in terms of hard facts, resources should also be dedicated in the due diligence process to “defining, investigating, and assessing the cultures [...] through a cultural assessment to discover areas of similarity and difference that will impact integration efforts and achievement of strategic objectives.”¹⁶² In addition to several other due diligence processes, such as the Organizational, Legal, Financial, Tax, or Human Resource Due Diligence, the Cultural Due Diligence, which covers areas such as business models, values, and standards, must also be given an important role in any M&A operation.¹⁶³ This means that the cultural compatibility of the parties involved should be examined before an M&A transaction to avoid further cost-intensive investigations, which are the result of significant cultural differences that harm the previously calculated or desired synergy effects.¹⁶⁴ Therefore, “Cultural Due Diligence will rarely be a critical factor in whether >to do the deal< or not, but rather a significant factor in making a deal work.”¹⁶⁵ This leads to the assumption that it is not necessarily the degree of cultural differences that are crucial, but rather that they are noticed at an early stage as well as the organizations’ ability to deal with such differences.¹⁶⁶ In order to assess the feasibility of a merger, it should be a matter of course to deal with cultural differences at an early stage. The insights gained can be used to think thoroughly about adequate measures in order to avoid an under-control of the integration process.¹⁶⁷

In recent years, the requirements for integration, its depth, and, ultimately, integration competence have changed significantly in connection with M&As, especially in the area of cross-border operations.¹⁶⁸ From these given definitions and descriptions, we summarize that the CDD is a method of evaluating and assessing the corporate culture of all companies involved in an acquisition project to identify potential risks attributable to the culture at an early stage. Due to the importance of the cultural aspect in acquisitions, it is recommended that a CDD is applied to the same extent as other traditional due diligence areas.¹⁶⁹

¹⁵⁹ Thomas n. y.

¹⁶⁰ Cf. Thomas n. y.

¹⁶¹ Cf. Galpin; Herndon 2014, pp. 34-36

¹⁶² Panda 2013, p. 6

¹⁶³ Cf. Wirtz 2006, p. 593

¹⁶⁴ Cf. Thomas n. y.

¹⁶⁵ Carleton, Lineberry 2004 cited in Meynerts-Stiller; Rohloff 2015, p. 159

¹⁶⁶ Cf. Meynerts-Stiller; Rohloff 2015, p. 162

¹⁶⁷ Cf. Meynerts-Stiller; Rohloff 2015, p. 165

¹⁶⁸ Cf. Morosini 2001, p. 7

¹⁶⁹ Cf. Warter; Warter 2015, p. 69

2.3.2 Necessity and Application

Besides the strategic fit, the organizational fit is a major contributor to value creation.¹⁷⁰ In order to achieve this, it is necessary that the acquiring company identifies the differences and commonalities for instance in terms of culture, company structure and management style.¹⁷¹ When it comes to cross-border acquisitions, not only do different corporate cultures clash, but also national cultures. Well-known examples, which show how important it is to manage these cultural differences are Daimler Benz and Chrysler, Bank of America and Merrill Lynch, Volvo and Renault, or Google and Nest.¹⁷²

Langerak and Biharie state that “although most failed deals are attributable to culture issues, the due diligence phase of M&A transactions still focuses primarily on financial and legal aspects of the deal, and not culture.”¹⁷³ That is despite the fact that these aspects can lead to difficulties in the post-merger phase, which in turn can result in unrealized synergy effects or high costs.¹⁷⁴ Appelbaum et al. indicate that the consideration of behavioral aspects, which includes cultural issues, in an M&A project is indispensable.¹⁷⁵ Denison et al. have also mentioned that it is important but often overlooked to begin the M&A process with the assessment of how the M&A activity, the culture and the growth strategy of the organization fit together.¹⁷⁶ According to them, “beginning here ensures that cultural issues remain on the table through the acquisition and integration process rather than emerging towards the end when an integrated and unified organization is desired.”¹⁷⁷ Cultural Due Diligence is therefore a process used to identify these cultural differences between the two companies involved at an early stage. Warter and Warter conclude that „incompatible business cultures can be a recipe for a merger disaster.”¹⁷⁸

Managing an acquisition starts already in the pre-merger phase. Both companies need to evaluate at an early stage whether there is a fit between the companies as well as to identify potential risks because especially in cross-border M&As, cultural differences and language barriers might lead to unexpected challenges.¹⁷⁹

The due diligence process has been an important part of M&A processes for decades because it involves the evaluation of the other company's performance while at the same time weighing up potential risks. Within the framework of a due diligence process, the classical course of action is as follows: Commercial Due Diligence, Operational Due Diligence and Legal Review, Accounting Compliance Review, and Financial Due Diligence.¹⁸⁰

Even though many projects have shown a lot of potential after the classic due diligence process, they still failed because of cultural differences. Cultural conflicts are one of the biggest and, at the same time, most often suppressed reasons for the failure of an M&A, which is why

¹⁷⁰ Cf. Tanure et al. 2009, p. 140

¹⁷¹ Cf. Galpin; Herndon 2014, p. 34

¹⁷² Cf. Pines 2019; Cf. DeChesare n.y.

¹⁷³ Langerak; Biharie 2019

¹⁷⁴ Cf. Massoudi 2006, p. 108

¹⁷⁵ Cf. Appelbaum et al. 2000, p. 649

¹⁷⁶ Cf. Denison; Guidroz; Adkins 2011, p. 102

¹⁷⁷ Denison; Guidroz; Adkins 2011, p. 102

¹⁷⁸ Warter; Warter 2015, p. 64

¹⁷⁹ Cf. Warter; Warter 2015, p. 60

¹⁸⁰ Cf. Warter; Warter 2015, p. 60

managers should be well prepared in order to minimize the risk of such difficulties.¹⁸¹ A culture clash happens when two groups with different views on aspects such as decision-making, leadership, communication or prioritization of certain things meet. Such a clash can lead to disputes about how to fulfill a business plan.¹⁸² Within the framework of a Cultural Due Diligence, the degree of cultural compatibility between two companies is to be evaluated.¹⁸³ The result of such a CDD is information on the extent to which cultural issues can be expected. Furthermore, it serves as the basis for an integration plan to be able to deal with the influence of the organizational culture on the merger.¹⁸⁴

According to Warter and Warter the following points should be taken into consideration:

- Culture analysis;
- A complete risk assessment;
- An overview of the organization/ people-related risks;
- A culture alignment plan for the areas of divergence.¹⁸⁵

The circumstance that there is one team, which plans the merger and another group of people, which is responsible for its implementation, proves to be particularly tricky, since these teams have different interests and priorities. While the team responsible for the financial area is, for instance, focused on the financial performance, the team members are not interested in the cultural aspects, since it does not obviously affect their addressed area.¹⁸⁶ Tantamount to the performance of Financial Due Diligence, it is the top management's responsibility to conduct due diligence with regard to cultural aspects.¹⁸⁷ Recardo and Toterhi also state that it is essential that several people from various departments should be involved in the due diligence process. Besides aspects that belong to specific functional areas, they also list several aspects, which should be considered in general by the whole due diligence team:

- Overview of target-company history, size, structure, etc.;
- Deal drivers and expected synergies;
- Nature of transaction-competitive bid, unsolicited offer, etc.;
- Receptiveness of management;
- Intended level of integration/integration strategy.¹⁸⁸

Those who are responsible for the integration in an M&A project must also be aware, according to M&A researchers and experienced managers, which of the information that is uncovered during the due diligence process will have an impact on the integration and therefore on the success of the M&A. This includes cultural fit, strategic fit and key talents.¹⁸⁹

The various motives for an M&A have already been explained in Chapter 2.1.2. The above shows that in the context of the pre- and post-merger management, the focus often primarily lies on achieving the objectives that were worked out in the first place and were used to justify

¹⁸¹ Cf. Warter; Warter 2015, p. 61

¹⁸² Cf. Carleton n. y., p. 2

¹⁸³ Cf. Warter; Warter 2015, p. 61

¹⁸⁴ Cf. Carleton; Lineberry 2010, p. 54

¹⁸⁵ Warter; Warter 2015, p. 61

¹⁸⁶ Cf. Warter; Warter 2015, p. 61

¹⁸⁷ Cf. Stanwick 2000, p. 7

¹⁸⁸ Recardo; Toterhi 2014, p. 29

¹⁸⁹ Cf. Galpin 2010, p. 139

such an investment, rather than considering the question of how they can be achieved. Cultural differences do not necessarily have to be assessed negatively, as they can also be an enrichment for the companies involved.¹⁹⁰ The tendency in one direction or the other depends on how the management deals with these differences.¹⁹¹ It is the task of the CEOs and the HR departments to develop appropriate strategies for the collaboration while continually respecting the factor culture.¹⁹²

2.3.3 Existing Approaches

Cultural Due Diligence is usually regarded as the analysis of the corporate culture of the company to be acquired, whereby the aim is to find out to what extent similarities or differences exist. However, as Figure 18 shows, the process starts much earlier by analyzing and understanding the own culture as well as the description of the final stage.



Figure 18: Culture Due Diligence process. In Denison; Ko 2016, p. 61

Previous examples and studies make clear that the area of culture is crucial to the success or failure of a merger; this justifies the recommendation that integration teams should examine both their own culture and that of the company to be acquired.¹⁹³

In the field of Cultural Due Diligence, researchers have defined a four-step approach:

- Inclusion of cultural criteria in the discussions at the earliest possible stage;
- Compilation and briefing of the due diligence team with regard to cultural criteria;
- Adding cultural criteria to the due diligence data collection;
- Assessment of the cultural fit using formal tools.¹⁹⁴

If one refers to Warter and Warter, many scientists think that a Cultural Due Diligence is essential but cannot show how such a process should look like.¹⁹⁵ Carleton and Lineberry differentiate between helpful, but not sufficient off-the-shelf models and customized models. Off-the-shelf models contain quantitative information of measurable attributes; in customized models, quantitative and qualitative sources of information are applied.¹⁹⁶ Various researchers

¹⁹⁰ Cf. Morosini 2001, p. 140

¹⁹¹ Cf. Stahl; Voigt 2008, p. 172

¹⁹² Cf. Appelbaum et al. 2000, p. 651

¹⁹³ Cf. Denison; Ko 2016, p. 61

¹⁹⁴ Cf. Page 2006, p. 22

¹⁹⁵ Cf. Warter; Warter 2017, p. 48

¹⁹⁶ Cf. Carleton; Lineberry 2010, p. 56; Cf. Carleton 1997, pp. 71-75

have dealt with the idea of a Cultural Due Diligence. Table 4 provides an overview of the respective core areas, steps to take, as well as the sources of information.

	Panda 2013, p. 7-15	Cf. Rouse; Harding 2007	Galpin; Maellaro; Whittington 2012, p. 13-17	Denison; Ko 2016, p. 62-69
Core areas	<ul style="list-style-type: none"> - Vision-mission-values and beliefs - Leadership styles and perceptions about the organization - Management and the way things are done in the organization 	<ul style="list-style-type: none"> - Decision-making - Communication - Meeting management - Dress - Heroes - Compensation - Performance management - Management style - Strategy - Values 	<ul style="list-style-type: none"> - Strategy - Values - Organization Structure - Staffing and Selection - Communication - Training - Rules and policies - Goals and measures - Rewards and recognition - Decision-making - Physical environment - Ceremonies and events 	Denison Organizational Culture Model
Steps	<ol style="list-style-type: none"> 1. Deciding about the mandate and outcome of the cultural due diligence initiative 2. Formation of the due diligence team 3. Listing out the cultural indicators 4. Dip stick (Quick and dirty) diligence 5. Detailed diligence 6. Collating and analyzing culture data followed by a debriefing 	<ol style="list-style-type: none"> 1. Decision about the new structure 2. Assessment of the culture through employer survey, interviews and workshops 3. Identify key managers + retention 4. Employees perception about the deal through surveys (past and present) 	<ol style="list-style-type: none"> 1. Formulate: setting the firm's M&A strategy 2. Locate: identify potential target companies which might fit the formulated strategy 3. Investigate: complete detailed analysis of the target company 4. Negotiate: reach a definitive agreement between the two firms 5. Integrate: combining the companies' people, processes and systems 6. Motivate: engage the workforce for the achievement of short-term and long-term performance goals of the newly formed company 7. Evaluate: determination if the outcomes which were defined before the transaction have been achieved 	<ol style="list-style-type: none"> 1. Clarify the cultural dynamics 2. Conduct data-driven Cultural Due Diligence and categorizing the themes by using the Denison Model 3. Identify target and form a deal team 4. Integrate and synthesize Findings 5. Planning for transition and integration
Source of information	<ul style="list-style-type: none"> - Observation - Interview; formal and informal discussions - Analysis of organizational documents - Survey questionnaire - Secondary sources 	<ul style="list-style-type: none"> - Hard data: organization chart, headcounts, job descriptions - Business press - Culture survey through interviews and with executives and employees 	Organizational Development Practitioners: <ul style="list-style-type: none"> - Culture assessments - Talent evaluations 	<ul style="list-style-type: none"> - Social Media Data - External Stakeholder Interviews - HR Data and Document Review - Internal Stakeholder Interviews

