

Enablers and inhibitors of cultural integration during M&A phases

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Abstract

As organisations continue to search for growth and expansion in new markets Mergers and Acquisitions (M&As) will continue to be a strategic tool to achieve those goals. However, if organisations fail to integrate the culture through the three M&A phases they may not realise the opportunities and synergies that the M&A had envisioned. The phases are Pre-Merger phase, Legal Combination phase and the Post-Acquisition phase.

This qualitative study, which takes a grounded theory approach, researched five large and diverse organisations and proposes a theoretical framework that indicates the enablers and inhibitors to cultural integration through the three phases of the M&A.

The study presents key findings that will enable future researchers to explore how organisations can begin their M&A process with culture as a prominent feature that unlocks potential in achieving improved performance in a M&A. The theoretical framework provides new insights on the importance of culture, communication, adaptability, strategy and culture working together rather than in opposition, task and human integration, change management, the role of leaders and issues of justice across the three stages of a M&A. The study further identifies the enablers and inhibitors within each of these themes that will lead to cultural integration. The framework is simplistic in its approach seek to open opportunities for further research in cultural integration across the phases of a M&A.

KEYWORDS: Organisational Culture, Mergers & Acquisitions, Culture Change

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

A handwritten signature in black ink, appearing to read 'Janneker', with a horizontal line underneath the name.

Jayson Ian Janneker

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Chapter 1: Introduction to Research Question

This chapter will seek to identify the purpose of the research topic. It then proceeds to define the problem from three different perspectives. Thereafter, a detailed literature review examines some of the preceding work and identifies some of the gaps that enables this specific research topic.

1.1 The Purpose

The purpose of the study is to understand what the key factors are that enable or inhibit cultural integration during the various Merger and Acquisition (M&A) phases. It has been identified that most M&As fail, with some researchers pointing to cultural integration as one of the key contributing reasons.

1.2 Problem Definition

This section looks to identify the problem and seeks to justify the purpose of the study. The problem is approached from three distinct angles namely, the attractiveness of M&As and their potential for failure, the impact of culture, and the failure of researchers to develop a consistent approach to dealing with the poor performance of M&As. Within each of these views of the problem, the business and theoretical purpose of the study will be highlighted.

1.2.1 Attractiveness of M&As and their potential for failure

Friedman, Carmeli, Tishler, & Shimizu (2016) state that the appeal of M&As remains strong as it is a source for growth in tough economic times. In South Africa, we have seen many large M&As in the recent past such as Liquid Telecom's acquisition of Neotel, Walmart's acquisition of Massmart and most recently and certainly one of the largest in South Africa, AB inBev's acquisition of South African Breweries. "Mergers and Acquisitions (M&As) are important mechanisms for the growth and internationalization of firms" (Sarala, Junni, Cooper, & Tarba, 2016, p. 1231).

Jemison & Sitkin (1986) wrote the seminal article on M&As entitled *Corporate Acquisitions: A Process Perspective*. They found that the problems that face firms undergoing M&As currently are still the same problems that were faced as far back as the early 1980's. Jemison & Sitkin (1986) in citing the work of Jensen & Ruback (1983) and Lubatkin (1983) found that increasing evidence showed that even back then, M&As failed to produce the desired financial results. "One KPMG study found that 83 percent of these deals hadn't boosted shareholder returns, while a separate study by A.T. Kearney concluded that total returns on M&A were negative" (Hefferman, 2012). The KPMG study tells a similar story of failure of M&As to Steynberg & Veldsman (2011) who, while citing the work of Galpin & Herndon (2007) and Schuler & Jackson (2001), highlighted that more than 70% of M&As fail dismally. In spite of their apparent failure, M&As are still a highly attractive mechanism of organisational growth. "Next to strategic alliances and joint ventures, mergers and acquisitions (M&A) are an important source of external growth and corporate development" (Bauer & Matzler, 2014, p. 269). Some authors have argued that one of the factors impacting the poor success of M&As is their sheer complexity. According to Steynberg & Veldsman (2011, p. 2)

Any M&A is an extremely complex process from the pre-deal planning phase of strategic intent, through start up, integration and sustainability. The ultimate question regarding any M&A is whether there will be genuine, sustainable value realisation after the M&A deal.

There are a number of very complex processes that must be undertaken to ensure the success of a M&A. These processes need to be aligned and undertaken systematically. The process perspective advocated by Jemison & Sitkin (1986) looked at organisational fit and incorporated elements of cultural fit. This is different to the choice perspective (Jemison & Sitkin, 1986).

Since M&As, inherently have a high failure rate, it is important from a business perspective to ensure that managers are aware of the pitfalls that face them. Management needs to understand the process involved and the systematic approach required to deal with issues across the landscape. From a theoretical view point, we will see later in this section that there is no consistency in the approach to research of M&As. In spite of Jemison & Sitkins (1986) warnings over three decades ago, the same problems still exist. It will become clear that this research topic intends to add to the existing theoretical literature, with a process approach as its foundation.

1.2.2 The impact of Culture on M&As

Mirc (2013) argues that factors that focus on strategy, finance or economic issues do not seem enough to understand the reason for M&A failures. "Studies, mainly in the field of organisational behavior, and to a lower extent in HRM, sociology, and psychology identified a multitude of ways, humans might impact M&A performance" (Mirc, 2013, p. 2). Therefore, it is important to understand the way culture, as a human element, can play a role in integrating organisations to achieve the goals of M&As.

As a starting point, it is not impossible to image that the joining of two very different cultures will invariably cause conflict. "The mere occurrence of an acquisition is a pure predictor of a myriad of people-related problems, especially for members of the acquired firm" (Jemison & Sitkin, 1986, p. 147). When evaluating the failure of M&As Cartwright & Cooper (1999) indicate that more advanced companies have begun to recognize that beyond the financial aspects of the failure, there is an underlying impact to the employees within the new organisation. Sarala *et al.* (2016) citing Voight *et al.* (2013) and Stahl & Voight (2008) indicates that the role of cultural differences is still an unresolved question. As a result, this study may be able to add to the literature as it seeks to offer a prescriptive analysis of the factors which may influence success or failure of a M&A.

The problems of cultural differences are vast and can span across the organisation. Apart from the breadth of influence that culture has, it also possesses depth in its impact. While largely having a negative impact when considering the failure of a M&A, the inverse can be true for success. Steigenberger (2017) cited Datta (1991) and Larsson & Finkelstein (1999) noted that different management styles may have an impact on the final M&A integration. The impact of these differences can affect the entire process of the M&A. "When the acquiring and target firms have sharply different organisational cultures, their employees are more likely to possess fundamentally different skills and behaviour, and the HR practices of the firm are likely to be dissimilar" (Sarala, *et al.* 2016 p. 1241). Sarala *et al.* (2016, p. 1242) state that beyond an impact to the process of a M&A, "organisational culture differences also influences resource and coordination flexibility in HR practice. Organisational cultural differences make it more difficult to create broad HR practices that are applicable to the unique organisational context of both firms". The issues of incompatibility highlighted here are some of the key reasons that led to the failure of the Daimler-Chrysler merger, according to Weber & Camerer (2003) in Steigenberger (2017).

Bauer & Matzler (2014) provide empirical evidence that cultural similarity reduces formal integration. This highlights again the impact of culture to the integration process. However, the problem with such a notion may lead business to fall into the choice perspective highlighted by Jemison & Sitkin (1986), as the organisation may seek to only acquire when the culture is similar, given favourable financial goals. “But the reality is that no two cultures are completely the same – even in firms in the same industry – so there will always be differences when joining companies together” (Marks, Mirvis, & Ashkens, 2014, p. 46).

The impact to employees on cultural change is probably the most important aspect to the integration process. Steigenberger (2017) identified that an ideal employee when working on integration projects, would be an active and motivated team player and work positively towards achieving the goals of the organisation. However, Hubbard and Purcell (2001); Choi *et al.* (2012); and Joshi & Goyal (2013) cited by Steigenberger (2017) indicate that this is not the case in M&A integrations, in fact, employees experience insecurities about the unfamiliarity of processes and ultimately culture clashes. “Intergrations thus often trigger negative emotional responses (Kiefer 2002; Kusstatscher 2006) and negatively affect the physical and psychological health of the employees involved (Makri and Antoniou 2012)” (Steigenberger, 2017, p. 415).

Sarala *et al.* (2017) raised another important concern around culture. “While the narrative around cultural differences have brought much needed attention to the importance of values and attitudes in M&As, there is a risk that cultural differences will become a simplistic ‘structural’ explanation for the entire socio-cultural side, while excluding individuals actors and their rich social and cultural dynamics in M&As” (Sarala *et al.*, 2017, p. 2). Another concern is one identified by Vaara, Junni, Sarala, Ehrnrooth, & Koveshnikov (2014) and that is the attributional tendencies of managers to accept responsibility for successful M&As while blaming cultural integration for failed M&As. It is therefore important that this study remains cognisant of the biases that may exist. Mitigating such bias will help the business and theoretical imperative in identifying the the enablers and inhibitors of cultural integration.

1.2.3 Lack of coherent research approach

The third view of the problem is that the present literature does not present a concise approach to M&As. That is, no one framework fully addresses the inherently complex nature of M&As. Steigenberger (2017) citing Angwin (2012) indicated that due to the complex nature of M&As no single model is able to account for these complexities.

Two South African studies have proposed frameworks for cultural integration in M&As that can lead to improved firm performance. Horwitz, Anderssen, Bezuidenhout, Cohen, Kirsten, Mosoeunyane, Smith, Thole and van Heerden (2002) identified key HR practices for organisational culture in M&As. The study however, only considered aspects at the due diligence phase and implies that success in later stages is dependent on this initial phase. Steynberg & Veldsman (2011) developed an holistic people integration process for M&As. This model researched the practices of subject matter experts within the field of M&As. The short coming of this article is that it fails to consider the people experiencing the changes within affected organisations.

In short, studies in M&As and in particular research in cultural intergration lacks a coherent, integrated framework. "Angwin and Meadows (2015) concluded that the main weakness of simpler models lies in their neglect of important processes and contingencies. Comprehensive models, however, reach a degree of complexity that impairs their usefulness" (Steigenberger, 2017, p. 410). This "warning" is not to be taken lightly. It therefore assists in setting the scope for this research topic. The final model or framework needs to satisfy the need for business in its usability and adaptability, while also adding value to the theoretical literature that exists.

In summary, the research problem recognised the lack of research in identifying factors that influence or limit the success of M&As. While a fair amount of literature exists on the subject of cultural integration in M&As, very few are prescriptive in the enabling and inhibiting factors for succesful integration. This research will attempt to solve this problem. The topic will be researched using the process perspective as described by Jemison & Sitkin (1986). The scope of the project will be to identify a prescriptive theoretical framework that can be used by firms and subject matter experts on change to assist in the integration of culture during the entire M&A process.

This section has attempted to identify the research problem from three different angles. The scope

was identified in line with the business and academic value addressing each of the problem angles.

The following section will look at the research that has shaped this study. Several researchers have identified the problems with the integration of culture in M&As. Following the literature, will be a few research questions which have emanated because of the research problem and the literature that has been reviewed.

Chapter 2: Literature Review & Research Questions

The following section is a review of some of the recent literature within the field of cultural integration following a M&A. Key constructs that will be considered are M&As, organisational culture and change processes. The researcher will first review definitions of these constructs and then explore how they interact with each other.

2.1 Mergers and Acquisitions

2.1.1 Definitions of M&A

Kansal & Chandani (2014) define a M&A as the unification of two or more organisations with different values and cultures and forces them into a one cohesive unit. The very notion of two organisations being forced to co-exist may already entice feelings of angst within the members of the joining firms. Furthermore, it should be noted that the firms joining may not always be different in values and culture. What is key in the definition offered by Kansal & Chandani (2014) is that M&As are the joining of two or more firms into a cohesive unit. The economic perspective of a M&A is slightly different. Xu (2017, p. 54), in examining the growth of organisations through M&A contends that “M&As is considered as a process, in which talented managers acquire assets or employees, like buying machines”. The definition offered by Xu (2017) takes a strategic perspective in identifying the economic value gained from the M&A, with very little focus on the process view which may involve a series of integration efforts.

It is also important to note, that by way of definition, Merger's and acquisitions are two distinctive business strategies. However, for this study the term M&A will be used interchangeably. Steynberg & Veldsman (2011) argue that distinguishing between the two may not make a big difference as the joined companies now operate under one roof, have the same owner and the same goal of achieving strategic and financial objectives. Jordão, Souza, & Avelar (2014) argue differently adding that in fact there should be a distinction between mergers and acquisitions. In citing Camargos (2008), Jordão, Souza, & Avelar (2014) note that mergers are more friendly transactions involving two or more companies, while an acquisition may be a friendly or hostile deal in which one company takes complete ownership of the other. Ultimately, this research topic will consider M&As as the coming together of two or more organisations under one majority shareholder. Therefore, a distinction between mergers and acquisitions will not be necessary and the term will be used interchangeably. At the crux of this research topic is how organisations

integrate cultures to generate sustainable performance into the future when two or more businesses come together as one.

M&As as a strategic driver for expansion has been identified as being either horizontal or vertical by Lebedev, Peng, Xie, & Stevens (2015). According to Lebedev, Peng, Xie, & Stevens (2015) horizontal M&As are more about increasing scale within the organisation, while vertical integration aims to minimise costs. This distinction is important in this study as it drives the strategic intent of the M&A. Furthermore, Lebedev, Peng, Xie, & Stevens (2015) found that in emerging economies M&As and in particular cross-border M&As are predominantly horizontal in nature as they provide an opportunity for expansion in new markets.

2.1.2 The value of M&As

“According to Bauer, Matzler, & Wolf (2014) the global transaction volume of M&As for 2013 was \$2.24 trillion, equal to the GDP of the Brazilian economy. According to Xu (2016) approximately 30% of organisations in the US were involved in M&As. Over and above the micro-economic growth strategies in organisations, the macro-economic benefits of successful M&As is an important source of aggregate growth. “Totally, the M&A expenditures have averaged around 5% of annual GDP” (Xu, 2017, p. 55). Bauer & Matzler (2014) have noted that subsequent to the 2008 financial crisis M&A activity has been in a decline., however, they indicate strong evidence that an increase is on the way. Lebedev, Peng, Xie, & Stevens (2015) in citing UNCTAD (2014) note that cross-border M&As in emerging economies reached \$ 129 billion, which accounted for 37% of the world's M&As. These figures have highlighted the importance of M&As in emerging economies such as South Africa. The attractiveness of such transactions further enhances the importance of this study in enabling successful M&As within the South African context. Lebedev, Peng, Xie, & Stevens (2015, p.651), call for more research in this field arguing that, “It seems timely and relevant to synthesize the emerging literature on M&As in and out of emerging economies, outline new insights provided by such burgeoning research, and propose future direction”.

2.1.3 Successful M&As

The previous section already outlined the problem with failures of M&As. However, a number of

researchers have begun to investigate some of the key aspects required for successful M&As. However, as noted, there is still a lack of coherence on how this research should be conducted. Bauer & Matzler (2014) in attempting to identify the antecedents to M&A success, found that when there is an increase in strategic fit, there is a greater chance of success of the M&A. This would seem an obvious finding. As Jemison & Sitkin (1986) identified, strategic complementarity was the key driver to many M&As. Bauer & Matzler (2014) also established that an increase in strategic complementarity lead to an increase in culture fit. This is a crucial finding given the increased literature around a lack of cultural integration in the M&A process. This finding will be explored further in the following section.

Lebedev, Peng, Xie, & Stevens (2015) also found that M&As within emerging economies are dependant on a number of factors such as government policy, broadly referred to as institutional development. What Lebedev, Peng, Xie, & Stevens (2015) found was that organisations that operated within well established institutional developments, had an increasing chance of M&A success. This highlights the importance of government policy in M&As to foster corporate governance towards the success of the M&A.

Despite the strategic growth intentions whether at a micro or macro economic level, M&As tend to have a high degree of failure. Steigenberger (2017) in citing researchers in the field of M&As such as Cartwright and Schoenberg (2006), Halleblain *et al.* (2009), and Tuch and O' Sullivan (2007) confirm that strategic and operational goals of M&As are often not met. To date scholars have not been able to agree on the key aspects as to why M&As fail. The present study will attempt to identify cultural aspects as playing a key role in reducing the failure rate of M&As. Sarala, *et al.* (2016) citing Cartwright & Cooper (1993) contest that cultural fit between organisations is as important if not more important than strategic fit in the context of M&As. While this is just one element, it is of some concern that years after Jemison & Sitkin (1986), we still see a great number of M&A failures with organisations still heavily focused only on strategic fit only.

2.2 Culture

2.2.1 Organisational Culture

“Organisational culture represents a ‘higher-order’ social structure in organizations (Bowen & Ostroff, 2004); it affects the type of employee skills, behaviors, and HR practices that are valued in a firm, encouraging some and discouraging others (Barney, 1986; Schein, 1996)” (Sarala, *et*

al. 2016, p. 1241). Many researchers argue that culture is about shared values. Cartwright & Cooper (1999, p. 60) suggest that, "Culture is not merely a set of shared values, but a set of basic assumptions and beliefs which operate in an often unconscious 'taken for granted' fashion, as a powerful determinant of individual and group behaviour". Cartwright and Cooper (1999) simply state that organisational culture is the way things get done in an organisation. Marks, Mirvis, & Ashkens confirm Cartwright and Cooper's (1999) definition, "Culture defines the way things get done in an organisation, most of which we do automatically without conscious thought" (2014, p. 45).

Many researchers have quoted Schein as a leading author and researcher on culture change. Schein (2004, p.17) describes culture of a group as,

"a pattern of shared basic assumptions that was learned by a group 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, and feel in relation to those problems".

Chatman, Caldwell, O'Reilly, & Doerr (2014, p.787) in citing Fiol (1991) and Schein (1985) describe culture, "as a pattern of shared assumptions, beliefs, and experiences that guide members interpretations and actions by defining appropriate behavior within an organization". Chatman *et al.*(2014, p.787) however focused on further elements of culture namely cultural norms, which they described as "socially created standards emerging from an organizations values". Chatman *et al.* (2014) highlight that norms are a key construct in culture as they refer to the shared values and significant beliefs of a group. Hogan & Coote (2014, p. 1610) cited Mumford *et al* (2002) and Tellis *et al* (2009) further explained the importance of building organisational culture, "By emphasizing certain values and by building corresponding norms for expected behaviors, managers can begin to build an organisational culture that has a powerful and compelling influence on employee behavior".