Table 4: Existing Cultural Due Diligence approaches. Own Table based on the idea of Denison; Ko 2016, p. 60

Besides the above-described approaches of how to perform Cultural Due Diligence, Carleton and Harper also define different dimensions that should be examined in the context of such an investigation. Harper also says that the risk of a cultural clash can be minimized by including the Cultural Due Diligence into the strategic thinking and planning process. It helps to determine to what extent cultural differences exist and, conversely, serves as a basis for fast and smooth integration.¹⁹⁷ In order to identify potential disruptive factors that could harm the success of the business combination at an early stage, the profiles of the two companies should be compared.¹⁹⁸

Carleton	Harper
- Intended direction and results	- Business philosophy
- Key measures	- Critical success factors and measurements
- Key business drivers	- Leadership and management styles
- Infrastructure	- Structure
- Organizational practices	- Workflow practices
- Leadership / management practices	- Customs and artifacts
- Supervisory practices	- Facilities and work environment
- Work practices	
- Technology use	
- Physical environment	
- Perceptions and expectations	
- Cultural indicators and artefacts	
- Values and beliefs	
- Myths, legends and heroes	

Table 5: Dimensions to be assessed during Cultural Due Diligence
Based on Carleton 1997, pp. 71-75; Harper 2002, p. 7

Each of the authors provides a different approach of how to carry out Cultural Due Diligence in general and which aspects should be considered. Reviewing these methods for overlaps, we observe that every approach is different, but still similar when it comes to the core areas. The information gained in this process comes from different sources and concerns different cultural dimensions. Nevertheless, it is also noticeable here that the national culture is not addressed, but that only company-specific criteria play a role. However, since the country's culture plays a decisive role in international M&As, I believe that the country's culture itself and its impact on the corporate culture must also be examined within the framework of Cultural Due Diligence.

¹⁹⁷ Cf. Harper 2002, p. 7

¹⁹⁸ Cf. Harper 2002, p. 7

3. Method

In this methodological part of the work, the research design, the research setting, the method of data collection as well as the procedure of data analysis are explained and justified.

3.1 Research Design

The research design is the conception of the research project, in other words the framework, which serves as a basis for the collection and analysis of the required information.¹⁹⁹ The decisive factor is whether the information has already been collected in the context of previous research projects or the data collection takes place for the first time. Accordingly, there is a distinction between secondary and primary research.²⁰⁰ Since the present study deals with a specific field of investigation, namely the Cultural Due Diligence in cross-border M&As in medium-sized companies, and no survey data is available in this respect, primary data will be collected. Different methods exist for obtaining information through primary research. Quantitative research is a sub-area within which the results can be expressed numerically, which is why large and representative samples are required in this area.²⁰¹ Qualitative research, on the other hand, aims to find out the underlying forces behind specific phenomena. The high information content of this type of survey is profitable, since in addition to externally perceived facts, personal attitudes to certain topics can be investigated.²⁰²

In the present case, the aim is to develop a framework of how to conduct Cultural Due Diligence in cross-border M&As and to find out which factors should be analyzed at an early stage in order to reduce the risk of a cultural clash in the post-merger phase. In very general terms, this means that theory is developed based on collected data. The project, therefore, follows an inductive approach, which requires the collection of qualitative data.²⁰³ In order to answer the research question, I consider the case study to be the most suitable research strategy, which will be justified in the following paragraphs.

A case study is an empirical method that “focuses on understanding the dynamics present within single settings”²⁰⁴ and “investigates a contemporary phenomenon (the ‘case’) in depth and within its real-world context”²⁰⁵. Case studies can refer to different things such as an event, an individual, or an organization and focus on answering the questions 'how' and 'why'.²⁰⁶ Hence, case studies allow the identification of interrelations and interactions between a phenomenon and its context.

The case study as a research strategy is repeatedly subject to criticism in the literature. Robert Yin has defined four quality criteria for this type of research strategy, which consist

¹⁹⁹ Cf. Sandberg 2013, p. 33

²⁰⁰ Cf. Weis; Steinmetz 2012, p. 23

²⁰¹ Cf. Schwaiger et al. 2011, p. 421

²⁰² Cf. Meyer; Raffelt 2009, pp. 319-320

²⁰³ Cf. Saunders; Lewis; Thornhill 2009, pp. 124-127

²⁰⁴ Eisenhardt 1989, p. 534

²⁰⁵ Yin 2018, p. 15

²⁰⁶ Cf. Anderson 1998, p. 162

of construct validity, internal validity, external validity, and reliability.²⁰⁷ Particularly the aspect of external validity, in other words the generalizability, receives criticism often within the framework of qualitative research and, consequently, of case studies since the number of cases involved is small and not representative.²⁰⁸

However, this critique is counterbalanced by several advantages, which Flyvbjerg summarizes as follows:

- Depth;
- High conceptual validity;
- Understanding of context and process;
- Understanding of what causes a phenomenon, linking causes and outcomes;
- Fostering new hypotheses and new research questions.²⁰⁹

The topic of research and the underlying issue are complex and require an in-depth analysis to identify causalities, which is precisely what the case study as a research strategy aims at and which is the reason why I consider it to be most appropriate.

In this thesis, a single-case design is used. The selection of the case is information-oriented. According to Flyvbjerg, information-oriented selections tend to “maximize the utility of information from small samples and single cases. Cases are selected on the basis of expectations about their information content.”²¹⁰ The present 'case' is a medium-sized German company in a non-metropolitan region in South Germany, whose growth strategy also includes acquisitions outside Germany. There is some information available on cross-border acquisitions of large, DAX-listed companies. Medium-sized companies, however, also consider this type of external growth. Based on my assumption that such companies often have an ethnocentric view, the company described is intended to be the representative object of investigation.

3.2 Research Setting

To address my research question, I conducted semi-structured in-depth interviews at Germania South (a pseudonym), a medium-sized company located in Southern Germany, which is active in the manufacturing industry. The products of Germania South cannot only be found in Germany or Europe but worldwide thanks to their yearlong experience in exporting goods and subsidiaries across the globe. At the time of the data collection, Germania South employed approximately 6,000 people from nearly 40 nations. More than 60% of their employees were employed in countries other than Germany, including but not limited to France, Poland, Australia, and the United States. In the company, two cross-border acquisition cases have been identified where the intended synergy effects have not been achieved. In both cases, a thorough due diligence process was carried out regarding the so-called hard facts, such as financial and legal aspects. The result of these analyses were

²⁰⁷ Cf. Yin 2018, p. 42

²⁰⁸ Cf. Saunders; Lewis; Thornhill 2009, p. 335

²⁰⁹ Flyvbjerg 2011, p. 314

²¹⁰ Flyvbjerg 2011, p. 307

the basis for the decision to carry out the operations. This represents an incentive to examine the extent to which the corporate and national cultures have influenced the development of the economic situation. These two 'negative examples', one in Switzerland and one in the United States, are to be investigated primarily within the framework of semi-structured interviews to gain a fundamental understanding of the overall situation and to integrate properly the aspect of corporate culture and national culture into it.

Internationalization at Germania South

Germania South was founded in the 1920s in a non-metropolitan region in the South of Germany and has operated primarily on the German market in the first decades of the company's history. The opportunities that arose from the foundation of the European Economic Community enabled the company to operate internationally for the first time and export goods for example to France. The aspect of internationalization, which goes hand in hand with a growth in volume and long-term profitability, has become an essential element of Germania South's corporate strategy. Whereas internationalization was initially related to the export business, Germania South decided to undertake the first acquisition in the company's history in the 1970s. Within the next four decades, export competence was extended to various other countries and the foundation of subsidiaries in several European countries ensured the ongoing internationalization of the company.

This step towards internationalization and, above all, towards Foreign Direct Investment was necessary, since the company could not see any major growth potential in terms of volume or profitability in its traditional market, in which the competition was intense. The main argument in favor of Foreign Direct Investment was the fact that ownership entails complete control and that conflicts with local partners due to differing opinions, for example regarding strategic orientation, can be excluded from the outset.

The establishment of subsidiaries abroad has yielded promising results. The mix of local managers, who have been trained and for whose skills the development of interpersonal relationships has played an essential role, and the freedom and responsibility they have been given, has already led to positive results in just a few years. However, it was clear that due to local considerations, this type of market entry cannot be carried out in any country and that the access to already existing resources and distribution structures is a timesaving alternative to the foundation of a new subsidiary abroad. In the context of this type of market entry strategy, namely cross-border acquisitions, Germania South has gained experience over the last ten years, which has been contradictory to the original expectations of the acquisition activities.

At the end of 2000, the board members of Germania South decided to acquire an existing company in Switzerland, with which it already had a pre-existing relationship in the form of stakeholders. The motive for Germania South was to extend the competencies within the corporate group by expanding the product portfolio. Switzeria (a pseudonym) did not suffer from any financial difficulties. Still, the acquisition by a strong business partner with experience in exports was necessary to strengthen the market position and to enable the company to expand internationally. Just a few years later, it was clear that despite a stable financial situation and positive due diligence, neither the integration into the Germania South Group was successful nor that the desired acquisition targets had been achieved, which led to the

sell-off of Switzeria. While the latter can be explained partly by the fact that the expansion of the product portfolio has proven to be unprofitable, the reasons for the failed integration are still not clear.

In 2015, Germania South began to approach the American market, which holds promising growth opportunities for the company. After several months of trying to export goods from Germany directly, it became clear soon that due to the proximity to the market, but also due to the achievement of synergy effects, it was essential to find a company in the United States, which is suitable for acquisition. The first contact with the owners of Americcana (a pseudonym), who were selling the company for personal reasons rather than due to financial difficulties, was made in 2016. After one year of negotiations, Americcana was sold to Germania South at the year change 2016/2017 including the whole management. This was also the beginning of the integration phase into the Germania South corporate group. Three years after the acquisition of Americcana, which also included the management of the company, the decision-makers have to conclude that profitability reductions and operational difficulties instead of the hoped-for acquisition targets have resulted.

Germania South is well experienced and successful in setting up its subsidiaries abroad. As the due diligence in both described cases did not identify any 'Red Flags', I suspect that cultural differences, both in national and corporate culture, could play a decisive role in this development. As it turned out in the course of the interviews, in none of the acquisitions, the cultural aspect was analyzed in more detail or seen as a critical factor.

3.3 Data Collection

To find out to what extent the aspect of cultural incompatibility contributed to the failure of the two acquisitions, I conducted semi-structured interviews with six people at different hierarchical levels working at the Germania South corporate group. To strengthen the validity and furthermore eliminate bias, case studies often make use of various data sources, which is called triangulation.²¹¹ Besides the described semi-structured interviews, also other sources of information are included.

Semi-structured interviews

The decision to conduct semi-structured interviews is based on their high degree of flexibility in comparison to structured interviews. This flexibility allowed me to structure the interviews according to the situation and the flow of information, while covering the same areas of data collection in all interviews. The reason for this is that semi-structured interviews are based on a list of questions or subject areas to be covered, but the order of these questions can be adapted to the individual course of the interview.²¹² Furthermore, semi-structured interviews are not limited to the predefined questions, but can be extended if certain topics arise during the interview that are important for answering the research question.²¹³ This flexibility is advantageous also because it makes the interview more similar to a natural conversation

²¹¹ Cf. Anderson 1998, p. 168

²¹² Cf. Saunders; Lewis; Thornhill 2009, p. 320

²¹³ Cf. Saunders; Lewis; Thornhill 2009, p. 320

than it is the case with the exclusive collection of information through a predefined and unchangeable order of questions. The questionnaire hereby serves as an instrument to increase the comparability of the data collected and to structure the survey.²¹⁴

I interviewed six people, of whom two were women and four were men. All of the interview partners were involved in the acquisition processes of Switzerland and Americana. Six of them are either managers or executives at the headquarters in Germany; one interview partner is an expatriate who moved from Germany to the United States in 2017 and works for the American subsidiary.