Like Chatman *et al.*(2014), Teerikangas & Irrmann (2016) elaborated further on constructs that build culture. In citing Martin (1992), Pettigrew (1979) and Schein (2004), Teerikangas & Irrmann (2016) state that, "culture consists of patterns of meaning underlying a variety of manifestations". According to Teerikangas & Irrmann (2016) these manifestations would include artefacts which may include how offices are set-up and arranged, the furniture used, stories of achievements and

organisational accomplishments and rituals such as awards and other celebrations. These may include things such as pictures on the walls, internal news letters, stories about great deals that were won and fantastic year-end award functions. What Teerikangas & Irrmann (2016) highlight is the importance that members of an organisation place on the behaviours that manifest out of these artefacts and rituals. Schein (1984, p.3) sums up organisational culture and the levels to which it can be analyzed, "Organisational culture can be analyzed at several different levels, starting with the visible artefact-the constructed environment of the organization; its architecture, technology, office layout, manner of dress, visible or audible behaviour patterns, and public documents such as charters, employee orientation material, stories". Schein (1984) argues that in order to understand why members of a group respond the way they do, one must analyse the values of that group. Therefore, Schein (1984) argues that culture cannot exist unless a group owns it and that group must be clearly defined.

Hogan & Coote (2014, p.1610) elaborated on the layers of organisational culture; "Organisational norms derive from values and are manifested in artifacts". Citing Schein (1992) Hogan & Coote, (2014, p.1610) further expanded on the point stating; "Where as values are least visible, artifacts represent the most visible layer of organisational culture and are manifestly evident in organisational symbols, rituals, language, and physical workspace arrangements". What is important in this study is how are these concepts and specifically organisational culture as a construct important as an enabler or inhibitor to performance in M&As. In understanding the relationship between culture and performance, Chatman *et al.*(2014) argue that it is not as straight forward as one would suggest and is infact dependant on a number of exogenous conditions. "Sørensen (2002), for example, suggested that strong-culture firms gain advantages in stable environments, but because of the corresponding social control that promotes conformity among members, their financial performance may be worse or less reliable in dynamic environments and during periods of external change" (Chatman *et al.* 2014, p. 786).

Boyce, Nieminen, Gillespie, Ryan, & Denison (2015) highlighted attributional aspects when looking at culture. Boyce *et al.*, (2015) note that when culture is viewed from a process perspective, it is unlikely to be changed unless the group acknowledge that culture is the problem. Within a M&A context, these two attributional factors are crucial in getting the culture change process started. However, this may be difficult when one considers how strongly people are likely to hold onto their cultures from previous organisations prior to the M&A.

2.2.2 Culture in M&As

Given the various definitions above and the level to which culture can be analysed it is clear that culture is unique to a group who shares their experiences and ways of solving problems. Therefore, it is not hard to see why culture clashes would become a contentious issue in a M&A as two or more cultures come together. "In a M&A, that aspect of an employee's sense of self that involves a 'sense of oneness', or identification, with his or her employer faces a fundamental shift (Edwards, Lipponen, Edwards, & Haonen, 2017, p. 1259). "When companies merge or acquire, however, employees become keenly aware of how their practices differ from those of the other firm" (Marks, Mirvis, & Ashkens, 2014, p. 45). Sarala, *et al.*, (2016) highlight the importance of cultural intergration as a key factor in the creation of interfirm linkages which seeks to stregnthen and improve the knowledge transfer in the M&A. Further compounding the cultural debate as one of the reasons attributed to M&A failure is the concept of the dicotomy between national and organisational culture. Different nations have different cultures and these can influence or play a role in the organisational culture. "While national cultures may to some degree influence the style of the work organisations and the prefered organisational culture, different organisations as a subgroup within the same national culture have different cultures" (Cartwright & Cooper, 1999, p. 59). Multinational M&As are most likely more exposed to the difficulties of managing national and organisational culture.

Bauer & Matzler (2014) have cited Bijlsma-Frankema (2001); Cartwright and Schoenberg (2006); Lodorfos and Boateng (2006) and Nguyen and Kleiner (2003) also arguing that a key reason to the failure of M&As is the incompatibilities of culture. Chatterjee *et al.* (1992) cited in Bauer & Matzler (2014) posits that this is largely due to the impact culture has across an entire organisation.

Yilidz (2016, p.53) argues that "Cultural similarities between merger partners are conducive to post merger integration in that they would help employees transfer their pre-merger identity to the domain of post-merger organization". Yilidz (2016) was interested in how the status of the parties in the M&A would impact on the success of the M&A. Yilidz (2016) found that socio-cultural integration of the firms in an M&A is affected by the status of the acquiring firm. That is, employees would display competence-based trust if the perceived status of the acquiring firm was higher than that of the acquired firm, while also showing favourable bias with regards to the information that was submitted by that firm. "Similarity and status drive different processes leading to different

socio-cultural integration outcomes” Yilidz (2016, p.62). Understanding the perceived status of the firm is an important aspect in the preparation of the culture change management process and provides an interesting insight into this study. Acquiring firms may need to take stock of the perception they have of themselves in the industry. Where that perception is not favorable relative to the target firm, they may need to humble themselves in the approach to the M&A for the sake of successful performance. As was highlighted by Bauer & Matzler (2014), culture does play a crucial role in M&As and should be considered as an important factor across all stages of a M&A.

Stahl & Voigt (2008) offered a contrarian view of culture clashes in M&As indicating that perhaps cultural differences, which may be a source of friction between merging organisations, can in fact have the opposite effect. Therefore Stahl & Voigt (2008) set out to balance the view that differences in culture is the source of failure in M&As. What they found was that culture as a construct, plays a role in the success or failure of M&As. Stahl & Voigt (2008, p.172) confirm then that, “cultural differences may be positively or negatively associated with M&A performance, depending on factors that are currently poorly understood.” The lack of understanding of the impact of culture on M&As and the subsequent performance of the organisation points to the importance of the Jemison and Sitkin (1986) study. “Consistent with a ‘process perspective’ on M&A (Haspeslagh and Jemison 1991, Jemison and Sitkin 1986), the findings suggest that the ability to manage the intergration process - particularly the sociocultural aspects - in an effective manner is a key factor in determining the extent to which synergies are realised” (Stahl & Voigt, 2008, p. 173). Therefore, it is important that this present study identify enablers and inhibitors to cultural integration in M&As using the process perspective suggested by Jemison and Sitkin (1986) so as to understand their influence on performance.

The significant impact that culture has on M&As has been displayed throughout this section. The following section will explore how organisations may get cultural elements wrong, and therefore suffer poor performance post integration.

2.2.3 Poor Culture integration in M&As

Another important element to be considered is the failure of acquiring firms to live up to the perceived or espoused culture. In instances where management fails to uphold the espoused values or values that the prevailing group holds close may lead to issues of organisational justice. Gomes, Mellahi, Sahadev, & Harvey (2017, P.584) in citing Baldwin (2006) argue the importance

of justice in M&As; “Understanding fairness perceptions is important as they can influence employees’ attitudes and behaviour and subsequently organisational performance”. Gomes *et al.* (2017, p.589) citing Sinkovics and Ghauri (2008) and Ulrich *et al.* (2005) states “Individual perceptions of procedural justice are highly influenced by the perceived threats to social identity caused by organisational changes such as group-level processes, restructuring, centralisation of decision making, formalisation of procedures and power structures”. Gomes *et al.*(2017) found that employee commitment in a M&A is increased when procedural and interactional organisational justice is high.

Edwards *et al.* (2017) complement Gomes *et al.* (2017) view of how employees adjust their behaviour given the perceived view of the organisation. “In organisational mergers, the relationships between threat appraisal and forms of withdrawal can be explained, as individuals are likely to be motivated to avoid or mitigate threats; these motivations can manifest as intentions and actual behaviours” (Edwards *et al.*, p. 1261). In their study Edwards *et al.* (2017) indicate that changes in the increased perception of justice and the decrease in the perceived threat can lead to growth post-acquisition. The threats discussed by Edwards *et al.* (2017) relate to the threats such as loss of jobs following the M&A. Therefore, managing these threats in line with the task intergration (Bauer, Matzler, & Wolf., 2016 and Bauer, King, & Matzler., 2016); changing culture in line with Mangement Control Systems (Jordão, Souza, & Avelar., 2014) and increasing job training and security (Chung, Du, & Choi., 2014) will improve and organisational justice in firms dealing with M&As.

2.2.4 Culture as a driver of business imperatives

Many researchers have sought to establish how cultural factors impact on performance of M&As. Chatman *et al.*(2014) argue that culture is an important element to the improvement of organisational objectives regardless of the prevailing business conditions. “even in dynamic environments, organizations that are characterized by higher consensus among members across a comprehensive set of cultural norms and whose members intensely embrace a certain kind of cultural norm, one that promotes nonuniform behaviours and adaptability in particular, will perform better financially than will organizations characterized by lower consensus, lower intensity about adaptability, or both” (Chatman *et al.*, 2014, p. 786).

Bauer, Matzler, & Wolf (2016; p. 79) in researching innovation in cross-border M&As hypothesised

and found that; “National cultural differences have a positive moderating effect on the relationship between human integration and the innovation outcome of the combined company.” The same can be said for domestic M&As. Jemison & Sitkin (1986) highlighted the importance of cultural fit in acquisition decisions. Bauer & Matzler (2014) concur with this notion finding that an increase in cultural fit between organisations in a M&A increases the success of the M&A.

Bauer, Matzler, & Wolf (2016) also highlighted the negative impact that human integration has on innovation in organisations after M&A integration. This is largely due to organisation members holding on to old ways of working. This concept links to Schein’s (1984) point that culture is a group held concept that cannot change unless the group identifies the need to change. Thus, human integration in M&As is fundamentally a change management process and must be managed throughout the phases of a M&A. Ahammad, Tarba, Liu, & Glaister (2014) complement the view of organisational culture differences as having a negative effect on cross-border acquisition performance. However, Ahammad *et al.* (2014) find that organisational cultural differences plays a positive mediating role between the transfer of knowledge and the overall performance of the M&A. Thus organisational culture as an independent construct in M&As plays a significantly important role in the success of M&A performance.

Chatman *et al.*(2014) studied the impact that strong cultures will have on organisational performance. What was found was that strong cultures which were characterised by high consensus amongst group members around a set of norms, especially if those norms embrace a sense of adaptability, will be associated with improved financial performance. The study highlights, therefore, the importance of a strong culture as a driver for improved performance in organisations, especially where adaptability is embraced. According to O’Reilly (1989) and O’Reilly & Chatman (1996) as cited in Chatman *et al.*(2014) the definition of a strong culture is one where there is a high level of consensus on norms as well as a high degree of intensity on the norms that the group values the most.. Adaptability as a moderator between strong culture and improved financial performance was described as the focus a firm places on its viability and its ability to adapt to the market (Chatman *et al.*, 2014).

Bauer, Matzler, & Wolf (2016) in looking at how task integration in M&As can have an impact on performance, find that task integration has a positive affect on innovation outcome. The idea of task integration is a crucial point in M&A integration. When organisations involved in M&As are able to build synergies in how they operate, this should lead to improved organisational

performance.

In a similar study to Bauer, Matzler & Wolf (2016), Jordão, Souza, & Avelar (2014) looked at organisational culture and what effect this may have on management control systems following the acquisition. Similar to the impact of task integration above, changes in the MCS, aligned with a change to the strategy of the organisation, led to the Brazilian firm improving its performance post acquisition (Jordão, Souza, & Avelar, 2014). This study highlights the importance of changes in culture as a strategic initiative and how such changes impact on the control systems within the organisation and the positive impact these will have when fully aligned.

Chung, Du, & Choi (2014) also researched tasks in M&As, but focused on the antecedents to post-change task performance. This approach offered some dynamism to the views proposed by Bauer, Matzler, & Wolf (2016), in that Chung, Du, & Choi (2014) argue that for post-change task performance to improve, training and job security must be inherent to the M&A. Furthermore, Chung, Du, & Choi (2014) found that training and job security also improves value fit and ability fit. These are important antecedents to a M&A that must be considered. The ability for the improvement of M&As lies in the synergies that are created in tasks. Furthermore, what is evident is that training employees will increase their abilities to integrate with tasks and therefore increase the organisation's overall performance post acquisition.

Chung, Du, & Choi (2014) further found that, when employee's ability to fit into the organisation is increased following training and job security, there is an increase in positive change expectations. The increase in post-change performance is a sequential process following an increase in training and job security, which leads to an increase in value fit, following an increase in behavioural support for change, thus improving post-change performance (Chung, Du, & Choi, 2014). Given the above process, the ability of employee's to fit into roles in the new organisation plays a more significant role than value fit.

In discussing organisational culture, it is difficult to separate the personality of the Chief Executive Officer, and the culture of the organisation. In a study on the impact that leaders have on culture O'Reilly *et al.* (2014) found that a CEO's who are associated with cultures of adaptability typically display high levels of openness. The CEOs personality with regards to aspects such as high conscientiousness, lower levels of agreeableness; high on extraversion are typically associated with cultures that are detailed orientated, results orientated and more customer orientated (O'Reilly *et al.*, 2014). An important finding from the study is that cultures that possess the elements

highlighted by Chatman *et al.*(2014) , lead to employees taking initiative as their impact is valued. “In this way, culture acting as a social control system, can help with strategy execution” (Chatman *et al.*, 2014, p. 617). Furthermore, the study highlights the impact that leaders have on the culture of an organization. “Senior leaders, because of their salience, responsibility, authority, and presumed status, have a disproportionate impact on culture and may be a significant source of cultural influence” (Chatman *et al.*, 2014, p. 599).

While culture certainly plays a role in the success or failure of a merger, it may very well be seen as the main reason for failure and is often overlooked as a factor for success. This is the view of Vaara *et al.* (2014) who argue that in the view of managers, failure will invariably be as a result of culture clash, while success will be due to the experiences of managers and their ability to manage the complex M&A process. “The findings concerning the attributions to cultural differences support the contention that managers are likely to blame cultural differences for failure” (Vaara *et al.*, 2014, p. 20). These findings are startling given the number of studies on the effect of culture on M&As. It is a stark warning to practioners investigating the success or failure of M&As given the inherent bias respondents may hold.

However, Panibratov (2017) still argues the importance of organisational changes made by the acquiring company can reduce the cultural problems associated with the M&A. While acknowledging the importance of attributional factors in the success of the M&A, Panibratov (2017, p. 1125) states that “Factors such as culture of senior management and changes at senior management level, as well as personell training, eductaion and business exchanges are highly important for the deal integration success.”

The importance of the integration of the M&A is a crucial factor, the next section will highlight some existing frameworks and review some of the research conducted in integration of M&As.

2.3 Existing Research & Frameworks

Many researchers have found the study of M&As to be an interesting field. As has already been mentioned Jemison & Sitkin (1986) offered a different perspective by which M&As should be undertaken, that is, the process perspective. In the process perspective Jemison & Sitkin (1986, p. 146). state that, “issues of organisational fit and postmerger integration have received considerably less attention.” It was this view of organisational fit as opposed to the strategic fit

only that sets the process view across various stages of the M&A. "It is proposed that attention be directed to a previously overlooked and potentially critical determinant of acquisition outcomes—the acquisition process itself" (Jemison & Sitkin, 1986, p. 162) These stages will be elaborated further in this section of the proposal.

Cummings & Worley (2015) in reviewing the work of a number of researchers, namely Galpin & Herndon (2007), Sherman & Hart, Marks & Mirvis, Ashkenas, DeMaonaco & Francis (1998) as well as Jemison & Sitkins (1986), suggest that M&As involve three major phases; precombination, legal combination and operational combination. The overall process presents many challenges across all aspects of the M&A with the ultimate aim being success of the M&A.

2.3.1 Managing Culture Change Process

In managing the change process Marks, Mirvis, & Ashkens (2014) outline a detailed approach. In line with Jemison & Sitkin's (1986) process orientation, successful implementation of culture change begins with due diligence. Marks, Mirvis & Ashkens (2014) argue that the due diligence process while often focusing on financial aspects, should be broadened to also include a review of culture within the acquiring organisation. The second step outlined by Marks, Mirvis, & Ashkens (2014) is for executives to clarify what the culture will look like once the M&A has been concluded. Thirdly Marks, Mirvis & Ashkens (2014) state that people should be educated on culture. Fourth, cultural education is then coupled with deep cultural learnings. Step five is about ending the old culture and getting the the new one (Marks, Mirvis, & Ashkens, 2014). Once all of the previous steps have been achieved, HR practices must be aligned with the desired culture.

Kansal & Chandani (2014), like Marks, Mirvis, & Ashkens (2014) adopted Kurt Lewen's three phases to managing change; unfreeze, learn, refreeze. In a similar way to the above approach of Marks, Mirvis & Ashkens (2014); Kansal & Chandani (2014) propose a number of steps; namely; formation of an integration plan, developing a vision, understanding cultural differences, employee involvement, customer focus, and HR Restructuring. While a number of similarities exist, the approach is not consistent in its application and also fails to highlight at what stage in the process each stage should be adopted, furthermore building a case for a more holistic approach to managing the culture change in the phases of the M&A.

Kansal & Chandani (2014) suggest that there are a number of factors that must be managed

when dealing with the change process in a M&A, these include were listed as; resistance to change, lack of communication, confusion and frustration, force of habit, lack of confidence in the management, fear of insecurity, fear of the unknown, loss of competency, lack of support. These are all crucial factors in the management of the change process. Thus a more holistic approach to dealing with the cultural change management process is required. As has already been identified in the preceding section, numerous studies have in part handled a number of the points highlighted by Kansal & Chandani (2014), however, these have not been consolidated into a holistic framework.

From a South African perspective Steynberg & Veldsman (2011) attempted to develop a holistic people integration process for M&As. They proposed three different models; Model P reflected the best or leading M&A practice; Model T was developed from literature; and Model TP which is a combination of the two previous models. The study focused on the work conducted by change practitioners in the field of M&As. However, the study fails to consider the process from the perspective of the managers and employees engaged in a M&A. Furthermore, in contrast to Jemison & Sitkin's (1986) approach, the study still only considers the strategic approach to the M&A with all subsequent processes supporting the strategic process. Only at phase 3 are people practices considered. Also, the framework offered can only be used from the perspective of the change agent as it is developed within that universe.

While the work of Jemison & Sitkin (1986) has been touched on, the overall approach has not been explained. What Jemison & Sitkin (1986) found was that most of the decision making process in M&As was driven by a strategic fit, which was labelled as the choice approach. That is line managers engaged with potential acquisitions from the view point of a strategic fit and made a rational choice and as a result, to a large extent, ignored the the organisational fit and the subsequent processes of the M&A. This led Jemison & Sitkin (1986) to propose the the process view of the M&A. The choice process largely approached the M&A from the perspective of financial aspects. "A variety of motives may be proposed for undertaking acquisition activity, including increasing shareholder wealth (Salter & Weinhold, 1979), creating more opportunities for managers (Meeks, 1977; Mueller, 1969; Reid, 1968), fostering organisational legitimacy, and responding to pressures from acquisitions service industry" (Jemison & Sitkin, 1986, p. 145). Four impediments to successful M&A intergration were highlighted namely Activity Segmentation, Escalating Momentum, Expectational Ambiguity and Management System Misapplication (Jemison & Sitkin, 1986).

Essentially, the work of Jemison & Sitkin (1986) argues for a far more holistic understanding of the integration of culture in a M&A. The process view is therefore advocated and will be adopted in this research project. However, in spite of the calls from Jemison & Sitkin, some researchers have still adopted the choice perspective.

Horwitz, *et al.* (2002) looked at attributes of organisational culture and human resources (HR) practices that are required for successful M&As. However, the study identifies the factors from a choice perspective in that they only consider factors at due diligence. As indicated earlier in Cummings & Worley (2015) there are three stages in the M&A process. Horwitz, *et al.* (2002) identify factors that are important at the due diligence phase and propose that getting these right will lead to success in the integration phase. "Pre-merger planning has a direct impact on post-merger cultural integration" (Horwitz, *et al.*, 2002). While the link between pre-merger and post-merger integration is anecdotal in most of the literature reviewed, Horwitz, *et al.* (2002) do not provide any empirical evidence to correlate the process. Bauer & Matzler (2014) contend that as a managerial implication to their study a holistic perspective of research into success factors in M&As requires a holistic view. "Managers should focus on pre-merger issues as well as post-merger issues" (Bauer & Matzler, 2014, p. 283). Given the complexity of the process across various stages, it is important for business that clarity on enablers and inhibitors to cultural integration are identified at each episode of the process.

Bauer & Matzler (2014) also investigated integration aspects of the M&A and focused on the degree of integration as well as the speed of integration. In a M&A it will become important for an organisation to consider to what degree the organisation should be integrated and how quickly. Some researchers have hypothesised that the faster the M&A integrates, the quicker favourable financial results will be realised. Bauer & Matzler (2014) found that an increase in the degree to which organisations integrate, would lead to an increase in M&A success.. Therefore, focusing on issues such as those highlighted by Chung, Du, & Choi (2014) and Jordão, Souza, & Avelar, (2014) which were mentioned earlier, will enable improved integration. The degree of integration is thus an antecedent to the speed at which firms integrate as was found by Bauer & Matzler (2014). "Firms tend to integrate as fast as possible if the desired degree of integration is high" (Bauer & Matzler, 2014, p. 281). However, the researchers found no empirical evidence to suggest that the faster the speed of integration, the greater the chance of success. Therefore, organisations would need to determine whether speed is crucial and for what purpose, provided

that purpose is not to achieve success through faster integration alone. Some reasons proposed by Canella & Hambrick (1993), Homburg & Bucciarius (2005) and King & Schriber (2016) as cited by Bauer, King, & Matzler (2016) are to minimise work disruptions, accelerate performance improvements and give competitors less time to respond.

2.3.2 Other integration and process considerations

Managing the cultural integration of M&As forms part of a much more holistic integration process in the M&A. “Companies involved in M&As pay particular attention to integration process that would facilitate the transition period and make two companies work as one” (Panibratov, 2017, p. 1110). Since scholars have called for the process view in M&As the need to expand the view across various elements of the business requires a far more holistic view. Managing how people will adapt to the change associated with integration is also a key management issue. The psychological aspects of change management in integration was highlighted by Chung, Du, & Choi (2014, p.79), when they theorized and validated, “the critical role of Person-Change fit as the employee-level psychological process through which change management practices operate to improve employee reactions and post-change performance”.

Caiazza & Volpe (2015, p.207) highlights the complexity of due diligence stating that “M&A process starts with the due diligence process that has to be based on multiple levels of analysis for identifying risk and opportunities of foreign markets, industry characteristics and strength of the targets’ competitive positioning”. Panibratov (2017) in citing Latukha (2017) argues that cultural issues are considered to be crucial elements of the M&A along with strategic task and operational activities and all must be analysed during due diligence. Rozen-Bakher (2017) attempted to reduce the ambiguity that may be present in the M&A process by seeking out pre-M&A predictors that might assist in successful integration. Rozen-Bakher (2017) argues that integration is the achilles heal of the M&A strategy because of the number of factors that require integration. It was argued that since the due diligence is conducted well before the deal, predicting its success early on may improve the ability of the firm to integrate a lot sooner and more efficiently. Due diligence in itself is a complex process. “The pre-M&A performance should predict the post M&A performance and the success of the integration stage with the aim of reducing the risks of the deal” (Rozen-Bakher, 2017, p. 2).

Rozen-Bakher (2017) was able to empirically show that pre-M&A performance of the acquirer and the target, where Revenue and Profit together were used as performance indicators, was a predictor of success in cross-border M&As. This is a crucial finding. While it errs towards the strategic and financial fit of the M&A, it does provide a base for which integration efforts in an organisation can be coordinated.

In trying to manage the complexities of the integration process of M&As (Gunkel, Schlaegal, Rossteutscher, & Wolff (2015) looked at the role management practices play in influencing employee's emotions to the integration process in M&As. How managers engage with employees through the various processes of the M&A is crucial in managing the successful integration process. Gunkel *et al.* (2015) identified that managerial support during the M&A can influence employee's feelings of insecurity and dissatisfaction. This hypothesis however is based on the trust that employees have in the information provided and the support that is given. The findings are similar to those of Edwards *et al.* (2017) which were discussed earlier, in that employees must feel a level of trust in the organisation giving the information, that may be from the target or the acquirer.

A risk that the organisation runs during the M&A process is the possibility of the loss of talented staff. As has been suggested by some scholars, turnover is a risk facing the successful integration. Gunkel *et al.* (2015) confirm that employee's feelings of dissatisfaction positively affect the turnover intentions of the employees. Reasons as to why employees may leave during a M&A may be many. Edwards *et al.* (2017) highlighted organisational justice, Ahammad *et al.* (2014) indicated that employee retention is a moderating factor between knowledge transfer and acquisition performance and Chung, Du, & Choi (2014) highlighted the importance of job security and training as a predictor of success in integration. Therefore, managing employee's perceptions and emotions around various aspects of the M&A is crucial to ward off feelings of insecurity.

Beyond just the loss of talent, successful integration is hampered by resistance to change and ultimately resistance to the M&A integration. Gunkel *et al.* (2015) highlight that employee's feelings of dissatisfaction also affects their resistance to change their behaviours. Resistance to change may have more far reaching consequences than loss of talent as employees may actively seek to undermine various change initiatives.

Managing these softer, psychological components of the M&A can have hard consequences on the M&A as highlighted above. However, it is important to recognise that the integration change process is not the only change management the organisation will be dealing with. Rouzies, Colman, & Angwin (2018) highlight that during a M&A, business are often dealing with multiple ongoing initiatives and these may also have an impact on the successful M&A integration. “Managers in acquiring firms are thus faced with balancing integration of the focal acquisition and ongoing operations, while simultaneously managing other change processes” (Rouzies, Colman, & Angwin, 2018, p. 1).

Given the fact that many organisations require a multi-focus view in dealing with various ongoing initiatives Trichterborn, Knyphausen-Aufseß, & Schweizer (2016) have argued for a dedicated M&A department, particularly in organisations that have M&As as a growth strategy. “Superior M&A performance may be explained by prior M&A experience” (Trichterborn, Knyphausen-Aufseß, & Schweizer, 2016, p. 763). This links to the studies conducted by Vaara *et al* (2017) which stated that line managers will typically attribute the success of the M&As to their own experience and competencies. Trichterborn, Knyphausen-Aufseß, & Schweizer (2016) empirically found that a dedicated M&A department leads to a positive impact on the M&A where the capabilities enable a more holistic perspective on the overall M&A process.

Another component that links into the overall change management process of a M&A is the communications initiative through the entire process. Communication at each stage of a M&A is crucial in ensuring that the employees of the business are aware of what is going on in the business and broadly in the M&A. Sinkovics, Zagelmeyer, & Kusstatscher (2011) found that when employees who are communicated and are aware of what is going on in the M&A will enable the integration process towards success. The researchers noted that the M&A process may bring about unpleasant decisions. Sinkovics, Zagelmeyer, & Kusstatscher (2011) found that the manner within which these decisions are communicated can impact on how employees react. Similarly, Sarala, Vaara, & Junni (2017) found that new forms of communicating through M&As will have an affect on the “human side” of M&As. “Communication is one of the most valuable HR tools in M&As” (Sarala, Vaara, & Junni, 2017, p. 7). Essential, the view of both (Sinkovics, Zagelmeyer, & Kusstatscher (2011) and Sarala, Vaara, & Junni (2017) is that communication can be used to mitigate perceptions of justice within the M&A process.

2.4 Conclusion of Literature Review

The literature above has highlighted some of the reasons as to why M&As are important both from a macro-economic and micro-economic perspective. It is evidenced that as a growth strategy and to counter competitive forces and several other economic factors, M&As will continue to be an attractive mechanism to achieve these objectives. However, it is also acknowledged that culture plays a significant role in the success of M&As. It is noted that cultural integrations plans need to form part of each phase of the M&A process. Jemison & Sitkins (1986) provided a few warnings in the process and challenged the choice perspective which solely focused on strategic fit. Since then many researchers have identified the importance of cultural fit. It was also noted that the M&A process is complex and requires a holistic view when integrating cultures. Therefore, it is key to study cultural integration at each phase. Furthermore, the literature review has indicated that no single framework or approach to the topic of influencing factors to integration of culture in M&As is the most suitable. Therefore, it is proposed that a *de jure* approach to the study be adopted. While it is recognized that many of the studies have shown value, not all seem to be addressing the topic proposed, hence this approach. It is envisaged that the literature contained herein will guide in identifying the factors that enable or inhibit cultural integration in M&As.

Having considered the research problem and the literature, the next section will specify the research questions.

2.5 Research Questions

The purpose of the study, as mentioned in Chapter 1, is to understand what the key factors are that enable or inhibit cultural integration during the various M&A phases. The literature review above highlights a number of key aspects required to ensure integration in M&As takes place. However, no study was found to have identified a holistic approach to culture integration in the various phases of a M&A. The research topic has therefore been identified as enablers and inhibitors to cultural integration during M&A phases. The study will seek to answer the following questions;

1. What influence does culture have on an organisation during a M&A?
2. What process is followed in each M&A phase to integrate culture?

The following section will look at the methodology following during this research project.

Chapter 3: Research Methodology

This chapter looks at the methodological choices adopted for the study as well as the research design. In so doing, it is important to remember the purpose of the study, that is, to understand what the key factors are that enable or inhibit cultural integration during the M&A phases. The literature review has already given some direction on this. This section will highlight how previous studies have positively influenced this research topic.

3.1 Methodological Choices

The philosophy adopted for this research topic was interpretivism. Saunders & Lewis (2012, p106) state that “interpretivism relates to the study of social phenomena in their natural environment”. Myers (2013, p. 39) states that, “interpretive researchers tend to focus on meaning in context”. Given that the research problem explored the factors influencing the implementation of culture change in M&As, it became crucial to engage with people who had operated in a M&A environment and who had a role to play in the implementation of culture. The social phenomena in this context was therefore culture and the environment was the business.

Complementing the interpretivist philosophy of seeking meaning in context was an inductive approach. “Inductive research is a study in which theory is developed from the observation of empirical reality; thus, general inferences are induced from particular instances, which is the reverse of the deductive method” (Hussey & Hussey, 1997, p. 13). “Research using an inductive approach is likely to be particularly concerned with the context in which such events were taking place” (Saunders, Lewis, & Thornhill, 2009, p. 126). As with the interpretivist philosophy, the context of the phenomena that was studied was crucial. While theory exists which to some extent explained the integration of culture within organisations dealing with M&As, none of these frameworks explored the enablers or inhibitors to cultural integration. Furthermore, the inductive approach to the research problem complemented the *de jure* approach, which sought to explore an alternative understanding to the implementation of cultural change in M&As.

Studying the context using the interpretivist philosophy and the inductive approach led to a methodological approach which required a mono-method. Saunders, Lewis, & Thornhill (2009, p. 595) define the mono-method as, “Use of a single data collection technique and corresponding analysis procedure or procedures”. Given the time constraints of the research problem adopting

one method of data collection was a suitable approach in providing answers to the problem within the given timeframe. The methodological approach to this research problem was invariably, qualitative. Similarly, Horwitz, *et al.* (2002) made use of a mono-method in their study of attributes of organisational culture and HR practices in integrating cultures in M&As. “The intergration of one firm into another has many facets, and the conditions driving success or failure are complex” (Steigenberger, 2017, p. 409). It was therefore important that in order to study these complexities an explorative study was employed. Horwitz, *et al.* (2002) recognised these complexities and also adopted such a study. “Exploratory research is conducted to clarify ambiguous problems” (Zikmund, 2003, p. 54). Zikmund (2003) further explains that exploratory research is conducted to clarify and define the nature of a problem. It was therefore not intended to answer the entire context of the problem, but lends itself to further research on the topic. Given the *de jure* approach to the research problem, an explorative approach was identified as most suitable to answering these specific research questions. As with both the Steynberg & Veldsman (2011) and Horwitz, *et al.* (2002) studies this topic was qualitative and explorative.

With regards to identifying the enablers and inhibitors to cultural integration in M&As the strategy used was Grounded Theory. A Grounded Theory strategy was best thought of as ‘theory building’. Given that the literature had not given enough frameworks or theories against which solutions to this research problem could be identified, Grounded Theory provided the best strategic angle and complimented the interpretive method. Hussey & Hussey (1997, p. 70) in explaining Grounded Theory, citing Stern (1994, p. 273), stated that, it is “but one of the interpretive methods that share the common philosophy of phenomenology – that is, methods that are used to describe the world of the person or persons under study”. Hussey & Hussey (1997) opted for the use of the term phenomenology as opposed to interpretivism. “Theory is “grounded” in the actual data collected, in contrast to theory that is developed conceptually and then simply tested against empirical data” (Maxwell, 2013, p. 49).

Given the time constraint, the research topic was explored using a cross-sectional study. According to Zikmund a cross-sectional study is “A study in which various segments of a population are sampled at a single point in time” (2003, p. 736). Since the research topic did not have existing secondary data which tracked culture integration and change over time periods or even requires the need for such data, a cross-sectional study was the only option.

The data gathering technique that was used was semi-structured interviews conducted face to

face, telephonically or via Skype for business by the researcher. Skype for business is a video calling application. The semi-structured interview was the same technique adopted from Horwitz, *et al.* (2002), who conducted semi-structured interviews with their respondents. Saunders & Lewis (2012, p. 151) defined semi-structured interviews as, “a method of data collection in which the interviewer asks about a set of themes using some predetermined questions, but varies the order in which the themes are covered and questions asked. The interviewer may chose to omit some topics and questions and ask additional questions as appropriate”. The themes identified were grounded in the M&A process identified from the literature review. That is, respondents were required to base their responses within specific episodes within their M&A journey. Maxwell (2013, p. 103), citing Dere, Easton, Nadal & Huston (2008) stated that; “Asking people to describe a particular event or sequence of events taps into what has been termed “episodic memory”, an important and distinct neurocognitive memory system”.

3.1 Research Design

3.1.1 Population

According to Zikmund (2003) the population was the complete group of people or organisations that share the same characteristics. The population for this study was all organisations who had completed a M&A in South Africa as well as subject matter experts within the field of M&As. In the Steynberg & Veldsman (2011) the population consisted of seasoned experts and practitioners within the M&A field. “Cases that contained the most characteristic, representative, or typical attributes of the population were included in the research sample” (Steynberg & Veldsman, 2011, p. 3). As such, the population concerning the subject matter experts mimicked the Steynberg & Veldsman’s study. The combination of the two populations gave depth to the study and sought to improve the reliability and validity of the study. Triangulation of the data collected amongst the two sets respondents ensured a degree of reliability and validity to the study.

3.1.2 Unit of analysis

3.1.2.1 Organisations

According to Kansal & Chandani (2014; p. 209) Horizontal mergers involve companies with similar area of work e.g., Chevron and Texaco. Vertical mergers involve companies with diverse area of work e.g. AOL and Time Warner.” This study therefore focused on vertical mergers. Participants

were sourced from the Competition Commission of South Africa's website, which published approved M&As. Since the source of participating organisations was the Competition Commission, the size of the M&A was also a factor. The Competition Commission has a threshold limit for which notification of a M&A must be brought forward to the Commission. "The Competition Commission must be notified of all intermediate mergers and acquisitions if the value of the proposed merger equals or exceeds R560 million (calculated by either combining the annual turnover of both firms or their assets), and the annual turnover or asset value of the transferred/target firm is at least R80 million" (Competition Commission of South Africa, 2018). "If the combined annual turnover or assets of both the acquiring and transferred / target firms are valued at or above R6.6 billion, and the annual turnover or asset value of the transferred / target firm is at least R190 million, the merger must be notified to the Competition Commission as a large merger." (Competition Commission of South Africa, 2018).

3.1.2.2 Subject Matter Experts and Practitioners

Furthermore, subject matter experts in the field of M&As were also researched. Steynberg & Veldsman (2011) in the development of Model TP made use of subject matter experts in the field of M&As who had a minimum of six years experience in the field. The inclusion of subject matter experts gave a sense of reliability and validity to the study. The views from organisations together with the experience of the practitioners gave a more holistic view of the influencing factors to the implementation of cultural integration in M&As. Jemison & Sitkins (1986) did warn about the ability of consulting firms having an impact of organisational analysis, which incorporated cultural fit stating that it was easier for them to develop usable financial models, however, organisational analysis models were more difficult to apply from one client to the next.

3.2 Sampling method and size

The research topic employed a non-probability sampling technique for both organisation participants as well as subject matter experts. "In non-probability sampling the probability of any particular member of the population being chosen is unknown" (Zikmund, 2003, p. 380). As this is a qualitative study, the non-probability sampling technique was a prescribed sampling technique. Within the range of non-probability sampling techniques, the most suitable technique was purposive sampling. "Purposive or judgmental sampling enables you to use your judgement

to select cases that will best enable you to answer your research question(s) and to meet your objectives” (Saunders, Lewis, & Thornhill, 2009, p. 237). The selection of this technique was in line with the technique used by Steynberg & Veldsman (2011). Etikan, Musa, & Alkassim (2015) stated that purposive sampling is the deliberate choice of participants in a research project which possesses the qualities that are desired to answer the research question. In this study, a small selection of horizontal M&As was selected. The selection was made from the Competition Commission’s website of organisations who had merged approximately seven to five years ago. The reason for the M&A having taken place so far back was due to the duration it takes for the integration to be considered a success or failure. “The integration of one firm into another has many facets, and the conditions driving success or failure are complex” (Steigenberger, 2017).

A list of M&As dating as far back as 2011 was extracted from the website of the Competition Commission. Companies were then identified from that list. Numerous companies were called to request participation, with many declining stating that their M&A would not add value to the study, or that potential participants no longer worked in that organisation.