To obtain a wide range of opinions, the pool of interviewees comprised people of different hierarchical levels in the corporate group:

- Area Manager of Finance / Projects (GER);
- Area Manager of New Business Development (GER);
- Vice President of Sales (U.S.);
- Chairman of the Board (GER);
- Member of the Supervisory Board (GER);
- Chairman of the Supervisory Board (GER).

Since all of the interviewees are German native speakers, the interviews were conducted in German. Each interview averaged about 80 minutes and was conducted online via Microsoft Teams Video Call. After obtaining the permission of all interview partners, the interviews were digitally recorded and transcribed in German. For the transcription, the transcription system of Kuckartz et al. was used.²¹⁵ The six interviews took place within 1.5 weeks. Special care was taken to ensure that a maximum of one interview per day took place. The reason for this is that I had sufficient time after each interview to transcribe and identify emerging themes, which was helpful to focus my continuing data collection efforts.

The interviews were all conducted following the principles of research ethics.²¹⁶ At the time of the invitation, as well as just before the start of the interview, the interviewees were sufficiently informed both in writing and personally about the reason for the investigation and the objective pursued. They were also made aware that participation in the interview is voluntary and can be terminated at any time without giving reasons. In order to protect the interview participants and the sensitive company-related data, the interviews were made anonymous by using pseudonyms for persons and company names; company measures were rounded up. All participants agreed to a video recording of the interviews to transcribe them, which has increased the transparency and reliability.

Documents

Documents are, amongst others, any types of reports of events, internal records and news clippings. They are used to corroborate and augment information that is obtained from other sources.²¹⁷

²¹⁴ Cf. Mayer 2013, p. 37

²¹⁵ Cf. Kuckartz et al. 2008, pp. 27-28

²¹⁶ Cf. Strübing 2018, pp. 222-226

²¹⁷ Cf. Yin 2018, p. 115

In order to gain a fundamental knowledge about both the companies involved and the acquisitions, I conducted online research, which included the websites of the companies, but also newspaper articles about the acquisitions. In these newspaper articles, different quotations of the decision-makers regarding the reasons for the acquisitions, but also about promising cultural overlaps, for example with regard to a common vision and business philosophy, are stated. These newspaper articles were used to confront precisely these decision-makers to ask them for their opinion from a retrospective view.

3.4 Data Analysis

The qualitative content analysis attempts to structure and summarize information from large amounts of text and present the key findings. The basis for the analysis are transcribed interviews, which are abstracted in the form of categories or themes during the analysis.²¹⁸

In the content-structuring approach, aspects of contents are identified and conceptualized directly from the material; this means that there are no predefined categories based on which the text is analyzed. The material is then described systematically with regard to precisely these aspects, which also form the structure of the category system.²¹⁹

The qualitative analysis is characterized by an iterative set of processes. This requires a multiple, even loop-like examination of the text material in order to identify new questions and connections, but also to understand the material in its depth.²²⁰ Using the qualitative research software MaxQDA, I followed various steps of coding, which are suggested by the University of Southampton.²²¹ Within the framework of open coding, the individual chunks of data, which were sentences or entire paragraphs of an interview that attracted my attention with regard to the research question, were summarized with keywords. After editing the entire text, a list of all codes was created with the aim to identify similar and unnecessary codes and thus reduce the long list of codes by summarization. In the second step, the closed coding, the focus was on identifying superior categories for the list of open codes. The sub-codes were narrowed down to overarching themes or categories that group the open codes. With the idea of direct comparison, this step was carried out after each interview, which made it possible to identify new aspects that were not addressed in the previous interview.

In the results section, I show in a descriptive way, which aspects of the incompatibility of the national and organizational culture were identified in the present case and thus had an impact on the post-merger phase. One striking aspect is the strong focus on the acquisition of the American company, which is caused by the high interest in this subsidiary on the side of the management. While the Swiss subsidiary was sold off several years ago, new integration attempts are currently being made in the case of Americcana.

²¹⁸ Cf. Erlingsson; Brysiewicz 2017, p. 94

²¹⁹ Cf. Schreier 2014, p. 5

²²⁰ Cf. Frechtling; Metzger Sharp 1997, p. 4/2

²²¹ Cf. Southampton Education School 2012

As „science is a process in which data and theory interact leading to generalized explanations of disparate types of phenomena“ ²²², I went back and forth between analyzing the data and theory to make sense of the various emerging themes. In the subsequent discussion, the knowledge gained within the case study is compared and combined with the existing literature in this special field of research in order to create a general framework of how to conduct Cultural Due Diligence in cross-border M&As.

²²² Bass; Wind 1995, p. G1

4. Results

The purpose of this chapter is to present the results of the case study in a descriptive form. Within the framework of the semi-structured interviews, the cultural factors that have proven to have an influence on the post-merger phase are described. I classified the results of the study into two broad categories: aspects that can be directly attributed to the national culture and aspects that reflect the corporate culture. The category structure is supported by many statements of the interview partners. For the argumentative support of my findings, however, I only selected specific statements.

A foreword is necessary before identifying the cultural aspects that are of importance in the context of cross-border M&As. The reason for this is that I have found in the course of the investigation that Cultural Due Diligence is not only about the need to examine certain cultural aspects, but that it is a process, which also requires some up- and downstream processes.

For companies that want to grow through an acquisition, advance planning is of great importance, whereas this planning must cover various areas. This means that the acquiring company must be clear about what the final cultural status should be (see Chapter 2.2.3). It is important here, as will be shown in the further course of the chapter, that country-specific characteristics should be taken into account. Even in an acquisition where the aim is that the acquired company absorbs the organizational culture of the acquirer, national differences should be considered, which might lead to a localized version of the corporate culture.

"It's not about saying that everything has to be like Germania South and that it has to be identical. But at least to bring the cultures closer together in such a way that there is a common basis, which is strong enough to support all the professional aspects."

(Interview 4, Pos. 54)

Cultural differences do not represent a *"fundamental obstacle"* nor a *"fundamental problem"* (Interview 4, Pos. 54) for a professional and successful cooperation according to the interview partners. Nevertheless, these differences need to be identified as they are reflected in different situations. Building on the information gathered in the due diligence process, the synergies and differences must be highlighted by comparing the cultural profiles of the acquiring and the acquired company.

"[...] work out clearly and define what cultural differences exist? And this on both levels that we have discussed: country-specific as well as company-cultural. And what are our wishes and objectives in the integration process and what concrete measures do we want to use to achieve this?" (Interview 4, Pos. 68)

It is important to discuss which differences are acceptable and where issues need to be addressed during the integration phase through change management and an appropriate strategy.

Such a process requires people who have a certain sensitivity and empathy, which allows them to judge things not only based on facts and figures. Based on their interpersonal skills, the Cultural Due Diligence can also be carried out by people who conduct other due diligence tasks.

“And then I would also say that one should look at the team members, the people involved who make the M&A decision or who already work out the recommendation. The factor ‘understanding of cultural differences’ and the empathy between people, are not well enough developed at the moment.” (Interview 4, Pos. 68)

4.1 National Culture

Because of the specific nature of cross-border M&As, where not only different corporate cultures, but also different national cultures meet, the interviewees were explicitly asked about noticeable and observed differences concerning the national culture in the country where the acquisition object is located. It should be emphasized here that these observed differences were not only named at the time of the questioning itself, but that comments on the country and its people were made throughout the interview. Three major sub-areas, which are to be considered separately, but are not entirely independent from each other, emerged when it is about the aspects that are in direct relation to the national culture. These are:

- Politics & History;
- Communication;
- National Characteristics.

What is important in answering the question resulting from the title of this thesis is that all interviewees recognize retrospectively that there are differences in both national and organizational culture that should be considered in a cross-border M&A. As in literature, the respondents state that the national culture has a direct influence on the corporate culture, since the respective national culture shapes the people working in a company.²²³

“[...] , where there are differences both professionally in terms of corporate culture and the general culture, which are essential and perhaps not always obvious, and thus can lead to misunderstandings in business processes as well as in interpersonal relationships, which can lead to problems in the end.” (Interview 4, Pos. 2)

4.1.1 Politics & History

The interviews suggest that the history of a country as well as the local political circumstances have an impact on the culture of a nation and, thus, directly on the inhabitants and

²²³ Cf. Warter; Warter 2015, p. 69

their behavior in an interpersonal and professional context. With respect to politics, it concerns the structure of the system in a country in general, which is reflected in the structure and decision-making process within companies and the behavior of the people. According to one interviewee, for example, the „*isolationist policy*“ (Interview 2, Pos. 81) in Switzerland is reflected in certain traits and attitudes of the Swiss. French centralism and German federalism are also contrasted with each other and compared with the structure and the decision-making process in companies. Beyond this, I identified that there are national legislations that affect individuals or, in specific cases, employees in their behavior as an influencing factor. For the M&A process, this refers to the possible establishment of contact with employees in the target company: in many cases, there is no possibility to have access to the personnel for qualitative interviews in order to get a feeling for the corporate culture of the target company until the contract or the letter of intent is signed. In those cases where there is the possibility, both before and after the signing of the deal, the employment law in the respective country can hinder the candor of the employees.

“[...] in addition also the American labor right, which is very limited, which means everyone must also, had to be afraid in the past, that he would lose his job the next day, if he said something wrong, which Jim Johnsson does not like. All these things must be considered. Also, in that in the openness, how employees would then also appear in such discussions.”
(Interview 4, Pos. 34)

To be familiar with the history of a country is tantamount to understanding certain behavior of the people living there. To give an example, the reason behind the “*extremely enthusiastic*” (Interview 2, Pos. 60) behavior and “*the extreme superficial openness*” (Interview 4, Pos. 60) of the people in America is justified by the countries’ history, which is influenced by the mixed population and the need to get along with each other.

4.1.2 Communication

Based on the findings, communication is divided into the *language*, which refers to barriers due to different national languages and the *interpretation* of the spoken word.

4.1.2.1 Language

When it comes to the national language, the communication gap, which is caused by wrong translations or unfamiliar abbreviations, is a major hurdle in the exchange between the meeting cultures in which a different national language is spoken.

“So I think it is very difficult to communicate with Americans, because they use a lot of idioms that you can't translate 1:1 [...], they have a completely different meaning than if you translate them 1:1.” (Interview 1, Pos. 40)

“Well, the spoken word is one thing, I think we have some pronunciation and comprehension problems with some colleagues, but that's not really the main issue. It was rather the topic on the one hand that the Americans like to speak in abbreviations.” (Interview 2, Pos. 30)

The free translation of ideas or statements into another language can only happen to a certain point, which is caused, among other things, by the fact that certain expressions do not exist in other languages. Having learned the national language and thus being supposed to speak it does not necessarily mean that the local people can be understood well. Apart from the national language, there are regional particularities such as words, which are in use only in certain countries or even parts of the countries.

“Yeah, well... and with the Swiss. Well, it starts with "Traktanden" and "Pendenzen" [...]. Those were words you had to learn when dealing with the Swiss.” (Interview 2, Pos. 71)

I found out that a common mother tongue is considered as a measure of a common culture or an indicator for cultural proximity. However, even if there seems to be cultural proximity due to the same language, it turns out to be no guarantor for a common culture, as culture is not only formed by language but a lot of other aspects.

“What happened in Switzerland, from my point of view, was, on the one hand, the mistake of thinking that we all speak German. So this is a classic cultural misunderstanding, that the Swiss, even though they speak German, have a completely different way of thinking.” (Interview 2, Pos. 24)

“And I think we took the issue of cross-national culture too easily because there was no language barrier. [...] And I think it was simply said that they speak German like we do, so they are like we are, more or less.” (Interview 5, Pos. 16)

“Uli has understood the [Russian] culture very well because he also speaks the language [...]. (Interview 1, Pos. 72)

4.1.2.2 Interpretation

The interpretation and consistency of the spoken word represent a major challenge in the international context. Cultural differences are particularly important here because there are significant differences between being able to speak a language, which means to understand it verbally, as well as to understand the underlying meaning of the spoken word. One interview partner was once confronted by a professor, who said that *“Germans in the USA are often badly received because they are simply too direct”* (Interview 5, Pos. 69), which may seem brusque in some cultures - other cultures, on the contrary, are very careful about their choice of words. As a result, misunderstandings between cultures may arise because the spoken word does not correspond with what is really meant. It is shown that the communication and the understanding or interpretation of information differs from country to country. This is reflected in many ways, for example when it comes to direct or indirect expressions. In some cultures, negatives are rather implied than saying them out loud; on the other hand, this can cause misunderstandings due to the interpretation of the counterpart of another culture.