In selecting the subject matter experts, the researcher sourced suitable practitioners via LinkedIn. LinkedIn is a networking platform where professionals load their career history and connect and interact with other professionals. The platform enabled the researcher to assess the potential participant’s knowledge and experience in order to make a judgement on their suitability to participate in the study. Once the participants were identified, an online assessment of the organisation within which they work was made to establish if the potential participants had expertise in cultural integration during M&As. Five experts expressed their interest. However, one expert cancelled and there was not sufficient time to identify a replacement. Nevertheless, the researcher found that after four experts a point of saturation had been reached.

Purposive sampling has a number of sampling methods. Given that the organisations that participated in the study had similar characteristics and traits, that is, they all ascribed to horizontal M&As, the homogenous sampling technique was used. “The idea is to focus on this precise similarity and how it relates to the topic being researched” (Etikan, Musa, & Alkassim, 2015, p. 3). Saunders & Lewis (2012) argued that homogenous sampling allowed characteristics to be researched in-depth and minor differences would be more easily identified. Given the time constraints, this technique was ideal. With regards to the subject matter experts and practitioners, the purposive sampling technique used here was Expert Sampling. “As indicated by the name,

Expert Sampling calls for experts in a particular field to be the subject of the purposive sampling” (Etikan, Musa, & Alkassim, 2015, p. 3). One of the key reasons for such a technique as postulated by Etikan, Musa, & Alkassim (2015) was that Expert Sampling was an appropriate tool to use when exploring new concepts and ideas while establishing if more exploration will be required by other researchers.. Given that the literature indicated scant research on the identification of the enablers and inhibitors to the implementation of cultural integration in M&As, the expert sampling provided dynamism to the research topic.

Sample size is always a contentious issue in qualitative research (Maxwell, 2013) and this study was no different. The sampling techniques discussed above provided information rich participants. In this research project, five organisations participated in the study. Similarly Horwitz, *et al.* (2002) also reviewed five organisations. This study however differs from the Horwitz *et al.* (2002) as the focus is across all phases of the M&A as opposed to the due diligence aspect. Within these organisations a maximum of three key staff members were interviewed. These included an Executive Member at a Chief level, a Senior Manager and or one staff member at a professional level. It was important to select managers who had been involved with the integration process from the start as they were most knowledgeable (Bauer, Matzler, & Wolf, 2016). Furthermore, four expert practitioners were interviewed. Within the organisations identified, a total of twelve (12) participants were interviewed. While three participants were unable to make the interviews due to work commitments.

3.3 Measurement instrument

The research topic was explored making use of semi-structured interviews. “Semi-structured interviews involve the use of some pre-formulated questions, but there is no strict adherence to them” (Myers, 2013, p. 122). It is worth noting that the semi-structured interviewing technique was also adopted by Horwitz, *et al.* (2002). The measurement instrument adopted a responsive interviewing model in an effort to explore enablers and inhibitors to cultural integration and in so doing, build theory. Rubin & Rubin (2012, p. 2) stated; “In the responsive interviewing model, you are looking for depth and detail, vivid and nuanced answers, rich with thematic material. If you are not getting answers with those characteristics, you may need to alter your wording or spend more time building trust.” The questions in the measurement instrument were designed to tap into the episodic memory of the participants. This element of the measurement instrument was key as it hinged on the process approach discussed by Jemison & Sitkin (1986). Therefore, each

episode was reflected in the three phases of the M&A, namely pre-merger, legal combination and post acquisition. “In this memory system, information is organized by sequencing in time and connection in space, rather than abstractly in terms of semantic relationships” (Maxwell, 2013, p. 103). Anchoring questions within each episode or stage of the M&A allowed the researcher to uncover the influencing factors to the implementation of cultural integrations in M&As. Maxwell (2013) citing Weiss (1994) stated that asking the question in the present tense elicits generalizable account of events, while asking the past tense gives an actual account of the events.

Since the need to gain rich data anchored in the episodes of the M&A process was a pre-requisite to answering the research question, the wording of the questions, as mentioned above, was critical. This also sought to enhance the reliability and validity of the instrument. As the interviews were semi-structured and varied slightly from one interview to the next, staying within the overall context was crucial in getting rich data. It became paramount that the interviewer was fully aware of the questions and how it related to a specific construct or episode. Therefore, the instrument needed to be piloted. Two pilots were conducted on senior staff members involved in M&A deals for a large retail solutions company. The pilot enabled the researcher to gauge whether the questions generate the appropriate responses. Following the pilot, minor ways of phrasing the questions were made, however, the original structure of the questions remained the same. Furthermore, the researcher needed to be knowledgeable about the interview process and the themes that were to be explored. Steynberg & Veldsman (2011) citing Welman & Kruger (1999) stated the following guidelines to ensure quality interviews; i) the purpose of the interview must be explained in advance to respondents; ii) the uniqueness and contribution of respondents must be acknowledged and kept confidential; iii) the interview is facilitated objectively and the opinion of the researcher expressed as and when required. Building a rapport with the participants and having a consideration for their time by ensuring preparation was done well before the interviews engender a sense of professionalism and ensured that the participant provided the required information within the allocated time. At all times, the interviewer maintained an awareness for interviewer bias. “This is where the comments, tone or non-verbal behaviour of the interviewer creates bias in the way that interviewees respond to the questions being asked” (Saunders, Lewis, & Thornhill, 2009, p. 326).

3.4 Data gathering process

The data was gathered from twelve respondents based within organisations and four subject matter experts in the field of M&As. Three of the respondents who were scheduled cancelled the interviews at short notice without a replacement being available. The semi-structured interviews lasted anywhere between 30 minutes to 60 minutes. All participants were advised that the interview was recorded and all attempts were made to maintain their confidentiality. Furthermore, hand written notes were taken. Given the time constraints a number of interviews were conducted telephonically and via Skype and where possible in person the respondents place of work in a quiet environment with little to no distractions. During one of the interviews a technical problem prevented the entire interview being recorded. However, hand written notes were taken and reviewed against the other feedback gained from the recorded conversations.

Interviewing a maximum of three individuals within the same organisation was a good form of triangulation in that it sought to validate the integration of culture change from different angles. Saunders, Lewis, & Thornhill (2009) stated that triangulation can be achieved when two or more independent data sources are utilised.

3.5 Analysis approach

Data analysis was done using Atlas Ti. The program enabled easier review of the transcribed material where the various themes were compiled. The analysis was done in the following steps:

Step 1: Upload modified Transcribed Data

The first step involved the uploading of the transcribed data to the system. Before the data was uploaded, the organisation's names were removed from the transcription and saved as Company 1, Company 2 and so forth.

Step 2: Identification of activities

The second step involved reading through all of the transcripts and identify the various activities that either enabled or inhibited cultural integration. Each of the activities were captured within the specific phase of the M&A. After a while, similar activities began to repeat as new transcripts were loaded. This was done in Atlas Ti

Step 3: Collate activities into overarching themes

Once all the activities were identified, a thematic analysis of these activities were conducted. These themes essentially formed the overall theoretical model that will presented in chapter six.

It must be noted that two touch typists were used. This was due to the poor turnaround time from the originally contracted typist. As a result a second typist was contracted to complete the balance of the interviews in a more reasonable time frame.

3.6 Limitations

This research method adopted had certain limitations. These are discussed below.

One of the biggest limitations was that the M&A process was as far back as 2011. This created a bit of a challenge in memory as some of the participants did not necessarily remember every aspect of the M&A. Bauer, Matzler, & Wolf (2016, p. 83). citing Homburg & Bucerius (2006) stated; "Like many primary-data studies in the M&A field, one limitation of this study refers to the capacity of recollection, as it takes three to five years to measure the outcome of a transaction". Furthermore, the pool of available participants from companies who had completed a M&A was limited as many people had left organisations during that time.

Interviewer bias is one issue that may have limitations of the study. Saunders, Lewis, & Thornhill, (2009; p. 593) define interview bias as; "Attempt by an interviewer to introduce bias during the conduct of an interview, or where the appearance or behaviour of the interviewer has the effect of introducing bias in the interviewee's responses". While every attempt was made to prevent such bias, the fact that it may have occurred is a possibility.

As most of the respondents were senior managers another limitation was their own bias. It has already been identified by Vaara, *et al.* (2014) that managers display a degree of attributional bias when it comes to explaining the success or failure of M&As. Veera, *et al.* (2014, p. 5) citing Stahl & Voight (2008) and Teerikangs and Very (2006) state that, "Methodologically, such attributional tendencies may create biases in research with significant implications for our knowledge of M&As." Therefore, the success of the M&A may lead managers to highlight their achievements and discuss the positive aspects while hiding the negative elements of the M&A.

M&As are an emotive process. Therefore, some respondents may have given negative responses as they feel they did not receive what they were due in the M&A. Another example of respondent's bias could have been that subject matter experts elevate the importance of the use of their services as the research may encourage a greater use of such services.

The research respondents were relatively senior members. Therefore, their availability of time was a constraint that might have some limitations to this research. The researcher was always cognizant of time and conducted the interviews within 30-60 minutes. Given more time, it is possible that a richer view of the data could have been elicited.

As the research was conducted using semi-structured interviews, another limitation could have been the consistency in the questions. Therefore, certain key aspects might have been present, but failure to ask a similar question to another respondent could have meant that important information could have been lost.

The time limit in which to complete the research limited the number of respondents. A wider audience, that may include cross-border acquisitions as well as vertical M&As may have given a richer and more diverse view of the integration of culture during the phases of a M&A.

3.7 Summary of Research Methodology

A summary of the research methodology is indicated below.

Table 1: Research Design & Methodology

Research Design and Methodology	Approach Adopted
Research Design and Methodology	Exploratory
Research Philosophy	Interpretivism
Research Approach	Inductive
Research Strategy	Grounded Theory
Time Frame	Cross-Sectional

Population	Organisations who completed a M&A and Subject Matter Experts
Unit of Analysis	Senior Management & Subject Matter Experts
Sampling Method	Purposive
Sample Size	12 (Senior Managers); 4 (Subject Matter Experts)
Data Collection	Semi Structured Interviews
Data Analysis	Inductive Data Analysis

Chapter 4: Results

This section will look at the overall results of the research. A brief description of the participants is offered, followed by the results relative to each of the research questions. Several themes were also identified and will be provided within the context of each of the research questions.

4.1 Participants

The researcher engaged with five organisations who had completed a M&A within the last seven years. These organisations are varied in industry and location across South Africa. The diversity of organisations was important to the study. This is to enable the application of the findings as to as wide an audience as possible. The researcher adopted a Grounded Theory strategy; therefore, the diverse participants is important for future researchers to adapt.

The first organisation that was identified was a global professional services consultancy. The acquiring firm has a global footprint and acquired a well-known South African consultancy in 2013. The two organisations had previously worked together on a number of joint-ventures prior to the acquisition. For ease of reference this company is referred to as Company 1.

The second organisation that was studied is an infrastructure development and construction company. The organisation is vertically integrated and therefore the acquisition of a manufacturing organisation which provides input materials to the construction division was a logical strategy. The acquisition was approved by the Competition Commission in 2013. This company is referred to as Company 2.

The third organisation operates within the petro-chemicals industry and manufactures and delivers petro-chemicals to large industries. The target firm was an original shareholder of the acquiring firm and therefore the two had a good history together, although their cultures did differ. This acquisition was approved by the Competition Commission in 2015, however, the integration did take place until sometime later. For ease of reference this company is referred to as Company 3.

The fourth M&A was concluded in 2011 and took place within the mining industry. The researcher

envisaged that most, if not all M&As would have taken place within the last five years. However, due to the size and complexity of this acquisition, the researcher decided to include this organisation as the insights gained from this transaction may prove valuable to the study. This company is referred to as Company 4.

The final organisation that participated in the study was a firm within the food manufacturing industry. The company manufactures and distributes fresh, frozen and preserved foods within the retail industry. This company is referred to as Company 5.

All of the above organisations provided consent for the participation with the explicit request that their organisations remain anonymous. Therefore, some quotations that will appear will be slightly modified to ensure that no organisation names appear within the final research report. The firms' names in the subsequent section have been modified as such, Target Company (the firm to be acquired) and Acquiring Company (the company making the acquisition). Participants names have also been kept confidential. Therefore, the participants are identified by their participation number within the company. As an example, P1C4 relates to Participant 1 from Company 4.

Over and above the organisations listed above, four subject matter experts from various consulting firms were also researched. These four subject matter experts have all worked within the culture change environment and in particular within the context of M&As. To protect the participants anonymity, they are identified by the timing of their interview. Therefore, Con1 was the first subject matter expert that was interviewed.

The following section will begin to look at the findings in more detail considering both the view from the organisations as well as the expert opinions from subject matter experts. The overarching approach is to focus these findings on the research questions and the subsequent themes that emerged from the research.

4.2 Research Question1: What influences does culture have on an organisation during the M&A

The first of the findings seeks to explore the influence that culture has on the organisation during a M&A. This section will review each of the findings within the context of the themes that were identified.

4.2.1 Importance of Culture in the phases of a M&A

All the firms that were researched during this study indicated that culture as a phenomenon within their organisation is extremely important. The researcher identified the importance of culture as a theme through questions within each of the three phases of a M&A. All five firms identified that culture plays an important role in the M&A. However, strategic imperatives were identified as having a far greater influence than cultural imperatives. When asked what approach was taken in selecting the target firm, all five firms indicated strategy was the main reason for the acquisition.

P2C3: *"I don't think from a sale point of view the culture was extremely important to them."*

P1C1: *"No the main one was obviously strategic."*

Company 4 faced a very different situation. This firm specialised in one particular mineral and was not a diversified mining company which could expand operations in various other minerals. Therefore, the choice in what organisation they acquired to expand on their strategic imperatives had little to no influence on culture. If this organisation was to grow through acquisition, as was its strategic imperative, it would have to buy whatever mine was available which mined this mineral. The environment, within that mineral did not have too many firms operating. Therefore, when the target firm indicated that some of its operations were up for sale, culture had very little influence in whether or not the acquisition went through.

P1C4: *"You know expansion by acquisition for mining operations you know if someone put something up for sale that is buyable, and you find a whole bunch of Companies contesting for it, but the Companies looking for something don't have... aren't spoiled for choice you know. So, you would take what you can get and therefore assume the culture that comes with it."*

The respondents were asked to rate the importance of culture relative to the strategic importance for the M&A on a scale from one to five where one was not important and five was extremely important. The results are tabulated below by each participant.

Table 2: Rating of the Importance of Culture

Participant	Company	Rating
1	Company 1	2
2	Company 1	4
3	Company 1	3
2	Company 2	1
1	Company 2	2
3	Company 3	3
2	Company 3	3
1	Company 4	1
2	Company 4	1
3	Company 4	2
2	Company 5	2
3	Company 5	1

The descriptive results above give an average score of two for the importance of culture relative to the strategic objectives of the M&A. However, this does not imply that organisations do not see the importance of culture.

P1C3: *“I think strategic elements were more key than culture, however, culture elements were also considered, whether the two companies would fit well within, you know when they come together, but I don’t think it was the primary one, the primary one was more strategic”.*

P1C2: *“I think culture does play... a role, but it is obviously not the major decisive factor”.*

Through the legal combination phase, organisations still tended to ignore culture and focused more on getting operational issues aligned. When asked if culture was a consideration during the legal combination phase the following response was given:

P1C4: *“... we did not spend time considering or analysing organisation culture as a fundamental to the acquisition”.*

P1C3: *“... in the bigger scheme of things for our business was huge right, but in terms of*

the people that we are bringing across, not”.

When firms were asked if they had considered measuring the culture at the legal combination stage, all of them indicated that they did not.

P2C3: *“So, in terms of measuring culture, ... to be quite blunt I don’t think we looked at that”;*

P2C1: *“But not on the culture ...and there was no measurement of culture at this stage”;*

P2C2: *“No, not officially, no.”*

As organisations moved into the post-acquisition phase, the importance of culture became a lot more prominent.

P1C1: *“I think it is very important and critical because culture in an organisation... it’s about how you do things. It is a way of life. And performance actually crops out of that. So, if the culture of an organisation is loose, it’s chaos, it’s not structured, it is definitely going to show in the performance”.*

When asked how successful culture is as a driver for success the following responses were received.

P2C3: *“Very successful, you know it’s ... really high from a priority point of view. Purely because the people make or break your business.”*

P3C4: *“I think it plays a big part.”*

None of the organisations researched indicated that they measured culture as part of the M&A process. Given the importance of cultural differences and the failure of many organisations because of culture clashes, it would be assumed at the very least, organisations would have an understanding of whether there are differences and what those differences are, but none of the organisations interviewed had done a review as part of the M&A process.

P1C2: *“No, we didn’t”.*

P1C1: *“No, we never did. We never did, we actually did ... the survey that we did was not a specific culture survey, it was an employee engagement survey which has culture embedded in it”.*

One organisation indicated that a survey was completed, but this was part of an annual process and did not fall part of the M&A process;

P1C3: *“Yes ja it was not a separate one.”*

The view from subject matter experts on the importance of culture differs significantly from that of the organisations undergoing M&As. When asked how important culture through the phases of a M&A is the following responses were received:

Con1: *“It is critical at every single phase, and the reason why I say that is because we know, and I’m sure this has come through your statistics as well, is that often the biggest inhibitors as to a successful M&A is the culture and if that is misaligned between the acquiring company and the company that’s being acquired. So right from the start it is really important and that means engaging with leaders understanding what the values set is, understanding what the behaviours are and what the effects are of culture between the two different companies.”*

Con2: *“I think culture should form part of the initial analysis, a full understanding of cultural differences and potential risks and requirements to enable successful integration. So, it doesn’t have to be an in-depth study but a full understanding of culture alignment vs misalignment and the risk that proposed to the business as in terms of value creation or value destruction.”*

Con3: *“I would say it is when you start looking at the acquisition, whatever motivates it, so when you are in your initial motivation stage or your assessment stage you decide whether you will do it or not, either then you already have to include the culture part because if you are misunderstanding the culture from both organisations, that besides for your financial aspects, is going to set you up to fail or dis-succeed and there are many examples of this through history how it happened.”*

Consultant 3 expressed a very important view about the M&A process and the balance between

cultural imperatives and strategic imperatives. The view was that organisations need to have an awareness of the similarities and differences in culture very early on.

Con3: *“You need to see what the strong points are. Looking at all the negative bits, it’s easy to just say, look this is not going to work. So, you focus on the strengths, be aware of the weaknesses and see how you can bring the different strengths together to build a stronger organisation afterwards.”*

Given the view of the organisations as well as the subject matter experts, paying attention to culture and giving it priority will certainly assist as an enabler to integration in a M&A.

4.2.2 Adaptability

Another theme that emerged within the context of the influence culture has on the M&A was the willingness of employees within the organisation to change and adapt to the new organisation. This can be challenging in a M&A due to high levels of anxiety that come with the change, especially M&A change. In cases such as Company 2, Company 4 and Company 5, the M&A was completed under the auspices of Section 197 (S.197). Briefly, in terms of the Labour Relations Act 66 of 1995, Section 197 entails the transfer of all employees into another organisation without much changes to Conditions of Service unless those conditions improve on what the employees already had. “The transfer does not interrupt an employee’s continuity of employment, and an employee’s contract of employment continues with the new employer as if with the old employer. The new employer is not allowed to employ the employees on terms and conditions less favourable to the employees than those on which they were employed by the old employer. Under such conditions, the need to manage issues such as benefits, and rewards is slightly less demanding, except for the need to align these benefits” (Lemmer, 2017).

The communication element can go a long way in addressing the concerns that will be made by employees going through the M&A. The willingness or adaptability, for example of Unions to stall proceedings in the legal combination phase can largely hinder on how efficiently the organisation can align benefits and in so doing, create motivation within the workforce to adopt the new organisation. Earlier, Company 2 demonstrated how engagements with the Unions on matters such as benefits, and rewards paved the way for improved relations and a willingness to continue positively with the M&A. Other organisations also indicated the benefit of S197 transfers.

P3C5: *“... all our businesses that we purchase and take over are in line with the Section 197 as a going concern and I think that is extremely important to employees, that they know that ... there is going to be another name that is going to be printed on the payslip, but my pay is the same. All my other things are exactly the same. My years of service are the same ... the same job that I was doing ... I get the same pay etc.”*

Company 5 embedded the need for trust through the process by validating their commitment through the process in writing as per this remark.

P3C5: *“Because you are taking people over as a going concern. That gives people a hell of a lot of assurance and we put that in writing to each individual as well.”*

While S.197 can be slightly easier in terms of job security and security of remuneration and benefits, not all M&As are able to be structured as such.

P1C1: *“It was confusion, people felt insecure, people thought they going to lose their jobs. People felt, because obviously each company had a role, so there was some duplication of roles. So, people just felt very, very insecure ... both firms.”*

However, as with the S.197 companies mentioned above, the organisation offered job.

P1C1: *“.... we assured everybody that nobody is going to lose their job because of the merger ... On both sides.”*

The research therefore indicated that job security would go some way in enabling the culture during the M&A.

P3C3: *“... if there is a willingness its far easier than having a resisting person that doesn't really want to be there.”*

A matter that may prove difficult in getting staff to buy into the new company even if the above factors mentioned are satisfied is the perceived status of the acquiring organisation.

P1C4: *“... **Acquiring Company** was a... typical adolescent and had keenness and then the **Target Company** employees were hesitant to receive what they perceive to be a much*

*smaller company as their new principals. So, so there was a fair degree of hesitance on the part of the **Target Company** employees. For us as the incoming party because they are accustomed to decades of ownership by a specific company with its own ways and a Company with a world-wide reputation and in comes a relatively unknown telling them that we are going to do the future with the same place that your current owner is saying there is no future for.”*

Conversely, in the instance of Company 1 the acquiring company was a much bigger organisation and had a global footprint. This excited the employees.

P2C1: *“... when I mentioned **Target Company** the mood was... fairly boiled [implying the staff were excited] because the staff wanted to be part of this global organisation. **Target Company** was only South African based, and **Acquiring Company** had this global presence so there definitely was a level of buoyancy to be part of the global organisation.”*

However, the feelings on the acquiring company side were slightly different as they were joining with a smaller, South African based company;

P2C1: *“But you know on the other side the **Acquiring Company** staff were saying, well yes we are acquiring this Company but what does it mean for us? Will we be part of management? Will we still have management positions to be involved in various projects etc? Or will the management structure look different and how would that be?”*

Given the perception of fairness in a M&A a key aspect that comes into focus for integration of culture is the attitude of employees and of the organisation to make the integration work.

P2C3: *“So you can have the best systems you can have the best deal in the world, if you have people, they don't know what the organization is about and if they don't have, should I say, the right attitude.”*

P3C4: *“I think it was our attitude. We had a "can do" attitude so you know if there is a challenge we are going to find a solution and make it work.”*

Therefore, a key influencer to culture is the stature of the organisation, the maintenance of fair and equitable processes, where possible the security of jobs and an attitude of willingness to be generated by the organisation and passed onto the employees.

4.2.3 Strategy and Culture

The theme became evident early on as organisations revisit the reason why they engaged in the M&A in the first place. As the purpose for M&As are largely strategic, the researcher wanted to understand if there was any compatibility that organisations may have considered as enabling the integration, even if culture was not the main reason.

P1C3: *“It is almost similar but since we are different entities there are differences obviously. We are smaller than **Target Company** so there are slight differences there in terms of the culture. But, it made it quite easier for the two entities to integrate because it is almost similar.”*

P2C1: *“So having the same principles, the same ethos to approach business, so you know things like ethical values.”*

Therefore, a degree of compatibility in the culture indicated that this would enable the integration. However, organisations who found that there was no compatibility in the culture, also indicating that understanding the differences in the culture was key to enabling integration.

P2C2: *“No, I don’t think there was a compatible culture, however, I don’t think it was a major problem. We were in a very young stage of our development plan as an organisation, so we had the ability to acquire things.”*

P1C1: *“It was different. And I think that is part why they wanted to merge with us. Because, as a smaller firm we pay close attention to a lot of issues.”*

P3C5: *“As long as we know them, and it has been identified through the due diligence and we know that we can sort it out going forward, it would not necessarily play a big, big role in the acquisition, not at all.”*

Understanding the culture, despite of the differences has been also highlighted by Consultant 3 earlier. Key enablers here is that similarity will enable integration but understanding the differences and working to overcome them will also enable the cultural integration. Therefore, the idea that the choice between culture and strategy is not necessarily a choice, but rather an

awareness of culture and its impact and, in a sense, using culture to enable synergies through the entire M&A process.

Subject Matter Experts reiterate the importance of culture. They indicated the great depth that culture should go through to properly integrate the companies.

Con2: *“I would in the beginning phases only look at high level management teams but as you go through that process, I think communication about the different strengths of culture in the two organisations need to be communicated downwards in the organisation to all employees of both parties. So initially in the analysis phase, I would work with the key management teams, cascade that to all employees in the communication and change management process as part of their implementation and integration. I would actually make that a stream in the integration process.”*

Con1: *“One that we are looking at is culture and that’s where we haven’t looked for the things like what are the governance that reports in frame works and how do they make decisions in their business. What elements of each culture been supporting the acquisition and the gross that they are looking for. Where are their risks in the culture? How is that desired culture and take that into the recruitment and on boarding process and then as I’ve mentioned the brand elements are also very important as well there. The next thing is around finance and having a look at how accounting and management reporting will be integrated and managed. So, from a culture change management perspective we just make sure that those has been defined the new way of work, but that people are been taking through that journey of what that change means for them. What it means in terms of business operating differently. So that will include things like aligning to policies, quality and procedure training because you can imagen if you’ve been bought over by a Global Company, they also have Global Policies and procedures that you need to align.”*

Ultimately, organisations need to pay a lot more attention to culture across all the phases of the M&A if the planned success of the transaction is to be realised.

4.2.4 Role of the Leader

The leader’s role in the M&A has been expressed in earlier parts of this chapter. However, what all of the companies researched, except for Company 3 indicated that they either released some

senior managers or replaced the Managing Director or Operations Manager.

P1C2: *“What we also did is the only person that really change with the take-over ... we changed the managing director of **Target Company** and placed our own Managing Director.”*

P3C5: *“I think one of the most important things, and I am a firm believer in that, we have appointed our own GM.”*

It was noted from Company 1 that they could have better utilised the previous Managing Director in a consultant capacity rather than to hinder the cultural integration of the company by retaining him in his position.

Subject Matter Experts also expressed their view on leadership. Although, they failed to express whether it is good or bad to keep existing leadership. The subject matter experts that were researched expressed the importance of leadership roles in the integration of culture.

Con1: *“That was a big thing with clarifying those leadership roles and really just being so clear upfront, guys this is what the structure now looks like, this is the role that your previous MD is going to be taking on now and that really helped reduce a lot of the anxiety because we’ve seen and I’m sure you’ve seen that as well, when those things aren’t discussed in the open it creates a lot of fear and for the leaders itself.”*

Con3: *“Culture cannot be created from the bottom up. The employee is influenced, right. The employee does what he sees from the top.”*

4.2.5 Summary

This section highlighted the key themes that arose from the first research question proposed. A key finding here is that organisations need not have to consider a choice between strategy and culture and rather generate a keen awareness of cultural compatibilities and incompatibilities to ensure culture drives for improved M&A performance. Also, the role of leaders will inevitably change, and organisations will need to manage this process. Building a culture that adapts to the changes and making use of the available legislation can also help with employees adapting to the

changing environment.

The next section will look at research question 2 and follow a similar approach in identifying the key themes.

4.3 Research Question 2: What process is followed in each of the phases to integrate culture

This section will look at the themes that were identified in response to the above-mentioned research question.

4.3.1 Change Management

A central and key theme that emanated from this research question is Change Management. The research finds that most of the change management process began in the legal combination phase. As the deal was announced and subject to Competition Commission, integration teams were constituted. At this point most of the teams began to discuss integration and the various processes and team requirements for integration.

P1C3: *“So even before they moved over we had a Human resources session where potential employees met the new team. They met the new manager so as to know them and know exactly where they fit in the new structure. So, we had those sessions before they moved over.”*

P2C2: *“There was a three-man team, you want to call it officially a transition team”*

Company 4 however expressed a different view. They did not formalise their implementation plan in detail. Rather, they knew what they wanted to do and then went ahead and implemented it.

P2C4: *“Not an official change management, no. It wasn’t a project plan and how we going to do a change management approach. We kind of knew what we wanted to do but it was not formalised.”*

In retrospect the company recognises that they could have done things differently.

P2C4: *“I think we probably could have done it better. I think we’ve learned from the acquisition how to do things differently and how to improve things from every acquisition we’ve learned I suppose. So yes, we probably would have been better if it was more formal.”*

The involvement of various stakeholders was also crucial in the identification of the integration plans.

P2C1: *“So it consisted of I would say the various pillars of business.”*

P2C3: *“... so overall business plan we had a detailed project plan in terms of you know IT requirements, access requirements, HR so the different heads, functional heads that looks at everything to say okay fine this is what we need to do to incorporate these people.”*

P1C2: *“Meetings were set up with all these different people and role players and that really gave us an insight and understanding as to who goes where and that sort of stuff and ... and the policies and that sort of stuff.”*

When asked how organisations managed the transition from pre-merger to legal combination and how task teams were formed the following responses were received.

P1C1: *“It actually was a project. We had a project team.”*

P2C1: *“There was sharing of information between **Acquiring Company** and **Target Company** to get the closing matter resolved and get the so-called deal finalised. With regards to the teams, there was a group of people that were so-called chosen from the **Acquiring Company** side, and a group of people chosen from the **Target Company** side who formed part of this so-called integration team and started setting the, you know, strategy, the organogram, the different focus areas for the people moving forward.”*

P1C3: *“We had proper, proper plan of how we wanted to... we knew by what time we wanted everything to be done.”*

Planning of the integration plays a crucial role in the legal combination phase. As companies

begin to move into the post-acquisition stage, the implementation begins.

P3C4: *“Look we did proper planning in the previous phase so everybody just went into an execution phase and we had several you know management meetings afterwards but firstly it would be weekly then became monthly you know for a couple of months we just you know if there is any issues that came up but at stage just adding those in the planning phase.”*

P1C1: *“We had a timeline on how we going to adjust certain things, it was email addresses that had to be changed there was company names that had to be changed, **Name** was involved in that. There as obviously payroll systems we had to decide when we going to use the same payroll.”*

Implementation following proper planning was a key finding in this research. It should go without saying, and while organisations in the beginning stages failed to recognise the importance of culture, it becomes clear later in the process how they recognise some of the cultural imperatives that must be set in place. Selecting teams for the integration was therefore crucial.

The researched organisations stated that the teams largely consisted of various functional areas. This makes sense when you consider the wide spread implications of a M&A. When asked how teams were formed participants gave the following responses;

P1C3: *“Yes. the task team was composed of different shareholders so for example some were from finance some were from HR some were from IT.”*

P1C3 *“Within HR it was obviously HR Manager, within IT, it was obviously IT Manager. Within **Target Company** huge options so they might have had options to select who would join the task team, but it had to be people who were close and relevant to the industry.”*

P2C3: *“There was about two or three people from **Target Company** and about probably five or six from our side.”*

P2C1: *“Your HR component, your operations component, your finance component etc”*

P1C2: *“I must say on our side we obviously identified some key people that might be*

involved but your typical HR, Safety, IT. You know that type of operations people.”

Change management process also switched up a gear once the approval of the deal was authorised by the Completion Commission.

P2C1: *“It consisted of I would say the various pillars of business.”*

P1C4: *“You know on the level of artefacts we did, you know we planned, we pre-planned that the day we acquire that same evening, you know all signage would be changed.”*

P1C1: *“We had a timeline in terms of when people going to move into offices we had a timeline in terms of harmonization of benefits obviously company budgets permitting, we had a timeline in terms of looking at new, how we going to treat new people coming in which policy which condition of employment are we using, **Target Company** or **Acquired Company**.”*

Given the complexity of change management, none of the companies researched opted for the utilisation of a subject matter expert in culture change. When questioned if any change management or cultural experts were called in all of them indicated that they did not.

P1C3: *“No ... We did it all ourselves”;*

P2C1: *“No, I mean there were subject matter experts. I mean there were some legal subject matter experts engaged to get to some of the legal aspects.”*

P1C1: *“No, we actually didn’t.”*

P2C4: *“No, it’s not part of our culture to use subject matter experts at all.”*

Participant 3 from Company 1 rued the opportunity not to involve subject matter experts stating;

P3C1: *“No we did not. It really was another mistake that was made.”*

When discussing this matter with the subject matter experts, they confirmed the tendency of organisations not to involve them. In fact, some even stated that they are only called in post-acquisition when things have turned out badly.

Con1: *“Well, to be very honest with you, we’ve never had a company bring us in prior to*

them actually enquiring the company, never, they've always, we've only ever been brought in when they're in trouble. So, it's so amazing that they don't realise the importance of the culture change and the change management prior, until you know the proverbial where they see that leaders aren't aligning, where they see the culture, they can't actually get the integration of the process of the system done correctly because people aren't actually working."

Con4: *"You know, I have an experience where I've been involved post M&A and it is as you say, when things went wrong, but I have recently been contacted with regards to, you know supporting and begging for in that situation, so I think it might be changing to the good side, it is probably a long way to go to get there."*

On overall change management subject matter experts argue that this is crucial at every stage of the M&A.

Con2: *"There should be a communication and change management stream, but I think that must support all the other streams and I see those streams typically as work process culture, how do we measure performance, how do we reward performance. All of that are often affected by such a merger and acquisition. So, it could be a range of other streams, but I think culture and change management should be two of the streams included at minimum that should be included."*

Con3: *"There has to be a dedicated team, a dedicated section from the beginning of somebody who is going to focus purely on this. You cannot ask finance people to look at culture and you cannot ask operational people to look at culture. It has to be from a human perspective and that is often where the consulting guys come in, right from the beginning is they form part of the assessment group to see if this is feasible or viable merger."*

P3C5 offered some insight into the overall communication and change management process.

"Change is difficult for everybody. Whether it is an existing plant, or it is as a result of a merger. Again communication, communication, communication is important. People need to know why things happen. And if they understand why things happen and it is actually to their benefit as well and for the benefit of the business going forward, it is much easier for them to understand the change."

What was clearly obvious in the activities of the different companies was that in the post-acquisition phase companies implemented on the plans that were set up in the legal combination phases. It will become clearer in the proposed theoretical framework that the legal combination phase is largely the planning phase of the integration and in particular cultural integration, while the post-acquisition phase is seen as the implementation of the plan. The theoretical framework will also highlight the critical importance of communication as an enabler to integration and the converse effect as an inhibitor.

4.3.2. Communication

Communication was a dominant theme across the M&A process. A number of organisations indicated the importance of communication at all three of the M&A phases. It also became evident through the research that failure to communicate effectively became an inhibitor to the cultural integration. One of the crucial areas where organisations fail to manage communicate effectively is at the legal combination phase. This is largely out of fear of the Competition Commission. This will be explained in more detail.

As can be expected, not much communication was identified at the Pre-merger phase. This is largely because at this stage, the awareness of the intention to acquire a new firm is not very wide spread. In fact, Company 3 is the only organisation who indicated that they had communicated through all phases.

P1C3: *“All the stages of the acquisition were communicated to the, to the employees through the town hall from the thought to the start before it even went to the competition even after all the stages were actually communicated to the entire organisation.”*

This may be due to the nature of this acquisition in that the acquiring firm was a subsidiary of the shareholder.

However, once the process moves into the legal combination phase, the communication and change management process begins. Within the legal combination phase, communications centered largely on the intention of the acquisition.

P2C3: *“That is the point of when communication occurred to say yes you know we are going through a merger which would then be subject to Competition Commission approval.”*

P2C1: *“The communication was the intention. So, an agreement has been reached of the intention to merge and it was obviously subject to Competition Commission approval.”*

P1C2: *“... if I can recall, we put out a memo to all site.”*

P2C3: *“... there were workshops that we had with our guys to inform in terms of what is actually happening.”*

P1C4: *“There was a lot of, you know departmental level liaising taking place, but it was very much focussed on acquisition detail and data.”*

Collaboration in the communication between two firms during the M&A process was identified as key. Two companies indicated how important this was and how it led to improved relations between the acquiring company and the employees.

P1C4: *“When we could start communicating we opened up what we call a questions answers type communication with the employees where through **Target Firm** and soon thereafter through ourselves we set up a Q&A type environment.”*

Participant 1 from Company 2 also indicated a similar approach. When asked if any members from the **Target Firm** attended a meeting to the staff he stated:

P1C2: *“They were. They were present as well”.*

The participant in this interview indicated that the meeting was led by the unions and the questions were tough and difficult. However, as members from both firms were present, the response to the answers were well received.

P1C2: *“I must say there was a total mood swing. And as I said they came back, the Solidarity union guy actually winked at me and said ag no there are no problems, you know so that sounds positive.”*

P1C3: *“It was actually good because of the open communication. Even the affected employees who were going to move from **Target Company** to **Acquiring Company** there were a series of consultations so that they were aware what was happening, why was it happening when was it going to happen.”*

As with the above another company confirmed the importance of joint communication as this organisation highlighted their inability to gain momentum as joint communications was not part of their strategy. When asked whether employees from both companies had access to information the response below was received:

P1C1: *“No, it was actually just **Acquiring Firm** staff. I think we should’ve ... I think they should’ve also had access to that email and ask questions because I think it was assumed that they are acquiring us, so they should know what’s happening, but they clearly didn’t”.*

Due to the nature of M&As in South Africa, a fear of communication once the matter is handed over to the Competition Commission prevailed and was identified in this study. The Researcher noted that a lot of firms stopped communicating once the transaction was submitted to the Competition Commission.