"If you show me something and I like it, then I say "Oh yes, this is a new idea", then I say "That's interesting". If I talk to a Polish man in English about something I like, then I can say "Oh, it's interesting". When the American says "Oh, it's interesting", when you show him a new product, you know what that means: "don't bother me with that shit." (Interview 1, Pos. 80)

"[...] if you are, I don't know, in the USA for a limited time or are just coming over there, that you are just not able to read between the lines. (Interview 1, Pos. 82)

Especially in relation to the American culture, the interviewees identified significant cultural differences, which turned out to cause serious problems in the later stages. When it comes to the interpretation of the spoken word, its consistency is also often noted as an issue in the interviews.

"We always think of America, which in principle, is already our world. That's just not the case. [...] I mean I have a lot to do with America and I know they talk a lot, but when it comes to the execution, then it is connected with a completely different commitment, a lower commitment, than when we assure this." (Interview 6, Pos. 18)

"On the contrary, the typical German is probably much more reserved in the first contact, in the inter-human relations, especially with strangers. On the other hand, however, certainly more committed in terms of arrangements and commitments" (Interview 4, Pos. 60)

Misunderstandings based on communication problems or different interpretations of the spoken word can have a strong negative influence on the post-merger phase. This includes discrepancies in aspects such as the consistency of the spoken word or commitment, which can lead to a loss of trust and disputes.

4.1.3 National Characteristics

Particularly in the case of cross-border projects, it is necessary to recognize that the people who live in a country differ from other cultures in terms of their behavior and ways of thinking and that these are aspects that are not easy to change.

"But I think the crucial point here was that nobody thought about the fact that it could be a different culture than ours." (Interview 5, Pos. 24)

"Something like that has simply not been taken into account. I think that the Swiss do not want to be alienated, that they are not, that they are simply no Germans." (Interview 5, Pos. 16)

Differences in behavior become especially then apparent when being in direct contact with other cultures with other habits, whereas interactions with people of another nation cause humans to transfer quickly the gained impressions to a whole group. Country-specific characteristics were pointed out regularly throughout the interviews, without reference to the

directly related frame. The cultures are often used to justify differences in behavior, interpersonal relationships and company-related aspects. What is striking here is that when it comes to describing cultural characteristics, primarily negative traits are emphasized. The table below gives an overview of the various statements, which were made about the American and Swiss culture.

United States	Switzerland
<p>But I haven't experienced this strong self-confidence of the Americans in Eastern Europe or with other mentalities. I'll say it in a nutshell and exaggeratedly: they consider themselves to be the world's greatest, yes. (Interview 1, Pos. 66)</p> <p>For us Germans, the Americans always appear incredibly yes... handsome, friendly, nice, yes as 'nice guy'. It's facade. (Interview 1, Pos. 16)</p> <p>And with the Americans, and here we are back to the culture, with their national pride. (Interview 2, Pos. 10)</p> <p>So there is this, this urge for freedom of the American comes through very strongly. This self-made man. (Interview 2, Pos. 26)</p> <p>The Americans are extremely emotional, enthusiastic, extremely enthusiastic... for five seconds. (Interview 2, Pos. 60)</p> <p>USA you first have to get used to it - often, to really understand euphoric statements [...]. So, what is the USA factor, so to speak, and where is the enthusiasm really big. (Interview 3, Pos. 56)</p> <p>Typically, American is for sure the extreme superficial openness in the interpersonal sphere, which however takes place in business in the same way, so very, very open, little reserved, very extroverted [...]. The American, but also very, very noncommittal yes. (Interview 4, Pos. 60)</p> <p>I think in many cases the value culture is missing. People are, so to speak, very short-term oriented. (Interview 6, Pos. 30)</p>	<p>Some of them have inferiority complexes, but they don't admit it openly. (Interview 1, Pos. 84)</p> <p>And at some point, the manager retreated into his snail shell. That's specific to Switzerland, and he started making his own soup. (Interview 2, Pos. 24)</p> <p>Yes, and then the Swiss are, you wouldn't believe it, the Swiss people have an incredible need for harmony and are democratic. (Interview 2, Pos. 75)</p> <p>Self-confidence, arrogance, Swiss "We are us", a little stuck-up. (Interview 3, Pos. 10)</p> <p>And this was something we had to get used to, they were speaking really slowly. (Interview 3, Pos. 16)</p> <p>[...] extremely fragmented, slowly. (Interview 5, Pos. 16)</p> <p>But I also got the impression that things are a bit more comfortable there, that it's partly more formal. Well, it is not, let's say the great dynamics in it. (Interview 6, Pos. 30)</p>

Table 6: National characteristics in the United States and Switzerland according to the managers at Germania South. Own Table.

The interviews reveal a variety of character traits that distinguish the culture of the interviewees from others, in the respective case from Americans and Swiss people. The interview partners, however, also stress the behavior in their culture and contrast it with the others.

“We're more honest on this, yes. We're much more honest and transparent, and Americans are by far not the same.” (Interview 1, Pos. 16)

The contrasting of positive aspects of one's own culture in comparison to the negative equivalent in the other culture indicates an ethnocentric view, which can constitute an obstacle in the cooperation with people or, more specific, business partners in another country.

4.2 Corporate Culture

4.2.1 Leadership Style & Management

The importance of analyzing the two aspects leadership style and decision making at an early stage is reflected in the case of Germania South and the acquisitions of Americcana and Switzeria.

4.2.1.1 Leadership Style

I found out that there is an overlap between the leadership style and the values and business philosophy in a company, as leaders appear as people with authority, set the rules for the system and therefore have a decisive influence on the corporate culture.

The leadership style in the case study differed from company to company and, as a result of this, between the countries. The case study shows that the acquisition of a company, including senior management, makes a negative contribution if the leadership style in the acquiring and acquired company differ significantly from each other. In the case of the acquisition of Americcana, all respondents agree that the takeover of the former owner and CEO of the company, who was a strong leader and whose management style was *“very dominant, patriarchal”* (Interview 4, Pos. 28) led to unexpected difficulties in the further course. Almost all of the involved managers felt that retaining the CEO of the American subsidiary is important for the success of the company, which is justified by his knowledge and the understanding of the company, processes and customers.

In the case of an acquisition, which also includes management, the potential danger lies especially in the limited willingness of the management to change to new structures or processes (see also chapter 4.2.2.3).

“[...] never had the intention to live and adopt the Germania South culture. [...] Jim Johnsson in the USA probably never had the ambition to be someone of Germania South or to really understand his company as part of Germania South.” (Interview 4, Pos. 54)

Due to the large influence of managers on the corporate culture and thus on different dimensions, the decision to keep the former management or to even keep a former owner as the company's CEO is a key issue in this kind of process.

*“But what, what is also a key and core to the problem in my opinion, maybe, maybe even the key point of the problem, is that it didn't work out between Jim and Germania South.”
(Interview 4, Pos. 24)*

“Of course I cannot prescribe culture, it has to develop. But that makes it even more important that especially executives must set an example of what is desired, the goal, the culture that is desired. Otherwise nothing will ever change. (Interview 4, Pos. 54)

I was able to find out, as described above, that leaders have an impact on many other areas of the company. They, for instance, determine with their specific leadership style how employees carry out their tasks, how hierarchies are lived in the company, but also how employees are seen.

“It was clear that he is the powerful leader and that all essential statements and decisions are made by him personally. And the team members kind of make statements and speak when they are asked more or less.” (Interview 4, Pos. 18)

“If you no longer need an employee, then you simply look for another one. And this idea of promoting employees in the long term, so that they stay with you for the long term and can take over more important tasks later on, was something they didn't think about at all.” (Interview 5, Pos. 75)

4.2.1.2 Decision-making

How decisions are made in the company, including who makes the decision and who is involved in the decision-making process, is closely related to the management style. In the case of very patriarchal and strong leaders, the present case of the acquired American company reflects that the decision-making power lies solely with the senior management and all other members of the organization are executors.

The difference between sole decision-makers on the one hand and delegation of tasks and decision-making authority to different levels on the other hand means that the priority and focus on certain issues is unbalanced between companies in the circle of senior management.

“[...] but at the end of the day actually every slightly important decision was handed over to Jim Johnsson's CEO desk. (Interview 4, Pos. 28)

“[...] the whole organization at Americcana is just not designed to make people work independently, to work target-oriented, but they always focus on what the GM says, what does my boss say, yes.” (Interview 1, Pos. 72)

During the investigation, I was able to find out that changes of this aspect can lead to a cultural clash among the employees in the acquired company. When two different styles come together and employees are required to take responsibility for themselves or are given decision-making authority, this can lead to uncertainty and stress. However, this is not only

due to the lack of experience in dealing with such a situation, but also because in an acquisition where the management is taken over, habit and, at the same time, awe of the reaction of the already known manager are apparent.

“This was the problem in the end, Ms. Weber, when Germania South had more and more influence, people were caught between two stools. [...] ,the Germania South thing sounds logical, it sounds like it would solve my problem, yes. But what does Jim say? It's not that what... they were... they were caught between two stools, they were torn. Am I going to keep doing the way we've been doing it with Jim for the last 20 years or 10 years or am I going to listen to Germania South.” (Interview 1, Pos. 86)

4.2.2 Values & Business Philosophy

The lived values and the business philosophy are a central point in the evaluation of the corporate culture. In the context of the case study, this area could be divided into three main aspects: recognition of employees, work practice, and tradition and change.

4.2.2.1 Recognition of Employees

I was able to find out that the way employees are perceived and valued differs from one company to another. As in other areas, it is also possible to draw conclusions about the management style and employee retention in the acquired company. Irrespective of the position a person holds in the company, the German parent company believes that every employee contributes to the value chain. The appreciation of each employee is an essential part of the value culture of Germania South.

“Well, I believe that at Germania South, we appreciate the individual employee much more, from the individual to the employee on the production line, who is also promoted [...].“ (Interview 2, Pos. 64)

On the contrary, employees of the American subsidiary were regarded as a quickly replaceable means to an end.

“When you no longer need an employee, then you just search for another one.“ (Interview 5, Pos. 75)

In this context, it is not just a matter of drawing conclusions about corporate cultures, but that also these differences can be led back the national culture.

“Then of course also, and this is for sure not a difference between Germania South and Americcana, but between Germany and the USA, how to deal with employees.” (Interview 4, Pos. 64)

The positive response of the employees towards the new form of appreciation indicates that recognition is an international need but is exercised in different ways in each country and therefore each culture.

"[...] but the way we communicate, the way we involve people, the way we value people, this also finds a lot of resonance and favor." (Interview 3, Pos. 52)

4.2.2.2 Work Practices

With regard to the aspect of work practices, which in this context refers to the differentiation between a trust and a command & control culture, I was able to identify significant differences between the acquiring company in Germany and the acquisition objects. As in the previously investigated areas of corporate culture, it is again possible to draw strong conclusions about the manager, whose character traits and leadership airs strongly influence the different aspects of the organizational culture. While the managers of the acquiring company in one country demand open communication, feedback, transfer of responsibility, and initiative, the acquired American company has a command and control culture dictated by the patriarchal manager. This makes it difficult for employees to provide constructive feedback and suggestions for change, based on the prevailing labor laws, among other things.

"No communication, no feedback on the contrary. Instead the fear that if I say something wrong, I might lose my job. [...] But really someone [Jim Johnsson] who has his ideas and his vision of his company before the acquisition and expects that this will be implemented without being challenged, questioned, or even contradicted." (Interview 4, Pos. 38)

"Of course, it is also a culture that was not at all characterized by delegation [...], but it is actually the case that Jim here, it is more of a Command & Control organization. Whereas at Germania South [...] we now have a participative organization [...], in which the responsibilities are delegated to the employees, who [...] also have responsibilities and live up to these responsibilities." (Interview 6, Pos. 28)

The cultures show differences with regard to the cultural dimension 'individualism', which can be seen in the fact that the tendency of the manager in America is very much driven towards self-development and reaping success, whereas in the case of the German parent company, besides success, a very strongly relationship-oriented culture emerges. Individualism is a cultural dimension that is driven by the national culture within a country, which again indicates that the executive and all related elements of corporate culture are very much subject to country-specific characteristics. Likewise, it is possible to draw a conclusion about the hierarchy-driven character of the respective country (see chapter 4.2.3.2), which implies that work practices are also subject to the influence of national culture.

4.2.2.3 Tradition & Change

All three companies are traditional companies that were established several decades ago. Their tradition and way of doing things has made them become what they were at the time of the acquisition: major players in their respective markets. Although tradition unites all three companies, the recognizable differences also cause difficulties in terms of compatibility, which is related to the willingness to change.

“Switzerland... traditional, organized, partly in the sense of stiff, inflexible... good question. I cannot get it together right now... stubborn!” (Interview 2, Pos. 36)

“Well, they [at Americcana] are quite open to listen to things, but at the same time they say “Yes, but we have always done all this before somehow” and if you really don't stop to put something into practice, it will be forgotten by tomorrow.” (Interview 2, Pos. 38)

The weaknesses are not exclusively identified in the acquired companies located in other cultures; also the Germania South culture is identified to be quite stiff. Not because everything has always been done the same way and should not be changed, but because the company is convinced of its practices and values. Again, next to the stiffness of a corporate culture, ethnocentrism constitutes an obstacle in cross-border M&As.

“I say basically, we think that we are very, very professional and very well set-up, especially in the area of operations and everything that has to do with plants. [...] The question is when a new child comes into the family, who does not know this, how do I explain these things without completely putting it on?” (Interview 4, Pos. 64)

“That it was difficult to apply because it was simply not accepted by Jim Johnsson. And he felt, or at least he didn't integrate himself in such a way that he wanted to be a part of Germania South, and that's why of course, let's say, various things that were actually expected to happen in the course of the post-integration simply didn't happen.” (Interview 6, Pos. 14)

The described integration difficulties are not exclusively due to a lack of willingness to change, but also to an admission on the part of the former owner that the way things have been practiced over the last decades has not been as good as thought. This again leads to the key question if existing managers should be kept. The resistance to changes makes it difficult for the acquiring company to achieve the desired transparency and adaptation to the structure within the corporate group. Just as in the other areas, the management level plays a decisive and pioneering role here, as this level determines the culture and the direction of the organization's members. However, these insights also make clear that an M&A project requires a clear definition of the degree of cultural integration that should be carried out at an earliest possible stage to avoid misunderstandings in the post-merger phase and to already get a feeling if the managers to be acquired are willing to accept these partly drastic changes.

“So we should have said “Okay, now, now, now let's make a clear concept of how we are going to achieve this [...] as soon as possible.” And this didn't happen. We could have picked

him up right there. At the end of the day, maybe nothing else would have happened, but we would have got a clearer picture a lot sooner." (Interview 6, Pos. 32)

"This means that if I actually want it to be my company 1 by 1, then I unfortunately also have to replace the entire management, because only then can I expect that it is people who understand and immediately implement this. [...]." (Interview 4, Pos. 64)

On the part of Germania South, it was clear, but not clearly communicated, that the acquired companies in Switzerland and the United States are to adopt the structures and parts of the culture of the German parent company. Here, the aspect of communication plays a decisive role, as the lack of communication causes delays or even failed acculturation in the post-merger phase. Furthermore, there was also a significant gap in the area of post-merger integration, as a clearly defined integration plan with timings and tasks was not established or developed in neither of the two acquisitions.

4.2.3 Infrastructure

During the interviews, there was also a lot of discussion about the organizational structure and the cooperation within the companies. Here, the two subareas transparency & cooperation and hierarchies were assigned to the superordinate area infrastructure.

4.2.3.1 Transparency & Cooperation

Literature and a variety of studies reveal that transparency is becoming increasingly important in organizations and contributes decisively to employee performance and, thus, to the success of the company.²²⁴ Next to cascading transparency and communication on the side of the upper management, the exchange between the employees of a department, across the departments, and the different sites is of great importance at Germania South. Transparency and communication are decisive factors in their corporate culture, as all departments and functions are linked to up- and/or downstream processes.

While the cooperation at Switzeria proved to be unproblematic, striking weaknesses were identified at Americcana after the acquisition, which in part were again related to the CEO's leadership mentality. Neither cooperation nor an exchange between the interfaces have existed. Instead of working together and building mutual understanding, working in silos was encouraged, so that only the CEO could see the big picture of the company and understand business processes and coherences. The lack of understanding about what is done in other departments or how the departments operate causes a large lack of knowledge, which makes it impossible in M&As to optimize processes.

"He had a company that really worked in silos, where they knew very little about each other, very little, and he didn't promote that either, under the motto, it only costs money when people from the accounting department fly to the plant - what would they want there? But that this

²²⁴ Cf. Berggren; Bernshiteyn 2007, p. 416-417

would have increased the understanding for each other, as we do, as it happened at Germania South and investing there, this was not part of his world.” (Interview 3, Pos. 28)

“From my point of view, he knew how the single threads in the company are connected, but he made sure that this knowledge and these, these, these interlinkages in the company do not even go down one level.” (Interview 2, Pos. 12)

Proper and successful communication has a positive effect on the employees' work performance and the success of the organization. Building interpersonal trust promotes open communication in general, but also with regard to the exchange of ideas. Precisely in the case of the American subsidiary Americcana, the openness to transparency probably had primarily to do with the manager. However, transparency does not only play an important role in interpersonal relations but is also of great importance in the area of data processing, as it allows to understand how the company performs. At Germania South, all operations are very process-oriented and controlled by systems, so that transparency can be guaranteed along the entire value-added chain. Particularly in the area of controlling, at Americcana it was found that precisely these processes and systems to ensure transparency were not in place.

“Then there is the subject of monitoring, we close deals that probably cannot make any money from the outset, but we don't know because we have no transparency at all. There is a complete lack of mutual understanding and so on and so forth.” (Interview 3, Pos. 50)

“We had, well, the company has no transparency with the financials. This became apparent very soon.” (Interview 6, Pos. 8)

The transparency with regard to the figures was a critical weakness, however, Germania South's own competence was considered to be so strong that changes in the system of the acquisition object can be carried out at short notice. However, these differences cannot be attributed solely to the lack of technology, but also have to do with the different management mentalities.

4.2.3.2 Organizational Structure & Hierarchies

Germania South has a group-wide functional structure in which decisions are made on a decentralized basis. Short decision-making channels and the transfer of the decision-making authority to the different levels are important aspects here. Despite what they claim to be flat hierarchies, the organization chart shows a large number of different hierarchical levels, from the board of directors, to the managing directors, divisional managers and heads of department. It is striking that they have established a similar or even identical structure in its subsidiaries and the same group-wide guidelines regarding leadership and cooperation. Americcana, on the contrary, is a very small organization without clearly defined management hierarchies. The former CEO was the sole decision-maker and had only a few middlemen. There are no heads of departments who co-ordinate with each other in regularly scheduled meetings. Hence, the organizational structure in both companies differs

fundamentally, which causes a lack of mutual understanding in several situations, but also complicates decision-making with regard to aspects affecting both companies.

“What we did, of course, is that of course it usually goes in cascades top-down...that we say we have the first and second tier of leadership that we address, that we involve very closely. At Americcana, we had the problem with the first and second tiers which were already very thin by nature and had relatively few competencies, so there was not much we could integrate.” (Interview 2, Pos. 42)

“Let’s say, there (at Americcana) are ants and kings.” (Interview 2, Pos. 64)

“Now there, it was also a family business, yes. However, it was managed in a rather short-sleeved way, so there were no structures, there were no policies, and I am going to say that there were no procedures either.” (Interview 6, Pos. 16)

The organizational structure within a company provides information about its form that is how different departments or persons are connected and work together as well as how information is shared, and decision-making is handled. The structure of an organization thus also reveals the relationship of authority between its members, which in turn has an influence on the behavior of individuals as well as how they interact with one another. In the present case, the not transparently communicated intention of the acquiring company was that the structures, decision-making and communication in the acquired company should be adapted to the parent company accordingly. However, this harmonization or conversion turned out to be more difficult than originally thought, since the managing director's conviction of his own structure contradicted the whole.

“We actually had the issue of second and third tier leaders, we really underestimated how difficult it will be to change this leadership mentality and these leadership practices.” (Interview 2, Pos. 16)

The differences in the organizational structure, however, are not solely attributable to the personal preferences of the manager but can be traced back to an entire culture.

“Exactly, very hierarchy-driven, that is for sure also an issue in the USA. People always think that everything is so flat and dynamic, forget it all. It's really hierarchy-driven in America.” (Interview 2, Pos. 14)

The differences in organizational structures between the acquiring and acquired company and its impact on the integration are partially identifiable at an early stage. Such differences become relevant when decisions such as those relating to the harmonization of organizational systems, such as ERP systems, are pending.

“Well, at the beginning we didn't intend to turn everything upside down here, but rather according to the method, yes, we have to create transparency, of course we have to make sure that certain systems are also adopted by Americcana and work in the same way as at Germania South, especially in the financial area.” (Interview 1, Pos. 54)

"[...] they are simply not in a position to implement this or that the head of accounting even showed complete resistance to it and at the same time the results went through the floor. So and then the roof was on fire." (Interview 2, Pos. 46)

If different decision-makers are involved in the companies, in one case specialized employees from the respective departments and in the other case the CEO alone, it might lead to a clash of authority. Furthermore, extensive discussions cause frustration and at the same time impair the realization of synergy effects and other outcomes.

4.2.4 Success Factors & Performance Indicators

The definition of critical success factors or financial objectives should match in both companies, the acquiring and the acquired one. If this is not the case, it may result in a strategic gridlock in the later course, which can lead to time-consuming discussions.

4.2.4.1 Financial Objectives

For some years now, the Germania South Group is using the contribution margin as key performance indicator. The positive development of this, in combination with the overall growth, is part of the group's primary financial objective of profitable growth. A central factor here is not the short-term result, but value creation and sustainable increase in value. While for Germania South financial measures are in the foreground, at Americcana non-financial measures, more precisely volume growth, were the only indicator, until the CEO left the company several months ago.

"He kept throwing numbers around, but they had no contribution margins, the sellers had no orientation what a reasonable selling price is, what a bad selling price is. They always had one mission: get the business." (Interview 3, Pos. 32)

"Pure volume growth, yes. He did not have any key performance indicators. For him, it was basically all about volume, and we look at the quality of the growth and not the sheer growth." (Interview 6, Pos. 26)

The orientation towards volume growth is also reflected in the reward system at Americcana, which is purely related to the number of new orders.

"[...] so people got paid, so the salespeople now, according to how many new contracts they got. That's why they didn't care if they lost customers because with the existing customers they didn't get any more bonuses. I think that's really typically American and that was really out of the question for us." (Interview 5, Pos. 50)

As a result, there was no common understanding between the two companies about the medium and long-term objectives of the company, which led exactly to the situation described at the beginning of this chapter: long discussions, which negatively impact the anticipated synergy effects.

“The problem is, of course, if you talk about key performance indicators and have no common understanding of them, it is difficult to find something to talk about. So as I said, when Jim Johnsson talks about growth, which means volume growth, and we talk about contribution margins, it just doesn't really fit together.” (Interview 2, Pos. 48)

Besides the objective of volume growth at Americcana, cost reduction has played an important role in both acquired companies. However, this was not in the sustainable sense of optimizing processes and thus saving costs in the long term, but rather in the short term to keep up the result.

“So, he [the CEO at Switzeria] tried to reduce the costs everywhere, but that ended up with cleaning the toilets only every third or fourth day [...]. Cost consciousness is good, but the question is what really has an effect and what doesn't.” (Interview 3, Pos. 22)

“When we said that we need additional people who plan things sensibly, who monitor this carefully, who make sure that no packaging material is missing in the production process, so that machines have to be shifted all the time, you need 1, 2, 3 more people to take care of it - “These are only fixed costs”.” (Interview 3, Pos. 22)

It is evident that there are big differences in the cultural dimension ‘effectiveness’. While Germania South focuses on *how* tasks are carried out, the companies acquired tend to pay more attention to *what* tasks are carried out. Furthermore, it is shown that the key indicators differ significantly from each other, even if it is about companies operating in the same industry.

4.2.4.2 Customer Orientation

“Both talked about the same goals and used the same terminology, but the expectations and the realistic standard behind it at that time were probably extremely divergent, which in my opinion nobody saw at that time, both sides did not.” (Interview 4, Pos. 16)

At Germania South, customer orientation is at the center of everything they do. Here, customer orientation is defined in such a way that good processes are created, which lead to the fulfillment of the delivery and quality promise and, as a result, to the highest possible level of customer satisfaction. At Americcana, on the other hand, there are no standards or efficient processes, but also no solution-oriented attitude in problematic situations.