P1C4: *“...I mean up to the point where, Competition Commission approves, we had no communications with the employees of the operations. You know it would appear to be pre-implementation.”*

P1C4: *“It would have been out of place for **Acquiring Company** to make any indications of any sort that it was possibly going to be taken, you know that the transaction was successful.”*

P2C1: *“What do you discuss; being constrained with the Competition Commission approval there is only so much you can actually say, you can't you know say that this is exactly how things will be ...”*

These fears may be well founded. However, the rules of the Competition Commission do allow for communication about the matter, if decisions being taken in the target firm are not being approved by the acquiring firm.

Failure of the companies to communicate, at the very least where the transaction was at allows

for rumours to spread and false perceptions to develop.

P2C3: *“... I don’t think from a culture point of view maybe, maybe a lesson yes for us, and I think it’s more being upfront with people as opposed to, letting rumours run, you know the rumour mill go around. Cause once that rumour mills start moving around you know people then go into an emotional state”.*

Once the Competition Commission has approved the deal, the communication efforts go into over drive. At this point, there are no limitations to communications and the organisations researched indicated how they communicated. Most communication efforts focused on matters such as job security and remuneration and benefits.

P1C3: *“If they had any challenges or if they had any problems so we gave them that opportunity to discuss those.”*

P2C3: *“The second aspect was basically you know the normal induction in terms of inducting people into the **Acquiring Company**, understanding actually what we actually do and why we do it just to reinforce that and then it was about from a culture point of view I think showing them how we do things.”*

Companies indicated the degree of the communication that they had within their organisations.

P1C2: *“We engaged quite a lot with them so look at these individuals and we created forums where they could raise issues. Where they could speak with them at the different depots. At **Location**, let’s call it their head office in **Location** but then also the different depots throughout the Country.”*

P1C4: *“You know it ranged through to anything from conditions of employment, straight through to salaries and communication and my future and everything in between. So, what we did do is you know the regular welcome pack, hi this is who we are, we started changing the, you know...what do you call it...the artefacts.”*

The importance of communication through the process was identified as a key enabler to M&A success.

4.3.3 Human and Task integration

The third theme that was identified in the second research question relates to Task and Human integration. Given that the question is on the process, it is within the task and human integration efforts that culture begins to be entrenched. Within this theme it is identified how organisation focus on the role out of systems, processes, policies and procedures, changes to benefits and remuneration structures and how performance systems are also structured and implemented. The implementation of the aforementioned mechanisms is done primarily within the post-acquisition phase. This theme will also look at how organisations plan for this in the legal combination phase.

The planning phase in the legal combination phase acted almost like a primer to what employees would expect if the transaction was approved.

P1C3: *“Even the affected employees who were going to move from **Target Company** to **Acquiring Company** there were a series of consultations so that they were aware what was happening, why was it happening when was it going to happen.”*

When Company 4 was asked if during the legal combination phase matters such as organisational structure, restructuring teams and tasks were identified, the response was;

P1C4: *“Well less so. Look I mean they certainly were provided, but we certainly did relay our intent with the operation and our, call it vision, as much as the building blocks were absent.”*

Task teams were set up in the legal combination phase to establish plans to be implemented in the post-acquisition phase. These included how teams and tasks would integrate.

P1C3: *“Obviously the team had a project lead.”*

P3C1: *“We had an integration committee and which I chaired and various work streams.”*

P2C1: *“With regards to the teams, there was a group of people that were so-called chosen from the **Acquiring Company** side, and a group of people chosen from the **Target Company** side who formed part of this so-called integration team and started setting the, you know, strategy, the organogram, the different focus areas for the people moving*

forward.”

The integration committee or integration team was seen by the companies researched as the starting point for the integration.

Achieving success in the integration is also challenging given some of the resistance that may exist. When resistance is low, the objective of the integration can easily be achieved, but when there is large resistance, the integration can become challenging. Below Company 3 indicates the ease of integrating teams, while Company 2 highlights some resistance from the **Target Company's Shareholders** and Company 4 highlights the challenges with integrating teams and overcoming the hurdles to transform the culture.

P2C3: *“... you know if there is a willingness its far easier than having a resisting person that doesn't really want to be here. I think it's all about attitude man.”*

P1C2: *“No I must say there were limited information available so like **Target Company's Shareholders** held on to as much as possible. It was actually to the point of frustration because we wanted information as to, you know, how many employees and the typical roles that they fulfil and benefits and policies and there were a host of things that we wanted and we were blocked the whole time you know we could not get this and we could not...and obviously they were just really protecting themselves until the deal actually goes through.”*

P3C4: *“There is resistance to change but I think the company had a common objective definitely you know it's everybody on the same planning, on the same direction. There is a lot of the difference of agreements but from management perspective they tried to keep the management teams as stable as possible. I am just given a couple of key individuals which would drive the, let's say **Acquiring Company's** way and over time everybody would get used to it and as you appoint new people we start building a, a new culture. And that happened actually quickly.”*

Overcoming resistance to change through motivation in the vision acts as an enabler to the cultural integration. However, where the shareholders of the target firm, or even the target firm or the employees fails to work collaboratively in a joint effort to integrate the new company, then this

will serve as an inhibitor within the legal combination phase.

Company 4 indicated how they had planned to change artefacts from day. Since Companies 2, 4 and 5 were S.197, there was little job integration to be done. Company 1 indicated that they had some hesitation from people on the acquiring company who had some anxiety. However, in so far as an overall process to integrate, no companies were able to definitively explain this. The inability for organisations to define their process highlighted an inhibitor to the speed with which organisations integrate.

P2C1: *“... as I said it took long for the combined organisation to work as one team, so I am saying it should be shorter the people would have gotten on board quicker and working as one team sooner.”*

Subject matter experts, on the other hand, offered some insight into the way this should be done. Con2 had earlier expressed the importance of culture as a stream within the integration process.

Con3: *“There has to be an integration of a team that is going to handle this and from the beginning when you start promoting all of this. Your work ethics change in the processes is important.”*

Con 4: *“So after you think about communication, campaign, creating some lovely branding around the new culture, asking teams to unpack what that culture means for them and how they can either live it and what sort of behaviour will support the new culture.”*

Con2: *“That’s often at the integration level where value is destroyed and not enhanced.”*

Consultant 1 explains a process to transition people to a new culture through tasks and human integration.

Con1: *“They need to understand what the new structure looks like. They need to understand how that affect their job role and their job description. Then moving into – so how are processes and systems going to change and taking them through that journey of where you need to get them to understand what they need to do differently to now operate in this new way of working. And then, as that starts settling in, so as the transactional stuff*

starts settling in, then we start building on the value.”

Task and human integration are a key aspect. The manner within which this is implemented comes down to aspects of communication. As mentioned earlier, communication underpins the entire process of integrating culture in a M&A.

As organisations move into the post-acquisition phase, several activities are implemented. Employees may move over to the new payroll and may be assigned new benefits. New management teams will be introduced. In the event that structures change, and employee roles are adjusted, there will need to be communication around roles. To integrate the tasks against a new vision, employees will need to undergo training. Also, staff may need training on the new culture and ways of doing things in the new organisation. What will inevitably inhibit the transition and integration of tasks and people into the new culture is where organisations fail to manage expectations. If communication on changes is not done and organisations fail to explain things such as the new culture, vision and mission they run the risk of losing the synergies envisioned in the strategic intent of the M&A.

P2C3: *“... we had a project plan in terms of you know IT requirements, access requirements, HR so the different heads, functional heads that looks at everything to say okay fine this is what we need to do to incorporate these people. That was the first aspect. Then the second aspect was basically you know the normal induction in terms of inducting people into **Acquiring Company** understanding actually what we actually do and why we do it just to reinforce that. And then it was about from a culture point of view I think showing them how we do things, it's not just about this is how we do things getting on our systems, this is how we track things, this is how we do it and there will be changes but let's talk about it and lets understand and I think the **Target Company** initially there was a bit of frustration, because if you look at our ways of working sometimes we, I think we are manual verses the **Acquiring Company** is automated.”*

P2C5: *“Everybody was always able to go onto their website, read the policies, go through it. So that's how they integrated.”*

Company 4 illustrated the importance of leadership in integrating teams by communicating with staff on the new management structure and explained how things would be different within the

new company when compared to the previous owners. They also indicated how communications in changes in leadership were done.

P1C4: *“So it always started at the top and then it cascaded down, and you know always try to bring across the message that we are what we do. It was very clear very fast that there was going to be you know some differentiation from how it was done and how it was going to be done.”*

P2C4: *“Changing your GM you would have them brief the Executives or CEO beforehand and then there would have been a brief to the mine and introduction to the various management teams and our Executives.”*

Company 4 highlighted how they tried to integrate people within the organisation through social and other means.

P1C1: *“Yeah so we had, that was on the social side try integrate people but also on the office side we tried to have, not a welcoming committee but sort of like go to people for them to find out where is this, where is this, to show people around the office to explain how stationery is acquired, because there were certain things that **Target Company** wasn't used to which **Acquiring Company** has sort of bought down in terms of stationery, how to order stationery, we just went to the library and get whatever you wanted to, whereas **Acquiring Company** had a system in place in terms of how that worked.”*

All the companies indicated that they had trained individuals in an effort to ensure they were skilled to operate within the new company.

P2C1: *“Yes so I would say there was extensive training offered.”*

P2C5: *“Everybody got training from whoever is implementing, they got training on that. If they were trainable.”*

P1C1: *“People were offered training, because **Acquiring Company** has a lot of training. So, we were all, the minute we got our new staff numbers we all got automated emails to go on a host of training courses.”*

Subject matter experts also expressed the importance of integrating teams and training on the new culture. They further indicated ways they would also get teams to function together more efficiently.

Con2: *“Get the teams together and have a facilitated conversation about the two processes that was followed in the past, so say for instance in this case it’s a sales team – you did it like this, we did it like that What worked and what is strengths and pros and cons in both and how do we together shape the future state.”*

Con3: *“There has to be a lot of training on adjusting cultures.”*

Con4: *“... people want to know what they are going to be doing and if their role is going to be an impact on it. I think there is also an around technology, integration, so you know are they different systems integrated, the processes and that is all around the hard stuff. To understand that there are structures, responsibilities organisation and whether anything needs to be done there. You also want to think about your attention ability, you want to keep your talent, you want to retain your talent.”*

The research also indicated that building reward systems into the culture change initiative will improve the integration efforts.

Con4: *“Then also think about some recognition reward programme.”*

Con4: *“I think it is also important to think about your other structures, your organisational like performance management, development pathways, leadership. How all those structures will be supporting the cultural or not supporting the culture? Or how do you change them. So, it is very important to think about what you are rewarding in terms of the organisation. How do we manage performance, how are you encouraging the behaviours and that needs to be around a cost-plus company?”*

Successful integration of human and tasks into the M&A is the front-end of the M&A process. All communication efforts and change management initiatives culminate in the integration of human and tasks. Therefore, the activities which arise from here will play a significant role in the success

of the cultural integration.

4.3.4 Issues of Justice

The issues of justice within this research were subdued. This may largely be because of most M&As following a S.197 process. Therefore, procedural justice was satisfied through the rulings of the Competition Commission. However, there were some issues of trust that the organisations had to manage which may have impacted on the perceptions of justice. Stature in the industry also plays a significant role in the integration process of a M&A in particular how organisations perceive the information disseminated from the acquirer or the target companies. However, despite how employees of the acquiring firm or the target firm felt, respondents stated that they didn't think that the M&A was being perceived as unfair. When questioned on whether the process was perceived to be fair the following responses were received.

P1C3: "Yes."

P3C5: *"The majority of people are positive, and the majority of the people go into the direction. It is possible that certain guys that don't go with the group they will fall off the bus at some stage. Or they will.... or they will conform and join the group."*

P2C4: *"I think people just did feel they can deal with a new culture or that they will find something else. I don't think it was unfair."*

However, P3C5 elaborated further giving context within this specific M&A.

P3C5: *"Obviously, what is the word I am looking for? Weary? they...they believe what you say but you know I heard that from management before, so the proof will be in the pudding. that sort of...of approach. They would not necessarily be overwhelmed in their approach and ah we believe everything that you say, and you are our rescue now. So, they are weary saying we are on the boat, but we will see where the boat takes us."*

Issues of justice can be effectively managed within the communications initiatives as well as within the change management process. When asked if employees trusted the information that was communicated, the responses from participants was positive.

P3C5: *“I think so. I think so, yes.”*

P2C4: *“I don’t think anybody felt it was unfair. I don’t think that. I think people just did feel they can deal with a new culture or that they will find something else. I don’t think it was unfair.”*

The theme of justice was identified within this research as enabling the cultural integration.

4.3.4 Conclusion

Overall the research question was sufficiently answered. The themes that emanated from this section are themes that pull the entire process into perspective. The findings indicate the importance of change management processes and how and when these need to begin. Communication is one of the key aspects of the M&A that enables the success or failure of the M&A. Task and human integration is ultimately the measure of success of the M&A. Failure to integrate people and tasks will highlight the failure of the overall M&A. Finally, how organisations handle the perceived fairness of the M&A will also manage the level of resistance to change.

4.4 Summary

This chapter looked at the overall results that emanated from the research questions. It successfully answered the research question by highlighting the key themes that were found in each of the research questions. The next session will look at the discussion of the results. The overall model will be presented and linked to the themes that were discussed in Chapter 4. Furthermore, the discussion will link into the existing literature to establish how this relates to what we know and what the new findings are.

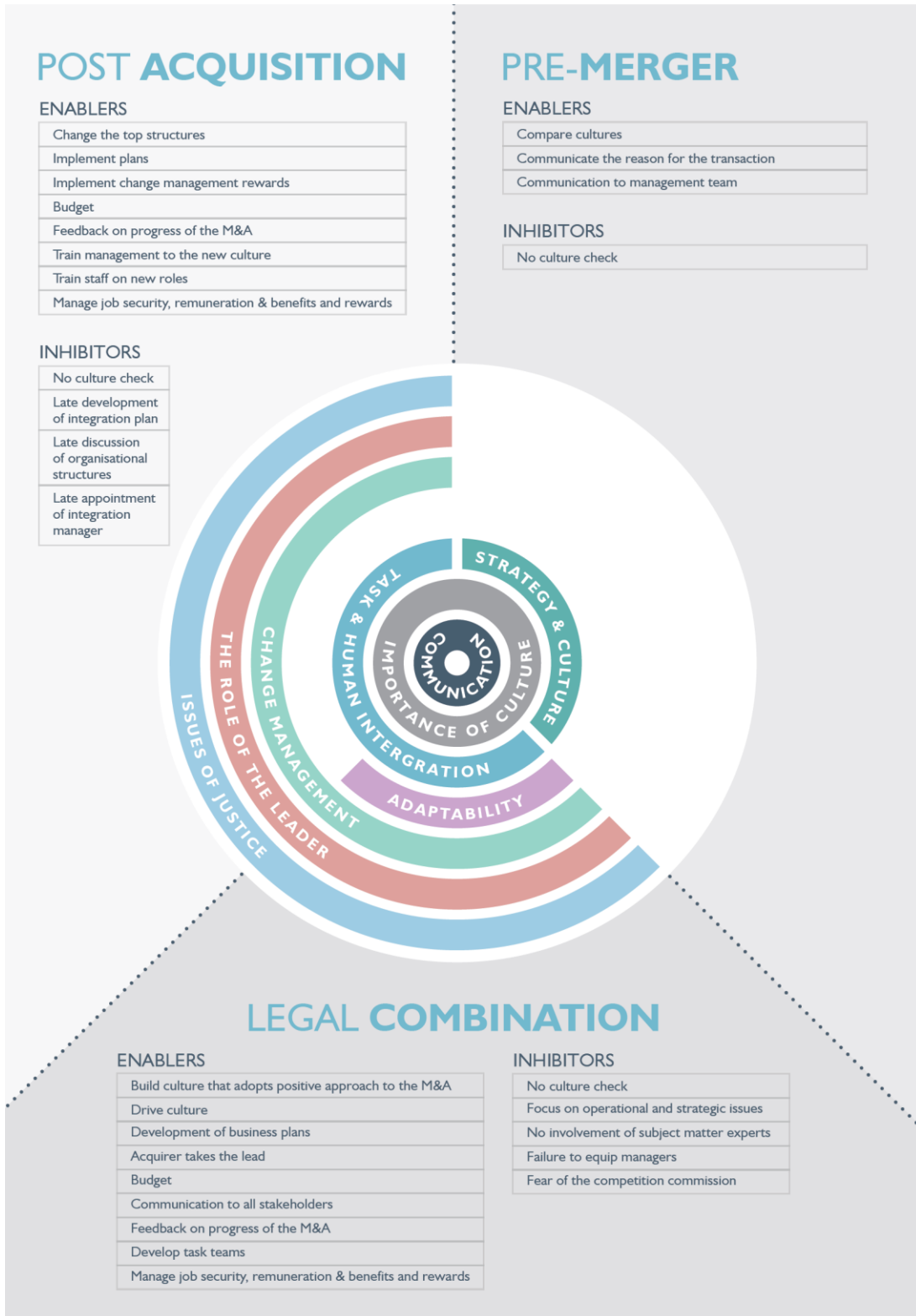
Chapter 5: Discussion

5.1 Introduction

The chapter will discuss the findings of the research with a reference to the literature that was already discussed. Findings that were not evident in the literature will be highlighted as well as contradictory views, if any.

Figure 1 below, highlights the key themes that were found in the research and indicates when these themes occur across the various phases of the M&A. Each theme was identified as a result of an activity or number of activities that take place across the various phases. These activities are then identified as either enabling or inhibiting the cultural integration through the phases of the M&A. Each of the themes will be discussed in the following section within the research question that it was identified in. Thereafter, a brief description is offered for each activity within the respective theme and whether that activity enables or inhibits cultural integration within a specific phase or number of phases. The discussion will also consider the findings in the context of existing research.

Figure 1. Theoretical Framework of the Enablers and Inhibitors to cultural integration through the phases of an M&A



5.1 Research Question 1: What influences does culture have on an organisation during the M&A

The research question sort to identify how organisations looked at culture during a M&A and whether or not a degree of importance was attributed to the concept. The research found that while organisations have some sight as to the impact culture has and its relative importance, it was an aspect that could be managed at later stages in the M&A process. It was clear that as the organisations transitioned through the phases that culture became more and more important. At post-acquisition stage the prominence of culture was a focal point to the overall M&A integration with many activities focused on culture. All respondents noted that culture is a key aspect of the performance of the organisation. Some respondents did also note that they realise now that culture must become a key factor much earlier in the M&A process. These sentiments, albiet restrospectively, where shared by the subject matter experts who argued that culture is the key component to a M&A throughout the process.