“Where I say, in itself, and I only know this from my career, I try to find the best possible solution for the customer, even in problematic situations. At Americcana back then, it was more like saying to the customer “This is the way it is, there's no other way. For your information”.” (Interview 4, Pos. 48)

Beyond this aspect of customer orientation, the issue of long-term customer loyalty is also an important aspect. The Germania South Group is always keen to ensure that customer-supplier relationships are long-term, as the continuous business relationship with some customers has shown for several decades. At Americcana, customers are regarded as easily exchangeable.

“[...] how we treat the customer, how we see the customer is completely different in practice. Germania South has certainly more appreciation for customer loyalty, whereas Americcana, at least up to now, has always been like “If they don't order, I'll look for another customer”.“ (Interview 2, Pos. 64)

“So the business was simply managed by quantity, because he says: if I lose a customer today it doesn't matter, tomorrow I'll have the next one.” (Interview 5, Pos. 42)

Same as for the financial objectives, differences in the understanding of customer orientation and customer satisfaction can lead to a strategic gridlock, which requires a lot of time for discussions where these issues are addressed.

5. Discussion

This case study generated several essential insights into the aspects that a medium-sized company from a non-metropolitan region should address with regard to Cultural Due Diligence in a cross-border acquisition in order to minimize the risk of failure. In theory, there are several existing general methods and approaches of how Cultural Due Diligence should be conducted and which dimensions are of decisive importance. A comparison of the categories that have emerged in terms of corporate culture makes clear that companies, that want to undertake a cross-border acquisition project, deal with very similar aspects as proposed in these existing methods.²²⁵ It is striking, however, that the aspect of national culture and its influence on the individual aspects of corporate culture are not explicitly addressed here. In some existing CDD approaches, authors like Wollersheim and Barthels indicate that the national culture should be examined, however, they do not address which aspects of this complex construct are of major importance and the reason behind.²²⁶

My personal research-driven assumption is that companies that intend to acquire an existing company across borders, need to dive even deeper into the analysis of the corporate culture than those companies that decide to make a national acquisition. The reason for this is that the case study has shown that the various aspects of corporate culture are influenced by the culture of a country because of its nature as a sub-culture of the national culture. The following discussion about my generalized results should give information based on theoretical findings about whether this assessment is correct.

5.1 Theoretical Contribution

Cultural differences, which are directly related to national culture, are politics, history, communication, and national characteristics. The influence of politics on culture is reflected in the corporate culture since the way a company is structured is often made in accordance with the politics or the structure of the country.²²⁷ Various studies indicate that national culture is shaped by social and political institutions and vice versa.²²⁸ The following statement was translated into English from the original German: "Politics is always also cultural politics, because politics influences the conditions of human life and acting (...). Conversely, every change in cultural sensibilities sooner or later has an impact on politics. Again and again, political awareness turns out to be the cultural awareness in a concrete political situation in which decisions are made."²²⁹ This interaction between politics and culture emphasizes the necessity of addressing this aspect when performing Cultural Due Diligence in the pre-acquisition process. Beyond this, legislations that affect individuals or, in specific cases, employees in their behavior are influencing factors. When referring to Cultural Due Diligence in the context of an M&A process, a variety of qualitative approaches, such as individual or group interviews with employees, is suggested to become more aware of the

²²⁵ An overview of some existing approaches can be found in chapter 2.3.3

²²⁶ Cf. Wollersheim; Barthel 2008, p. 29

²²⁷ Cf. Lewis 2005, p. 110

²²⁸ Cf. Lubatkin et al. 1998, p. 671

²²⁹ Richard von Weizsäcker 1987 cited in Spetsmann-Kunkel 2019, p. 146

prevailing corporate culture.²³⁰ This insight limits the models existing in the literature not only with regard to the fact that one often has no access to qualitative sources of information, but also that legal aspects influence the candor of employees. The literature furthermore confirms that the history of a country and historical events have a long-term impact on the culture of a country or even form it.²³¹ Consequently, being aware of the historical background as well as historical milestones of a country is helpful to understand the behavior of the people in a culture.

One further aspect that leads to unexpected obstacles in cross-border M&As and can be directly attributed to the national culture of a country is the communication. When it comes to the national language, the communication gap caused by wrong translations, unfamiliar abbreviations or the pronunciation of words is the main hurdle in the exchange between the meeting cultures in which different national languages are spoken.²³² The free translation of ideas or statements into another language can only happen to a certain point, which is caused, among other things, by the fact that certain expressions do not exist in other languages. Furthermore, interpretative translations often lose their meaning and validity very soon.²³³ Having learned the national language and thus being supposed to speak it does not necessarily mean that the local people can be understood well. Apart from the national language, in many countries, there are numerous slangs, which include regional particularities about the pronunciation or merely regionally used words.²³⁴ My findings show that speaking the same mother tongue immediately suggests a cultural proximity between the two countries; but it is no assurance that in the long run it will work out. This is in good agreement with the findings of various scientists. While there are some who also consider the common language as a measure of a common culture²³⁵ or see it as an indicator of cultural proximity²³⁶, Molinsky, for instance, shares the opinion that even if there seems to be cultural proximity due to the same language, it is no guarantor for a common culture.²³⁷ This illustrates the necessity of a cultural analysis also in target countries, where a cultural proximity is presumed due to certain cultural overlaps. In addition to that, the interpretation and consistency of the spoken word represent a major challenge in cross-border M&As. Cultural differences are particularly important here because there are significant differences between being able to speak a language, which means to understand it verbally, as well as to understand the underlying meaning of the spoken word. Citing the Cambridge Dictionary, communication is „the process of sharing information, especially when this increases understanding between people or groups”.²³⁸ The respective culture, which includes “the hidden differences like the mindset, values, beliefs, attitudes, sensibilities, prejudices and preferences”²³⁹ directly influences the way people communicate with each other and interpret

²³⁰ Cf. Panda 2013, p. 17

²³¹ Cf. Nunn 2012, pp. S113-S116

²³² Cf. Lewis 2005, pp. 66-67

²³³ Cf. Lewis 2005, p. 10

²³⁴ Cf. Madhukar 2017, p. 36

²³⁵ Cf. Ginsburgh; Weber 2013, p. 30; Cf. Featherstone 2007, p. 140

²³⁶ Cf. La Pastina; Straubhaar 2005, p. 274

²³⁷ Cf. Molinsky 2017

²³⁸ Cambridge University Press n. y.

²³⁹ Buckby 2016

messages.²⁴⁰ Therefore, it is evident that language and culture are interwoven²⁴¹ and that it is important to be aware of such differences in order to avoid misunderstandings.

The values and beliefs that characterize a country's population are also reflected in the way people behave.²⁴² Even though a company is open to new markets and strives to be present with a subsidiary in another country, ethnocentrism, which is a phenomenon in which people tend to view groups that do not belong to their own culture negatively or even to be hostile, remains a major factor.²⁴³ Scientific research shows that ethnocentrism is a concept, which is closely related to the concept of prejudices.²⁴⁴ Collective programming, which is the belief that one's behavior is normal and that of others is eccentric, already starts in early childhood.²⁴⁵ Differences become especially then apparent when being in direct contact with other cultures with other habits and experiencing a culture shock²⁴⁶, whereas interactions with people of another nation cause humans to quickly transfer the gained impressions to whole groups of people and thus to generalize them.²⁴⁷ National character stereotypes are often related to economic, geographical, and historical factors²⁴⁸, but "the shared perception of personality characteristics typical of citizens of a particular nation"²⁴⁹ is much broader than national stereotypes. Understanding people from a foreign culture is therefore only possible if one realizes that the own culture influences the way we view it.

Apart from the differences, which are directly attributable to the national culture and which are evident in the context of cross-border M&As, differences in corporate culture in particular represent a major hurdle for companies seeking external growth in other markets. It is noticeable that a large part of these differences does not seem to be arbitrarily prevalent, but rather that national culture and related aspects such as political structure and history contribute significantly to these differences.

Very generally, there are differences in terms of leadership style and management, values and business philosophy, infrastructure, and success factors and performance indicators.

Leadership Style & Management

The values and core beliefs of a culture have a direct influence on management and organization. This justifies the fact that the areas of authority, hierarchy, and structure are handled differently in each culture²⁵⁰ and why "the idea of a corporate global village where a common culture of management unifies the practice of business around the world is more a dream than reality."²⁵¹ This does not mean, however, that all managers within a culture share the same culture-specific characteristics, but rather that in a collective sense, managers from the same nation differ from managers who belong to another nation and thus to another

²⁴⁰ Cf. Umrans 2014, p. 69; Cf. Goman 2011

²⁴¹ Cf. Brown 1994, p. 165

²⁴² Cf. Lewis 2005, p. xvii

²⁴³ Cf. Cunningham; Nezelek; Banaji 2004, p. 1333

²⁴⁴ Cf. Bizumic 2015, p. 168

²⁴⁵ Cf. Lewis 2005, p. 17

²⁴⁶ Cf. Eller 2016, p. 11

²⁴⁷ Cf. Mendoza-Denton 2012

²⁴⁸ Cf. McCrae; Terracciano 2006, p. 160-161

²⁴⁹ McCrae; Terracciano 2006, p. 156

²⁵⁰ Cf. Lewis 2005, pp. 110-111

²⁵¹ Kanter 1991

culture.²⁵² There is a significant overlap between the values, business philosophy, and leadership style in a company as leaders have a decisive influence on the corporate culture.²⁵³ Organizational culture is determined by the founders' ideology and thus reflects their values and beliefs.²⁵⁴ Reber and Auer-Rizzi state that national culture is a dominant factor when it comes to the leadership style.²⁵⁵ Schneider and colleagues summarize that many management techniques, such as quality control, decision-making, or talent development, are based on specific historical and social backgrounds.²⁵⁶ Based on the knowledge that the status of the leader and the leadership style differs from culture to culture, this can also be applied to the decision-making process. In order to conduct a successful interaction on an international level, it is important to know the values and beliefs of a culture that are the basis of the decision-making process.²⁵⁷ The way decisions are made, including who makes the decision, who is involved in the decision-making process and the place where the decision is made, is also related to different cultural factors. These include the history, politics, and role of the government of a country.²⁵⁸ The underlying cultural dimensions that also influence the manner and the speed of decision-making are, for example, the preferred form of hierarchy, formalization, and individualism versus collectivism, but also assumptions regarding time and change.²⁵⁹

Values & Business Philosophy

In the present case, three different aspects were identified with regard to values and business philosophy. Since each company differs from other companies by its own set of values²⁶⁰, these are examined respectively to see how they are influenced by the national culture.

Employee recognition is practiced differently in different countries what might be justified by country-specific differences. These can be traced back to the working conditions on the one hand, and on the other hand to the country's culture, the values, and the use of the language.²⁶¹ Appreciation and gratitude of oneself and one's performance are drivers for productivity and employee retention.²⁶² The insight that the appreciation of employees is positively received at an international level has led to the assumption that it is a need, which is evident across countries. This is accompanied by statements in the literature that the craving to be appreciated is one of the deepest principles of human nature.²⁶³ The desire for recognition is also a universal need in the work context, however, how appreciation is conveyed and perceived by the employee differs between countries and organizations.²⁶⁴ A national culture, which is characterized by a high degree of individualism, regards the

²⁵² Cf. Lubatkin et al. 1998, p. 672

²⁵³ Cf. Lewis 2005, p. 106

²⁵⁴ Cf. Robbins; Judge 2014, p. 253

²⁵⁵ Cf. Reber; Auer-Rizzi 2003, p. 213

²⁵⁶ Cf. Schneider; Barsoux; Stahl 2014, p. 94

²⁵⁷ Cf. Glazer; Karpati 2014, p. 25

²⁵⁸ Cf. Schneider; Barsoux; Stahl 2014, p. 110

²⁵⁹ Cf. Schneider; Barsoux; Stahl 2014, p. 112

²⁶⁰ Cf. CultureIQ 2014

²⁶¹ Cf. Jacobsen 2014

²⁶² Cf. Siegel 2018

²⁶³ William James cited in Pitt 2013

²⁶⁴ Cf. Laval 2010

fulfillment of tasks as more important than the cultivation of relationships. The reverse is true in countries that show a low level of individualism.²⁶⁵

The way work is carried out, in other words, whether employees work on their own responsibility or are dependent on the instruction of others, differs from country to country based on the interviews. Knowing that this is strongly dependent on the management in a company, which in turn is influenced by the national culture, it can be assumed that the national culture is at least indirectly an influencing factor. The cultural preferences of managers have a strong influence on the organizational culture. Organizational cultures differ significantly in the way they think and learn, their attitude towards change, and how they motivate, reward, and resolve conflicts.²⁶⁶ The attitude of companies towards change, however, can also be traced back to national circumstances, for example the economic situation in a country.²⁶⁷ An approach to this issue can also be made through Hofstede's dimensions of 'uncertainty avoidance' and 'long-term orientation', which contrasts the differences between countries. These two dimensions, however, do not directly relate to attitudes towards change, which is why it is not possible to say with certainty to what extent national culture influences an organizations willingness to change. An often-occurring phenomenon is the already described ethnocentrism, in which the companies involved are convinced of their views and working methods and are not open to rethink them.²⁶⁸

Infrastructure

Literature and a variety of studies reveal that transparency is becoming increasingly important in organizations and contributes decisively to employee performance and, thus, to the success of the company.²⁶⁹ Differences between companies in different countries cannot be attributed solely to the lack of technology, but often have to do with the different management mentalities as well as cultural dimensions. In order to be able to make decisions, communicate policies and procedures, and ensure coordination, it is necessary to process information. What kind of information is used for this purpose and how it is shared within an organization depends on different cultural aspects. This includes, for instance, preferences for hierarchy, formalization, and language.²⁷⁰

The organizational structure within a company provides information about how departments or persons are connected and work together. This system of relationships is set up in such a way that the activities of the organization members contribute to the achievement of defined goals.²⁷¹ Thus, the structure of an organization also reveals the relationship of authority between its members, which in turn has an influence on the behavior of individuals as well as how they interact with one another.²⁷² The structure of a company, therefore, also reflects the leadership styles. As shown in Appendix 2, there are significant country-specific differences in the area of how an organization is structured and therefore which role leaders

²⁶⁵ Cf. Ahmed 2015

²⁶⁶ Cf. Trompenaars; Hampden-Turner 2012, p. 127; Cf. Rashid; Sambasivan; Rahman 2004, p. 175

²⁶⁷ Cf. Rashid; Sambasivan; Rahman 2004, pp. 162-163

²⁶⁸ Cf. Sales; Mirvis 1984, p. 116

²⁶⁹ Cf. Berggren; Bernshiteyn 2007, pp. 416-417

²⁷⁰ Cf. Schneider; Barsoux; Stahl 2014, p. 108

²⁷¹ Cf. Aquinas 2010, p. 8

²⁷² Cf. Aquinas 2010, p. 216

assume in an organization. This is, as already explained, also subject to the influence of the political conditions in a country.

Success Factors and Performance Indicators

As with other functional decisions, culture also has an influence on financial decisions in a company.²⁷³ The extent to which the national culture directly contributes to the differences cannot be shown in the context of the investigation. Still, there are general assumptions that the financial goals differ from country to country. Studies show that, for instance, companies in the UK and the United States prefer financial measures such as profit or ROI, whereas other countries such as Japan prefer market share growth, which means non-financial measures.²⁷⁴

Another important dimension is customer orientation and its interpretation. There is no reliable evidence of the extent to which national culture influences this, but there are some studies that examine the extent to which customer satisfaction and long-term business relationships differ between cultures on an international level. It is noticeable that there are countries, such as Japan, which in many publications are described as very future-oriented and for which a long-term business relationship is indispensable.²⁷⁵

5.2 Implications for Practice

All my findings show essentially the same thing: assessing the national culture and consider it when acquiring a company abroad is indispensable because it can be used to explain much of the underlying reasons of the perceivable differences in terms of corporate culture. Based on the results of the case study, this insight leads to a new model, in which the different steps of analysis about the cultural factors are listed. These steps include the assessment of the own corporate culture before the start of a project and the definition of a cultural final stage, the analysis of the national culture of the target country and the corporate culture of the target company, as well as the comparison of the cultural profiles, which builds the basis for further discussions during the negotiations and when setting up an integration plan.

²⁷³ Cf. Cetenak; Cingoz; Acar 2017, p. 356

²⁷⁴ Cf. Steers; Sánchez-Runde; Nardon 2010, p. 55

²⁷⁵ Cf. Chung; Sternquist; Chen 2006, p. 349

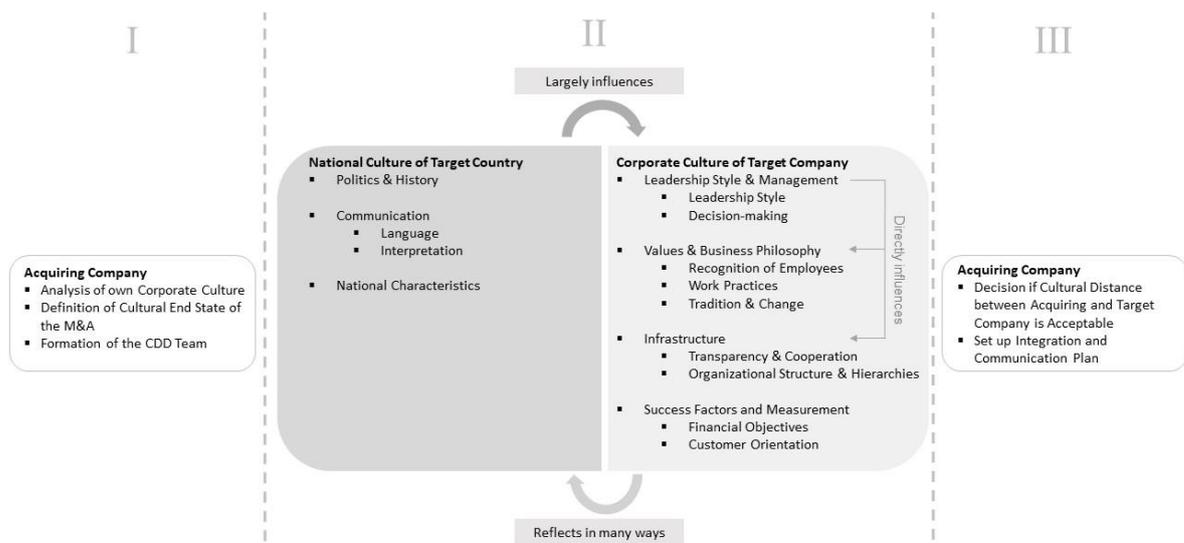


Figure 19: Model: Cultural Due Diligence in cross-border M&As. Own Figure.

Proper due diligence regarding hard facts such as financial aspects is no guarantor for a successful M&A transaction. The basis for this statement is the high failure rate of M&As, which is often explained by cultural incompatibility. This is especially the case in cross-border M&As where not only two different corporate cultures converge, but also different national cultures. This research, a single case study with a company that represents the German middle class, suggests several important lessons for organizational practice in the area of Cultural Due Diligence in cross-border M&As. These implications will be explained with reference to my proposed approach as to how to conduct Cultural Due Diligence in Figure 19.

The consideration of the national culture and its impact on the corporate culture is particularly important in cross-border M&A projects. It became clear that national considerations such as politics, history, communication, and national characteristics have a direct influence on the company-related aspects of leadership style and management, values and business philosophy, infrastructure, as well as success factors and performance indicators. Conversely, it is noticeable that some aspects, such as behavioral patterns or the structure of the organization, reflect aspects of the national culture. There is no advice with which differences an individual company can or cannot cope but it is essential to understand that it is not the purpose of the Cultural Due Diligence to be a 'make it or break it' tool. It is rather a process to identify the potential challenges that may occur during the integration phase if the differences and a corresponding strategy are not dealt with in advance.²⁷⁶ This requires an analysis of the own corporate culture in the first stage in order to have a basis for determining whether or not there is a cultural fit in certain areas. Furthermore, it is important to define what type of acquisition (related or unrelated) is intended and, based on this, to decide what the cultural final result should look like. In this way, the CDD team, which consists of several people from different departments, can focus on the differences and clearly show where there are major differences in the defined dimensions. This is, however, without already being able to specify precisely to what extent this cultural distance might have negative or even positive effects on the further course of the integration phase. The final step is

²⁷⁶ Cf. Warter; Warter 2015, p. 59

to decide which of these cultural differences are acceptable for the acquiring company or which ones must be addressed at an early stage with an appropriate strategy in order to eliminate possible painful points in the integration phase. The profiles of both companies should be compared with each other to identify synergies between the companies, but also the areas that could lead to a cultural clash.

As the model illustrates, the management team plays a key role. Since it appears to form the core of the corporate culture and has a significant influence on various of its dimensions, the extent to which the management styles fit together and whether the advantages of taking over the managers justify possible complications with regard to change management, must be weighed up.

The study has also shown that ethnocentrism, which was initially presumed to exist, is a predominant phenomenon both based on national culture and corporate culture. The own way of doing things is oftentimes seen as the right one. For companies, which want to grow internationally, it is of great importance to be open to the other culture and to adapt the corporate culture to country-specific circumstances. Ferraro and Briody also state in this context that corporate culture is not completely transferable but that a localized version of it should be introduced.²⁷⁷ Since the acquisition of a company requires an understanding of the opposing national as well as organizational cultures, companies pursuing this type of growth strategy are strongly advised to systematically deal with Cultural Due Diligence.

Some macro-economic aspects of the model presented should already be analyzed in the course of other analyses, such as the PESTEL analysis.²⁷⁸ However, on the one hand, the specific focus on these dimensions in the course of due diligence is important to understand their impact on the dimensions of the corporate culture. On the other hand, it became clear during the case study that not all companies, which want to enter other markets conduct a country analysis such as the PESTEL analysis and, therefore, have not gained this knowledge before the acquisitions project has started.

5.3 Limitation and Future Research

Even though the present paper provides information on the extent to which the national culture influences the corporate culture and how Cultural Due Diligence in cross-border M&As should be conducted, there are some limitations, which have to be addressed and can be the basis for future research.

In the present study, one company is considered representative for medium-sized companies in Germany in order to find out whether and to what extent Cultural Due Diligence is of significance, especially for cross-border acquisition projects. As discussed in chapter 3.1, one weakness of case studies, which is often stressed, is the small extent of generalizability, since the number of cases involved is very small and, therefore, not representative.²⁷⁹ It is stressed again that the aim of a case study, which only refers to one or a small number of objects of investigation, is not to establish an omnipresent theory. Based on the knowledge

²⁷⁷ Cf. Ferraro; Briody 2013, p. 25

²⁷⁸ Cf. Team FME 2013, pp. 6-21

²⁷⁹ Cf. Saunders; Lewis; Thornhill 2009, p. 335

that culture is seen as the reason for a large number of failed cross-border acquisitions, it is assumed that this is a paradigm and that the findings of the case study are not only of individual significance but are also subject to a specific generalization. This generalization can, however, not be made on a reliable basis, which is why the implications are formulated not dogmatically. The results of this work should instead be tested afterward in a 'follow-up study' for their reliability for generalization. In order to investigate the influence of culture at the national and corporate levels on an M&A project, further research should be conducted in other companies, industries, and other countries to verify or falsify the results of the dimensions to be addressed. It is also advisable not to limit the survey to the opinion of the managers of the acquiring company, but also to that of the acquired one in order to be able to contrast them. The underlying reason for this is that, in my opinion, the acquiring company often does not start to look for errors within itself, but rather in the other company, which might be due to ethnocentrism.

The present study, but also previous research, did not provide insights into which of the cultural dimensions require particular proximity or which ones can even be enriching and can therefore be interpreted to the advantage of the M&A process. In order to evaluate the results of the CDD not only according to personal perception but also to be able to justify this accordingly, it would be advantageous to have research results on this. This finding provides the basis for further investigations, in which precisely this question is to be addressed.

6. Conclusion

International M&As have gained increasing importance since the nineties, a time that was characterized by globalization and consolidation. Due to the failure rate of M&As of between 50% and 90%, which primarily means that the forecasted outcomes did not materialize according to the business plan, much research has been done to find out about why this is the case. One frequently cited reason is the incompatibility of the corporate cultures. The point here is not the existence of differences, but rather that these differences are in most cases only discovered in the post-merger phase, when integration should take place. It is important, however, that these differences are identified and understood as early as possible, so that appropriate measures can be included in the integration plan.

One way to address this issue at an early stage in the strategic considerations is the Cultural Due Diligence within the scope of the due diligence process. In this sub-process, different aspects are examined and compared with each other with regard to the cultural aspects of a company. Even though cross-border acquisitions have an increasingly important role in the growth strategy of companies, existing methods in the literature on how to approach Cultural Due Diligence do not take the aspects into account, which have to be considered in this specific case. This insight has led to the questions arising from the title of the paper: Cultural Due Diligence - does it matter in cross-border M&As? Already based on the information obtained during the literature review, this question can be answered positively, since also in connection with M&As on an international level, the incompatibility of the corporate cultures of the participating companies is repeatedly cited as a reason for the failure or delay in the realization of synergy effects. The resulting research question is how a CDD should be conducted in a cross-border project in order to minimize the risk of cultural clash and, as a result of this, of failure.