Themes that were identified within this question will further elaborate on this research question and will highlight that this question was answered and that a significant impact was made in building the theoretical framework that has been proposed.

5.1.1 Importance of Culture in the phases of a M&A

Much of the literature that has been reviewed highlights the importance of culture in a M&A process. Bauer, Matzler, & Wolf (2016); Sarala, et. al. (2016); Boyce et al.(2015) and Cartwright & Cooper (1999) to name a few all highlight the importance of culture during a M&A. However, to date very little research has focused on the importance of culture at the distinctive phases of the M&A. The researcher found that in spite of the calls for the process view, the fundamental and primary reason for acquisitions was strategic. This ties into the findings of Xu (2017); Sarala, et. al. (2016) and Idris, Wahab, & Jaapar (2014) amongst others that states that M&As are the main source of growth within organisations.

Horwitz, *et al.* (2002) attempted to highlight the importance of culture within the due-diligence phase. They highlighted the importance of pre-planning as key to post-merger integration. While organisations in this study failed to find the importance at the due diligence, there was recognition through legal combination and post-acquisition that culture is crucial. P1C4 recognised the

importance of culture both at an organisational level and within the community within which they operate stating; “I can with confidence tell you that we did not during acquisition be ... let me take it slightly wider. What features nowadays in one of our recent acquisitions in which we actually failed in, well we acquired it and then we are currently busy divorcing from the acquisition is social complexity. So where 15 years ago it was lesser of an issue it certainly features very promptly at present. So social complexity, organisational culture, community culture, you know the sub cultures surrounding the operations and so forth features stronger nowadays than it did then. Back then it was simple a mathematical calculation of are we going to make money out of this. So, I can tell you with confidence we did not analyse the organisations culture as a barrier. The assets to the acquisition.”

Boyce *et al.*(2015) indicated the impact of cultural integration by highlighting the causal chain where culture affects customer satisfaction. This is a critical indicator as well to the importance and the impact of culture integration. A subject matter expert in fact raised the impact of the M&A on the customer as one of the key measurement points on the success of the integration.

Within this theme several enablers and inhibitors were identified at the various phases. These will be highlighted next.

5.1.1.1 Compare Cultures

The need to compare cultures to identify the gaps was highlighted as an enabler to culture integration within the pre-merger phase by subject matter experts. Conversely the failure to identify the cultures between the two firms will serve as an inhibitor. This was indicated in the previous chapter. Briefly, organisations need to investigate the target firms’ culture more rigorously and develop an idea of how the two organisations are compatible and how they are different. Subject matter experts share this view as well arguing that organisations need to take the strengths of both cultures and bring them together to form a new culture. Con3 stated: “So you focus on the strengths, be aware of the weaknesses and see how you can bring the different strengths together to build a stronger organisation afterwards.”

As was mentioned before, previous studies have not focused on cultural integration through the phases of a M&A, therefore, identifying activities within the pre-merger phase is difficult to relate back to the literature. Most of the literature discuss the importance of post-acquisition integration and the importance of proper pre-planning, but none have identified enablers and inhibitors to

cultural integration across all the phases. This is a further reason as to why grounded theory was chosen given the lack of studies within the phases of a M&A.

5.1.1.2 No Culture Check

Checking culture throughout the process was highlighted by the subject matter experts. None of the organisations researched indicated that they formally checked on or measured culture through any of the phases. Subject matter experts advocated for regular checks through the legal combination phase and as an on-going activity through the post-acquisition phase. The subject matter experts argue that these checks do not have to be formal scientific measures, but if senior managers are trained on the new culture and are able to pick up on behaviours associated with the culture, they would be able to monitor it and share with the culture integration team their findings.

These are relatively new findings and don't exist within the literature that was reviewed. Since no organisations researched conducted these, *No Culture Check* is an inhibitor to cultural integration and is captured as such within each of the phases of the M&A.

5.1.1.3 Focus on Operational and Strategic Issues

The research paper found that in the early stages of the M&A the primary focus is on the operational and strategic synergies that must be extracted from the M&A. This is highlighted as an inhibitor to cultural integration in the legal combination phase. Focusing on the operational and strategic elements of the M&A refers to the organisation dedicating its resources only in the achievements of the strategic aspects of the M&A. This will relate to issues such as financial performance, market share expansion and customer interactions, to name a few, while aspects of culture are left on the back burner. This monolithic focus relates to the choice perspective of M&A decision making that was highlighted by Jameson & Sitkins (1986). The behaviour of the organisations researched is in contrast to the findings of Boyce *et al.*(2015) who found that culture was a construct that should be prioritised as it resulted in greater performance outcomes. Therefore, failure to elevate the importance of culture within the legal combination phase is an inhibitor to cultural integration.

5.1.2 Adaptability

This theme was identified in the research as a willingness by the organisation to push on with the M&A despite the cultural differences that may exist within the two organisations. It also related the willingness of employees from the two organisations to work together to build a new culture. Furthermore, it relates to the overall attitudes and emotions that people have within the context of the cultural change initiative and broadly the change that results from the M&A.

Sinkovics, Zagelmeyer, & Kusstatscher (2011) noted that overall positive attitudes towards the M&A, especially from senior management can have a positive influence on the M&A. The findings of Sinkovics, Zagelmeyer, & Kusstatscher (2011) link into the importance of communication and it enables employees to change attitudes towards the overall M&A.

Chatman *et al.* (2014) noted the importance of organisations ability to adapt in various circumstances. Within a context of changing culture as is the case in M&As, organisations with a sense of adaptability are able to break down the concept of consensus within culture and therefore enable the organisation to experiment, be innovative and take advantage of opportunities (Chatman, *et al.*, 2014). Organisations therefore need to imbed adaptability into their cultures (Chatman, *et al.*, 2014). This was evident in the research as Company 4 spoke of a can do attitude as crucial to the transformation of the culture. Simirlalry, O'Reilly *et al.* (2014) found that organisations whose culture emphasises adaptability will typically perform better than organisations who don't focus on it.

This was a key finding in the research. Company 4 highlighted its can do attitude as a driver for cultural integration. The activity that is associated with the willingness to change themes is identified as *building a culture that adopts positive approach towards the M&A*.

5.1.3. Strategy and Culture

The researcher found that in the choice between strategy or culture, organisations will always select the strategic elements such as growth, removing competition or expansion into new markets. However, this is not to say that organisations still select the choice perspective as

described by Jamison & Sitkins (1986). In fact, the study found that while culture is not the primary reason for a M&A and is not given higher prominence in the early stages of a M&A, there is a growing awareness of the importance of culture in the decision-making process.

The researcher found that organisations did search for a degree of compatibility through the due diligence process. Subject matter experts also raised this as being an important factor. In fact, subject matter experts confirm that organisations will always decide on the M&A from a strategic perspective, but it is important that they are aware of the cultural differences and similarities. Company 1 indicated an awareness of how the companies may be similar, as did Company 2 and Company 4. The awareness of similarities enabled the integration in these organisations. The findings of compatibility confirm those of Bauer & Matzler (2014) who stated that cultural compatibility increases the degree of integration. Furthermore, the relationship between cultural compatibility and the M&A success is moderated by the degree of integration. Bauer, Matzler & Wolf (2016) also found that cultural differences have a positive moderating effect on the relationship between human integration and innovation outcomes. Therefore, organisations who have an awareness of culture can in fact enable the overall strategic objective whether there are similarities or differences.

One activity was identified in the model that relate to the theme of strategy and culture.

5.1.3.1 Reason for the Transaction

The researcher found that as an antecedent to the integration of the culture and with particular focus on the change management and communications agenda, organisations need to clearly spell out the reason for the merger. This is crucial as it informs the communications strategy to senior management which was also identified as an enabler to cultural integration in the pre-merger phase. Understanding the rationale for the M&A will also inform the change management process that need to be considered in the legal combination phase. Subject matter experts expressed the importance of understanding the rationale as it informs the overall vision and mission of the cultural implementation agenda.

On closer inspection of the literature mentioned above and in line with the process perspective of Jamison & Sitkins (1986), it would seem that organisations should not necessarily focus on one or the other, but rather see how the importance of culture can be used as leverage to extract the

synergies from the strategic decision.

5.1.4 Role of the Leaders

The role of leaders in the phases of a M&A are very critical. Given the numerous amounts of literature which indicate that culture is driven from the top, the involvement of leaders at each stage of the M&A is crucial. Apart from their involvement in the strategic elements of the M&A, leaders' behaviours are crucial indicators of culture in the new organisation. Steynberg & Veldsman (2011) confirm this as they include leadership as a key building block in their model for people integration. Bauer & Matzler (2014) identify the leadership dimension as having a strong correlation to cultural fit as an antecedent to successful M&As.

Sinkovics, Zagelmeyer, & Kusstatscher (2011) noted the importance of the manager's leadership behaviour on emotions and attitudes. The research found that company's often engaged openly with staff of the new organisation, even when difficult conversations needed to be held. Company 1 indicated how engagements on changing roles meant that staff in the acquiring company had to report to managers of the target firm. How leaders dealt with these situations align to the findings of Sinkovics, Zagelmeyer, & Kusstatscher (2011).

Gunkel *et al.* (2015) found that the support offered by managers can reduce the feelings of dissatisfaction in the M&A process. This finding links to the research in that subject matter experts argue for the training of managers in better understanding the culture. If managers understand what the new culture will be, they are able to better support employees.

Tying in the activity mentioned earlier on the education of leaders, Marks, Mirvis, & Ashkens (2014) argue that leaders play a crucial role in educating staff on the new culture and identifying culture clashes and seeking to resolve these.

The role of the leaders is clearly of extreme importance. Below are a number of activities identified as enablers or inhibitors to cultural integration that emanated out of this theme.

5.1.4.1 Driving Culture

As has been mentioned previously, the leaders drive the culture. In the legal combination phase, the leaders are responsible for developing the vision and the future state of the new culture.

Subject matter experts highlighted this activity as being fundamentally important. “Executives cannot get where they want to go in M&A if they do not know where they are headed, and that applies as much to culture as it does to financial and strategic objectives” (Marks, Mirvis, & Ashkens, 2014, p. 48). The activity is identified as an enabler within the legal combination phase. It links into the change management and communication aspects of the task teams.

5.1.4.2 Change the top structure to drive new culture

The researcher found that organisations that were interviewed found it important that for the new organisation to evolve into something new and in line with the objectives of the strategy, the senior manager, that is CEO or MD, of the target company could not form part of the management team. Thus, this was identified as an enabler to cultural integration as the acquiring company’s leader is more likely to be attuned to the overall strategy of the new firm.

5.1.4.3 Late development of integration plan

Like the activity above, the late development of an integration plan is an inhibitor to the cultural integration at the post-acquisition phase for the same reasons.

5.1.4 4 Late discussions of organisational structures

The research found that due to the fear of the Competition Commission, organisations did not engage on issues like the proposed organisational structure in the new organisation. As a result, these discussions are held in the post-acquisition phase and inhibit the cultural integration.

All of the above activities are principally led by management as it ties into overall strategic objectives of the M&A.

5.1.5 Conclusion

The activities mentioned above span across all phase of the M&A and provide crucial activities that can enable or inhibit cultural integration.

The following section will look at the themes that arose out of Research Question 2. Links will be

made back to the literature while the activities in the phases of a M&A are highlighted.

5.2 Research Question 2: What process is followed in each of the phases to integrate culture

This question sort to identify what process were followed through the phases of the M&A to integrate the culture. The question will address the themes that were identified as having a significant impact on the overall process of the M&A.

5.2.1 Change Management

The researcher identified change management as a crucial step which largely begins from legal combination phase through to the post-acquisition phase. The researcher identified that the fundamental driver of the change management process was the establishment of the integration committee or integration team which consisted of members of both organisations or at the very least ensured that the two-organisation engaged and shared information with each other.

Chung, Du, & Choi (2014) found change management practices are important when they are directed at integration activities that will enable integration. In particular Chung, Du, & Choi (2014) noted that change management practices focused on communication, training and job security are critical factors. The researcher found this to be validated in the study and will focus on training and job security in a later section.

5.2.1.1 No involvement of Subject Matter Experts

The researcher found that all the subject matter experts indicated that they had never been involved in cultural integration within the pre-merger and legal combination phase. These experts are largely called in when the cultural integration has gone wrong. Some of the companies noted that in retrospect they would have involved experts and in some instances much earlier in the process. The findings here are contradictory to the notion of Jemison & Sitkins (1986) who stated that subject matter experts have different processes to those of the organisation and therefore their impact to overall strategy may not align to the organisation. The researcher found that while the process and understanding of the M&A phases may vary, the intentions of the expert is to align their interventions with those of the organisation. Therefore, given that within the five organisations no subject matter experts were used it is identified as an inhibitor in the legal

combination and post-acquisition phases.

5.2.1.2 Development of Business Plans

The researcher found that organisations begin their change management processes in the legal combination phase. Within this phase much of the planning is done, while the implementation takes place in the post-acquisition phase. It is also critical that these plans are shared between the relevant acquisition parties. Company 2 noted some difficulty when the target company's shareholders withheld certain information and the delays this caused in developing and implementing the integration. Developing of business plans involve the organisational structure, communication strategy, day one implementation, etc and is identified as an enabler to cultural integration.

5.2.1.3 Acquirer takes the Lead

Another key finding in the research is the importance of the acquirer to take the lead on the integration. Company 1 noted how important this was in their organisation. The reasons for this were not well established and is certainly an avenue for further research. However, given the importance for top management to be aware of the reasons for the acquisition, the need for acquiring company to therefore lead the integration is key to ensure that alignment to the strategy. As this activity is aligned with the change management process and the establishment of task teams, acquirer takes the lead is identified as an enabler to cultural integration in the legal combination phase.

5.2.1.4 Failure to equip management

The researcher found that the failure to equip management to understand the new culture is an inhibitor at the post-acquisition phase. Subject matter experts highlighted the importance to have all management including senior and middle management to be trained on the new culture. Managers should thereafter be used to identify appropriate behaviours in line with the new culture and share feedback to the integration committee.

5.2.1.5 Implement Plans

The researcher identified that the post-acquisition is dedicated to the implementation of the plans

that were derived in the legal combination phase. This element ensures the alignment of all contracts, terms and conditions of employment, training interventions, feedback committees, culture checks, etc are done. It also ensures that new policies and procedures are aligned to the new culture.

5.2.1.6 Late appointment of integration manager

Linked to the point above and because of the fear of the Competition Commission is the late appointment of an integration manager. The researcher found that if an organisation appoints an integration manager too late because of fear of the Competition Commission rulings, as was the case with Company 1, this can have serious adverse consequences for the integration of culture. This aspect is identified as an inhibitor to cultural integration in the post-acquisition phase.

5.2.1.7 Implement Change Management Rewards

Implementing change management rewards relates to organisations aligning he espoused behaviours to elements in the organisation such as performance and thereafter rewarding employees for living out the new values. The subject matter experts indicated this activity as key in driving improved behaviour and awareness of the new culture.

5.2.1.8 Budget

A key, yet obvious finding is the importance to budget for the change management process. This is identified as an enabler at the legal combination phase. Subject matter experts have indicated that change management costs money and therefore, organisations need to also ensure that culture change is budgeted for as a work stream within the integration process. Conversely, the failure to budget will inhibit cultural integration.

5.2.1 Communication

The aspect of communication is one of the key enablers to cultural integration. Communication is highlighted as an enabler in each of the phases of the M&A. The researcher found that organisations all realised the role of communication and in most instances ensured that communication was open with most of them setting up forums, feedback sessions, townhalls,

question and answer emails and senior management briefings. Likewise, subject matter experts advocated for the open and honest feedback even on difficult matters.

Sinkovics, Zagelmeyer, & Kusstatscher (2011) noted the importance of communication in managing emotions during a M&A. "Regular, intensive and open communication throughout the whole M&A integration process is crucial" (Sinkovics, Zagelmeyer, & Kusstatscher, 2011, p. 43). Sarala, Vaara, & Junni (2017) also noted the importance of communication within the M&A identifying instances where dissonance in the communication styles weakened relationship-building. Simirlalry Panibratov (2017) also found that one of the main reasons that M&As fail are due to communication problems, amongst others. Friedman *et al.* (2016) found that an improved communication climate is an enabler to better outcomes for M&As

The next sub-section will look at the activities within each of the phases of the M&A that link to communication.

5.2.1.1 Communication to Management Team

Within the pre-merger phase it is important that organisation communicate the proposed acquisition to the top management team. The researcher noted that subject matter experts stressed the importance of top management buy in for the acquisition as crucial to the success of the M&A. Furthermore, organisations indicated that in the earlier stages, management was aware of the strategic need to acquire.

5.2.1.2 Communication to all stakeholders

Both Company 2 and Company 4 highlighted the effectiveness of communications with all stakeholders. Company 4 stated that within their industry, the importance of communication within the community is a new dynamic that is being considered. Centralised communication where both companies share information and disseminate a joint message is identified as an enabler to the cultural integration. Where organisations are unionised, the importance of engagement with them across all phases of the M&A is crucial.

Typically, communication on the acquisition happens when the organisations are comfortable that

the two will explore the transaction further and is therefore an activity that takes place within the legal combination phase. Conversely, the failure to engage in joint communications or disjointed communications as it has been identified in the model, and to feedback information to relevant parties is indicated as an inhibitor to cultural integration.

5.2.1.3 Fear of the Competition Commission

The Competition Commission regulates the M&A in South Africa. However, organisations tend to slow down on communication efforts between the parties as they the Competition Commission. The regulations only relate to communication that would affect competition in the industry. Provided the acquiring firm does not make decisions in the target firm that would impact issues of competition, organisations are free to engage in planning activities pending the deal. It is fair to say that organisations may be reluctant to share information, especially if the acquisition is of a competitor within the industry, but there are legal channels to explore in this regard.

The fear of the Competition Commission is therefore indicated as an inhibitor to cultural integration at the legal combination phase as it interrupts the momentum of communication and planning.

5.2.1.4 Feedback on the progress of the M&A

The researcher found that organisation realised the importance of regular updates to the employees on the status of the M&A. Subject matter experts also highlighted this as key. This was an enabler within the legal combination phase as well as the post-acquisition phase. It was identified as critical as it helps to reduce anxiety and rumour mongering. Conversely, the failure to feedback information in the post-acquisition phase is indicated as an inhibitor

All of the above-mentioned activities or actions have been identified as playing a role in the integration. Given that these are new findings within the M&A space, more research must be conducted to further elaborate or target the necessary activities in line with objective and strategy of a particular M&A. This means that each organisations experience with the aforementioned activities must be considered within the context of each M&A.