Within the scope of my case study, which had an inductive character, I was able to find out that companies that seek to grow internationally with M&As deal with the same issues in terms of corporate culture as pointed out in existing CDD methods. A decisive aspect, however, is the influence of the national culture, which affects not only the people in a country, but also various dimensions of the corporate culture; thus, it accounts for a large part on the differences between the companies concerned in cross-border M&As. It became clear that national considerations such as politics, history, communication, and national characteristics have a direct influence on the company-related aspects of leadership style and management, values and business philosophy, infrastructure, as well as success factors and performance indicators. Conversely, it is noticeable that some aspects, such as behavioral patterns or the structure of the organization, reflect aspects of the national culture. Furthermore, my study emphasizes the role of the executive in a company and its influencing character with regard to a large part of the other dimensions of corporate culture. Since it appears to form the core of the corporate culture and has a significant influence on various of its dimensions, the decision to keep the former management is a key issue in this kind of process. The extent to which the management styles fit together and whether the advantages of keeping the managers justify possible complications must be weighed up.

The present study shows that national culture has a great influence on corporate culture, which is why it is essential to include it in the cultural assessment in cross-border acquisitions. This is the only way to understand *why* there are differences, besides the fact *that* they exist. Only this understanding puts a company in the appropriate starting position to recognize differences, understand them, assess whether these differences are acceptable, and to develop appropriate strategies to address them in the integration phase. The fundamental prerequisite is that the acquiring company must be clear about what its own culture looks like, what type of acquisition it is, and what the cultural result is supposed to be.

Despite the limited generalizability caused by the nature of the research method, I am convinced that the findings and the model evolved are important and may form the basis for further, broader investigations to verify the results. The topic of cross-border M&As is gaining more and more importance and will do so in the near future. This is not only because of the ever-increasing globalization, but the corona crisis, which forced many entrepreneurs on a global level to close their companies or to switch to limited working hours within a short period of time. Even if the possibility to acquire a company at a favorable price seems to be attractive, it is not guaranteed that the target company will contribute to success of the acquiring company in the long term. Cultural differences can pose an increased risk of failure, which is why it is recommended in all cases that Cultural Due Diligence is carried out as part of the due diligence process.

In this project, I was not only able to gain new insights into the importance of Cultural Due Diligence in cross-border M&As, which is important for my work in the field of international business, but also about myself as a part of the research project. The role as a neutral interviewer in a semi-structured interview is a challenging task for me because of my empathetic way of approaching people, which in turn might have an impact on the objectivity of the research process. Reflecting on myself after each interview, however, has helped me to improve constantly.

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Appendix

Appendix 1: Questionnaire semi-structured interview	85
Appendix 2: Leadership styles across the world	86
Appendix 3: Model: Cultural Due Diligence in cross-border M&As	87

Appendix 1: Questionnaire semi-structured interview

- English Version -

Introduction

- Information about me as a person, the reason for the interview and the objective
- Research ethics: voluntariness, termination, anonymity, recording

Question Block 1: Pre-Merger and Merger Phase

- What is your role in the Germania South Group and what was it at the time of the acquisitions?
- I would like to show you two newspaper articles from the time the acquisitions were announced. Looking at the statements regarding the objectives and the named similarities (e.g. values, customer satisfaction): what is your opinion on this retrospectively, but also from today's perspective?
- How did the communication with the acquired companies work out? How did this change during the acquisition process?
- In which way were you involved in the two acquisitions?
- Did you identify potential risks, which could counteract the objective of the business combination prior to signing the contract? How did you deal with these?
- What was your personal feeling about the acquisition?
- What was your personal impression of the company and its structures?
- How would you describe/ characterize the two companies?
- What did you expect of the two companies with regard to their integration into the group? Was there a desire that they adapt to the structures and the corporate culture of Germania South?
- How did you deal with the founders/ senior managers/ executives of the company?
- How did the communication with the employees of the target companies about the acquisition take place but also within the corporate group itself?

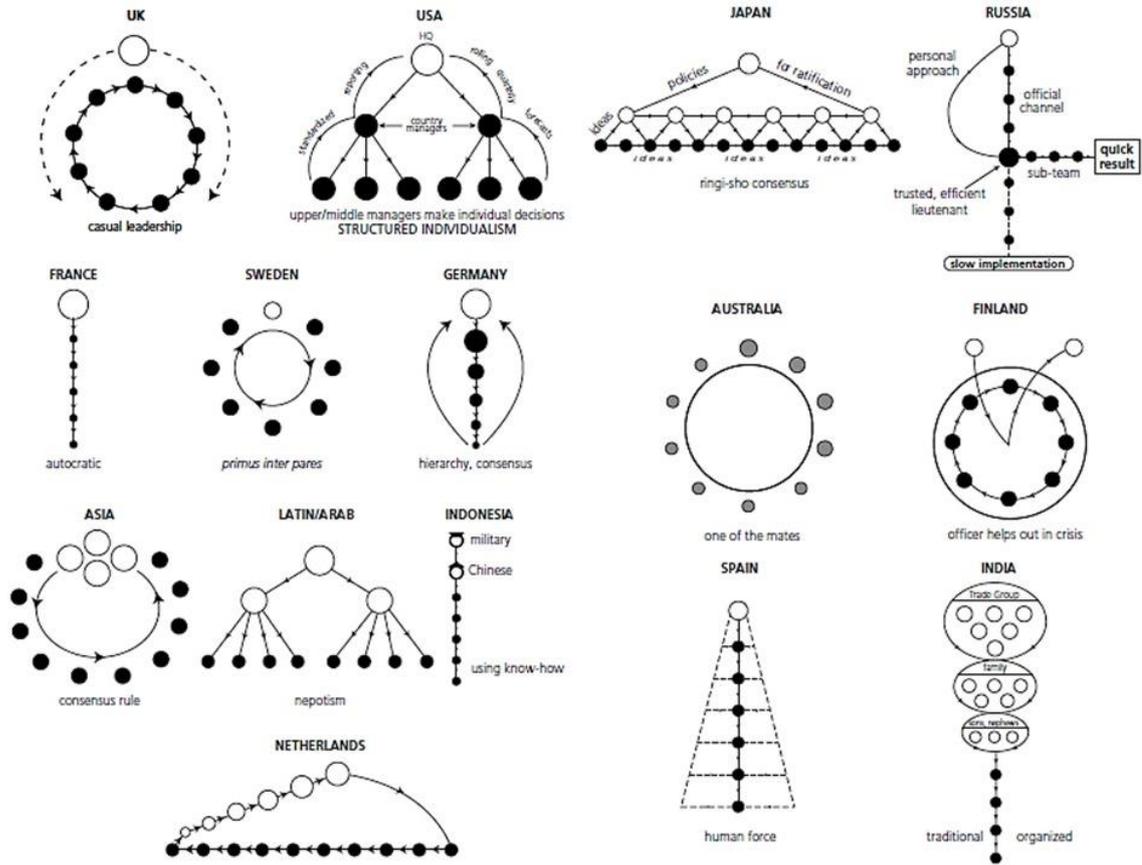
Question Block 2: Weaknesses and Problem Analysis Integration Phase

- When did the first difficulties arise and what were the reasons for them? How did both sides deal with these difficulties?
- When did you decide to sell the Swiss company?
- To what extent would you say that the initial rejection of a company contributed to the learning process? What aspects would you stress in future acquisition projects?
- How would you describe the current situation with the American subsidiary?
- Some researchers state that the cultural aspect of national and international acquisitions is a decisive factor in the success or failure of an acquisition. To what extent do you agree with these findings in general, but also with regard to these two acquisitions?
- How would you describe the corporate culture of the Swiss and American companies?
- What cultural differences (national and organizational) did you notice during the acquisitions? How do you think these differences affected the further development of the company?
- What would you do differently if you had the chance to?

Closure

- Expressing my thanks
- Information about the next steps
- Offer that the transcript can be read after complete transcription if desired

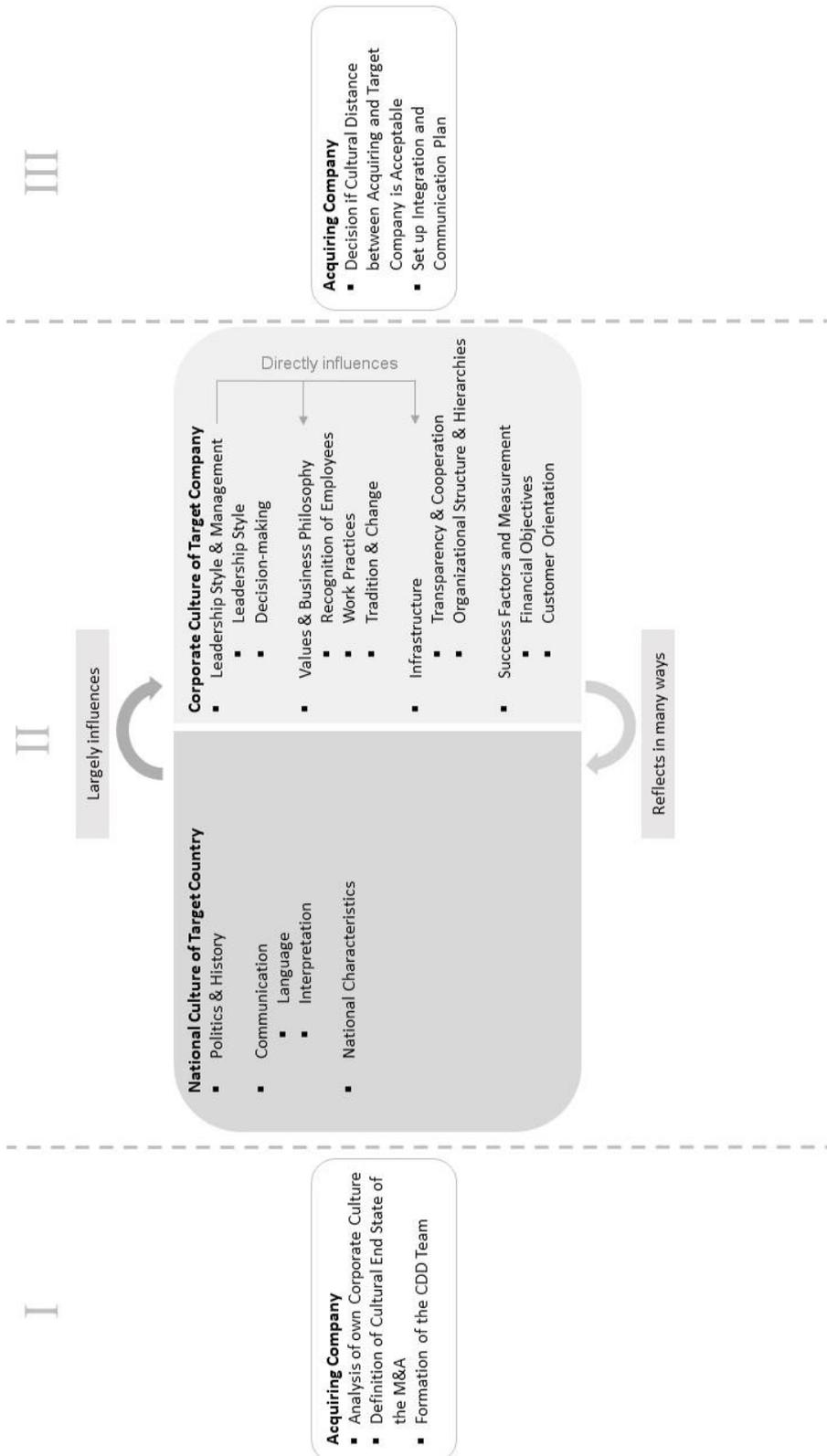
Appendix 2: Leadership styles across the world



Source: Lewis 2005, pp. 108-109

Appendix 3: Model: Cultural Due Diligence in cross-border M&As

Source: Own model



Statement of Affirmation

I hereby declare that all parts of this thesis were exclusively prepared by me, without using resources other than those stated above. The thoughts taken directly or indirectly from external sources are appropriately annotated. This thesis or parts of it were not previously submitted to any other academic institution and have not yet been published.

Dornbirn, 30. June 2020

Vanessa Weber