5.2.3 Human & Task Integration

The theme of task and human integration was identified as taking place primarily within the post-acquisition phase. This theme underpins the final phase of the M&A and is seen as the key determinant of success of the integration. Within this theme arise critical factors such as job security, alignment of benefits, training of new skills, alignment to new structures, rewards and recognition and training on the new culture amongst others. The researcher found that all these factors existed within the companies that participated in the study. Lots of time and energy was focused in the planning phase on matters like rewards and recognition and the alignment of benefits. As an outcome within the Competition Commission, all companies were compelled to maintain jobs for a particular time period. The researcher identified that the assurance of job security was an enabler to the integration. However, the challenge was the maintenance of expectations and management of matters of justice, which is why communication became of such critical importance

Bauer, King, & Matzler (2016) highlight the importance of human integration finding that the faster organisations are able to integrate the more positive the effect on performance will be, but this is moderated by acquisition performance. The research found similarities in this research as organisations lamented the speed at which they integrated arguing that had they had a stronger focus on the integration plan, they may have achieved results faster. This aligns with the Bauer, King & Matzler (2016) study as all the organisations that were researched had little experience in M&As. This again highlights the importance of subject matter experts involvement, as was discussed earlier. Broadly speaking, Bauer & Matzler (2014) highlighted that the degree to which organisations focus on the integration, the greater the success of the M&A. However, the findings warned that organisations will integrate as fast as they need to. This aligns to the findings in this research and in particular in Company 1 which stated that a staggered approach to the implementation over a period of time would have assisted the integration.

On the notion of job security, this has been highlighted as an enabler to the integration of culture. The researcher found that since all the organisations assured that jobs would be retained, this assisted the cultural integration efforts. This ties into the findings of Chung, Du, & Choi (2014), which found that training and job security led to greater task performance by employees, greater value fit and increased ability fit. Furthermore, training in new or adjusted roles and job security led to a favourable expectation of change, when moderated by value fit and ability fit (Chung, Du,

& Choi 2014). The research, in all the organisations, supported these findings. All companies highlighted that job security was a key factor to the adoption of the new culture. The training that was offered, whether as part of the organisations practice or as part of the integration plan assisted in improving the organisation's performance. Ahammad *et al.* (2014) found that the transfer of knowledge led to employer retention. According to Mirc (2013) the retention of employees acts as a moderator in the relationship between the transfer of knowledge and the success of the acquisition. These findings could not be corroborated in this study given that jobs were secured from the legal combination through to the post acquisition.

Within this theme three activities were identified, and all have been highlighted as enablers to cultural integration through the phases of a M&A.

5.2.3.1 Develop Task Teams

This activity has a strong alignment to the change management activities and becomes imbedded within the change management strategy. It relates to the formation of task teams, the identification of an Integration Manager and the building of a vision and mission for the new culture, amongst other things. The researcher identified an inhibitor within the development of task teams and that is the late onboarding of an Integration Manager. One organisation recruited the services of an Integration Manager only in the post-acquisition phase. The researcher found this to be late given the need for plans to be developed from the legal combination phase.

The subject matter experts highlighted the importance of the activities of the integration team. Subject matter experts would work alongside these task teams and deliver against the mandate that emanates from the task team.

5.2.3.2 Training Management to the New Culture

The researcher found that organisations believed that culture is driven from the top. This notion was supported by subject matter experts. Therefore, it is important that top management is trained on what the new culture is all about and how it should be rolled out. Subject matter experts expressed that management needs to be aware of the new culture, norms, values and behaviours and should be able to pick up on when staff fail to live these. They advocate that living the new culture should be embedded in the performance management system as well as in the reward

and recognition philosophy. Therefore, managers should be trained in order to action on good and bad behaviour in line with new policies.

5.2.3 3 Train staff on new roles

Researchers such as Chung, Du & Choi (2014) and Ahammad *et al.* (2014) highlighted the importance of training and knowledge transfer in the M&A process. As an activity to enable the integration of culture in the post-acquisition phase organisations look at training on new equipment, new ways of working, new processes and procedures, the new culture, etc. The training is an outcome of the change management systems. Subject matter experts argue that these activities must be linked to the outcomes envisioned in the overall strategy of the M&A.

The human and task integration are critical to the overall success of the M&A as it seeks to generate the synergies that were envisioned in the initial transaction.

5.2.4 Issues of Justice

How employees perceive the process was also identified as theme within Research question 2. The perceptions that staff have on the integration process can have major consequences for the integration of culture as it relates to the extent to which employees resist the changes. Within this research Gomes *et al.* (2017) found that; “organisational justice, both procedural and interactional, have a strong relationship with commitment (affective and calculative).” That is when employees perceive the process of a M&A to be fair as well as the procedure, they are likely to commit more to the change process. This is why the link to communication (interactional justice) and to change management (procedural justice) is so crucial. The researcher found that the perceptions of the M&A were fair in all organisations researched due to the change management and communications that were rolled out. Interestingly Gomes *et al.* (2017) found that interactional justice did not play as big a role as procedural. “This might be explained, to a certain extent, by the fact that during the post merger integration phase the established procedures do become critical in determining the post-merger integration phase the established procedures do become critical in determining the required levels of interaction and engagement between members from merging organisations” (Gomes *et al.*, 2017, p. 595).

Edwards *et al.* (2017) found that changes in increased justice perception and a decrease in the

perceived threat can improve the levels to which employees identify with the new company. The findings in this research align with that notion as assurance of job security reduced the perceived threat, while communication and change management efforts and activities sort to increase the perceptions of justice.

As already mentioned the issues of justice are embedded within the practices and activities of other themes like change management and communications. However, there is other activities that also need to be mentioned.

5.2.4 1 Manage Issues of Job Security, Remuneration and Benefits, Rewards, etc.

How the new organisation managers the above-mentioned activities are crucial to how the M&A is perceived. The researcher found that the open communication sessions where all these matters were discussed were crucial in maintaining fairness through the process. All researched organisations indicated that while staff may have been slightly resistant to the change, they did not feel that the process was unfair. The companies researched indicated that they placed a lot of energy in ensuring that issues such as remuneration, benefits and rewards aligned or exceeded what was offered in the previous organisation.

Ensuring that employee's jobs are secured, remuneration and benefits are equal to or better than what was offered, and rewards are fairly aligned is an enabler to cultural integration within the legal combination and post-acquisition phases.

5.2.5 Summary

The researcher found that the question was answered. While several recurring themes were evident through the process of a M&A, the themes that were mentioned in the context of the question highlights the importance of process, when combined with the importance of culture through the M&A. The activities mentioned plays a role in enabling or inhibiting cultural integration in M&As and it is important for organisations to take a holistic view of the M&A.

Chapter 6: Conclusion

The final chapter of this report summarises the key findings of the research and discusses the implications for management. Thereafter, the researcher will discuss the limitations of the study and finally look at some suggestions for future research.

6.1 Summary of Findings

The primary purpose of the study was to understand the factors that enable or inhibit cultural integration through the phases of the M&A. While studies to date have focused on the post-acquisition phase and the due diligence, none were identified as focusing holistically across the entire process. Steigenberger (2017) noted that identifying one model to cover the complexities of the M&A process may be a difficult task. When discussing the process of a M&A and identifying the appropriate tools to utilise through the process Sarala, Vaara, & Junni (2017; p. 7) stated; “Taken together, while prior M&A studies point to the importance of HRM tools and practices, we still lack a comprehensive understanding of why, how, and when various actors use specific HRM practices and tools and of their implications-both positive and negative”. Bauer & Matzler (2014), Barkema & Schijven (2008), Bower (2001) and Stahl & Voight (2008) state that the success of M&As is dependent on all the phases and argues for research that looks across the phases as opposed to specific phases. This study presents a theoretical framework identifying the negative and positive aspects for organisations and scholars to consider when dealing with cultural integration as a result of M&As. The framework looks at the themes that were identified in the research and then highlights the key activities that lead to successful integration of the M&A.

One of the key findings from the research was that organisations needed to prioritise the importance of culture a lot earlier. Most of the focus is on the strategic components of the deal as key to M&A success. King, Dalton, Daily & Covin (2004) are cited by Bauer, King, & Matzler (2016; p.150) noting that “Before an acquisition, research has focused on the strategic fit between combining firms however, meta analysis shows that fit is not a good predictor of acquisition performance.” Cultural integration therefore offers organisations an additional lever to pull on in order to improve the overall M&A performance. However, cultural integration should be elevated for it to be better understood and utilised in order to gain success in a M&A.

The study also found that while cultural compatibility is crucial as it could lead to M&A success Bauer & Matzler's (2014) findings that this is moderated by the degree of integration should still be considered. However, the companies that were researched indicated relative success in their M&As in spite of incompatible cultures. The subject matter experts indicated that is important for organisations to be aware of the differences in culture and to draw on the relative strengths of the two cultures as the organisation works towards building a new culture.

Communication plays a significant role in the M&A phases and is a theme that appears within all phases of the acquisition. Sinkovics, Zagelmeyer, & Kusstatscher (2011) highlights communications as an antecedent to M&As with specific focus on internal, external, vertical and horizontal communications and also highlights the role rumors play in the integration. This is evident in the research as well which also highlights the significant role of management communications and indicates how rumours affect the M&A when there is a communication vacuum such as the one that appears as a result of the fear of the Competition Commission.

While the organisation will invariably have a change management strategy that focus on various elements of the M&A, a significant focus is given to the cultural implementation. Subject matter experts call for organisations to build a vision of what the new culture must be and then ensure that culture forms part of the specific work streams within the change management agenda. The process of developing a new culture aligns with the approach of Marks, Mirvis & Ashkens (2014) as described in Chapter 2.

Another key finding was adaptability. Organisations need to approach M&As with a degree of adaptability with regards to their culture. This was evident in the research and confirms the findings of O'Reilly *et al.* (2014) who found that organisations who embrace adaptability will perform better.

Overall, the model is simplistic and identifies a number of key activities that organisations could follow in an effort to improve their M&A success. The next section will look at some of the implications for management.

6.2 Implications for Management

The research is important to management as it renews the focus on the importance of culture. The researchers found that organisations, in retrospect, admit that more attention could have been given to the importance of culture. The researcher agrees with the findings of Bauer & Matzler (2014) that cultural compatibility when moderated by the degree of integration can lead to M&A success. However, cultural compatibility alone is not a silver bullet to M&A success. The researcher argues that when the strategic focus is set, understanding cultural compatibilities and or incompatibilities is important as it sets in motion the communication agenda and the change management imperatives. Culture can therefore be a lever that organisations pull on to build the synergies envisioned in the transaction

Furthermore, organisations who are implementing their first M&A need to look to the value that can be gained from subject matter experts who can enable the cultural integration initiative. Vaara *et al.* (2014) found that management experience in M&A can lead to successful integration. Therefore, managers should be calling on the knowledge of these cultural integration experts.

Another finding that can have an implication for managers is their acknowledgment of the fear of the Competition Commission. While it was not the explicit purpose of this research to better understand the rules of the Competition Commission, the fear that comes with a M&A approval before the Commission hampers the efforts of the M&A. In an effort to keep the momentum organisations need to continue their planning efforts as long as the decisions they take do not impact on competition while the matter is being addressed by the commission. A number of tasks were identified as inhibitors due to the fear of the Competition Commission.

6.3 Limitations

No research study is perfect, all will have some limitations. As the research topic focused on horizontal M&As, the issue of transferability had to be considered. Transferability related to how well the research findings could be transferred to others facing similar situations. In this research topic, the findings are not transferable to vertical M&As. The research topic also did not make a distinction between the nature of the M&A, for example, a hostile takeover may display different influencing factors when compared to a mutually agreed M&A. The context of the M&A was not explored in this study.

Also, the researcher did not focus on cross border M&As. Therefore, the issue of national culture as defined by Hofstede in the 1980s may also have an influence on organisational culture. This is also not explored in this research topic. Furthermore, the size of the organisations were not considered. The number of people integrating into an organisation may also have an influence on how well the organisation integrates.

Most of the companies researched conducted the transfer of employees under S.197 of the Labour Relations Act. Therefore, the research may be heavily skewed in the favour of integration measures where job security is assured for the period. As the research finds that job security can enable integration, the effect of M&As where jobs are not secured was not explored.

The research also does not consider the dependencies that one activity might have on another. Therefore, the enablers and inhibitors do not look at the degree to which each might influence the outcome of a M&A. However, this may be worthwhile exploring in future research.

Steigenberger (2016; p. 410) cited Angwin (2012) stated; “No single model can account for the complexity of the integration process”. The same goes for the theoretical framework presented in this report. The framework is a simplistic view of the enablers and inhibitors to cultural integration through the phases of a M&A and is embedded in a Grounded Theory strategy. It is the first attempt to introduce a framework that looks at cultural integration through the phases of a M&A. Essentially, the model enables a discussion of what more needs to be done so that culture can gain a stronger priority in the integration process. The model does not aim to be the single most correct view but expects scholars to integrate the theory and improve on what has been presented.

6.4 Suggestions

As mentioned above, the framework presented in this report is a theoretical framework to enable discussion on the importance of culture through the phases of a M&A. It is based in grounded theory and is therefore inductive in nature. It is suggested that the model be further tested through empirical research.

Future researchers may also want to identify what effect activities in one phase has on another

phase. While most research in the past has focused on the post-acquisition phase. The researcher calls for more research to be conducted through the phases of the M&A.

The research did not measure the extent to which the M&A was a success, except for asking respondents whether they felt it was successful. While financial measures have often been used as a guide, the extent to which organisations are integrated and the value generated out of the cultural integration has not been done. This framework may provide some direction to what factors will need to be measured.

In conclusion, the researcher found that all research questions posed were answered. The fundamental purpose of identifying enablers and inhibitors to cultural integration was achieved. The theoretical framework presented is simplistic in its nature and understanding and will require future research to test it and to expand on the literature. Culture is a significantly important factor in M&As and business and academia can gain greater insights in understanding how it can impact M&As and be used as leverage to generate greater and more significant value.

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Appendices

Appendix 1: Ethics Approval

**Gordon
Institute
of Business
Science**
University
of Pretoria

17 August 2018

Janneker Jayson

Dear Jayson

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

Please note that approval is granted based on the methodology and research instruments provided in the application. If there is any deviation change or addition to the research method or tools, a supplementary application for approval must be obtained

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee

Appendix 2: Invitation Letter

Invitation Letter

Good Day,


My name is Jayson Janneker and I am a registered final year student at the Gordon Institute of Business Science. I would like to invite you to participate in research that I am conducting on the enablers and inhibitors to cultural integration in the phases of Mergers and Acquisitions. A study of this nature has not been conducted in South Africa before and therefore the implications for academia and business will be of value.

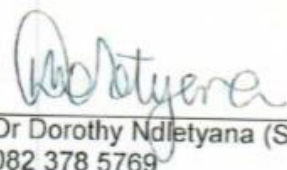
I have identified your company as a possible participant and would appreciate your assistance in this regard. Your company's details will be kept private and confidential and no information will be reported on in the final report or to any other participants in the study. Furthermore, I will gladly furnish you with a copy of the final report.

I will require access to three senior members of your staff and will issue them with an individual consent form. The interview will be semi-structured and will take approximately 1 hour for each staff member. They will also be informed of the study and provided a consent form.

While I would greatly appreciate your organisation's assistance in this regard, you will have the right to decline participation. I look forward to your favourable response. Should you have any questions, please feel free to contact me or my supervisor on the contact details provided below.

Kind Regards


Jayson Janneker
072 593 2464


Dr Dorothy Ndletyana (Supervisor)
082 378 5769

I, as a duly authorised staff member hereby **consent to/decline**, the above-mentioned request.

Date _____

Appendix 3: Consent Form

Consent Form

Enablers and inhibitors of cultural integration during M&A phases

Jayson Janneker, MBA student, Gordon Institute of Business Science

1. I confirm that I understand what the research is about and have had the opportunity to ask questions
2. I understand that my participation is voluntary and that I can withdraw at any time without giving a reason.
3. I agree to take part in this research.
4. I agree for the interview to be recorded
5. I agree to the use of anonymised quotations in publications

Name of Participant:

Signature:

Researcher's Name:

Signature:

Date:

Appendix 4: Semi-Structured Interview Questions

Interview questions for Participants from Organisations

Pre-Merger Phase

1. What approach did you take in selecting the target firm? What was the overarching reason for the M&A
2. How important was culture relative to other strategic and organisational factors such as growth, financial impact, competitiveness, etc? (Provided on a scale from 1 not important at all to 5 extremely important).
3. What aspects of the culture attracted you to the firm. How compatible would you say the two cultures were?
4. How did you initially measure the culture of that firm and how did you identify the gaps?

Legal Combination

5. Following the announcement, how did you communicate to employees? How prominent a role did the CEO play in this? Which organisation between the two would you say was more dominant in the industry?
6. How did management manage the transition from pre-merger to legal combination?
7. What was the general mood at the time for both firms? Do you feel people believed what you were saying about the merger?
8. How did you select teams to aid the integration?
9. What did the organisation do to ensure they worked well together? Were jobs redefined to synergise? Was training offered? Were jobs secured for a specific period?
10. How did you measure culture at the legal combination phase?
11. What were the cultural considerations during this phase? How important was culture at this phase?

Post-Acquisition

12. After the deal was approved, what was the integration plan? What role did the CEO and Senior Managers play in this?
13. What were the cultural considerations during this phase? What specific actions were done from a cultural perspective? Were tasks redefined and organisation restructured to create synergy? How were people integrated into the new organisation? Was training offered to

ensure right skills for new organisation?

14. How was culture measured at this stage?
15. How did you manage expectations between legal combination to post-merger? How did you manage resistance to change? Did people feel the process from Due Diligence to Operational Combination was fair?
16. How successful would you say your culture is now as a driver of performance? Was your merger a success due to cultural factors or good management?
17. What are some of the things you feel you need to continue to do and what are the things you feel you need to stop doing?

Interview questions for Subject Matter experts

1. How do you define the M&A process?
2. How important is culture at each of the stages?
3. What steps do you take to advocate culture in each step?
4. How do you assist teams to work together at each of the three M&A stages?
5. How do you facilitate the transition of teams between each phase?
6. How do you track and monitor culture across each of the phases?
7. What are the key factors you focus on at each stage when it comes to culture?
8. How do you propose organisations continue to work on integration after you have left?
9. How do you measure the success or failure of culture integration?

Appendix 5: List of Activities and Themes

Phase	Activity	Theme
Pre-Merger	Communication	Communication
	Culture as Attractive	Importance of Culture
	Gaps between Companies	Importance of Culture
	Importance of Culture	Importance of Culture
	Involvement of Stakeholders	Communication
	Measurement of Culture	Strategy & Culture
	Rating of Culture Importance	Strategy & Culture
	Similarity in Culture	Importance of Culture
	Strategic Decisions	Strategy & Culture

Phase	Activity	Theme
Legal Combination	AdHoc Assessment of Culture	Importance of Culture
	Attitude top the mood	Adaptability
	Budget for Culture	Importance of Culture
	Change Management	Change Management
	Client Focus on Change	Importance of Culture
	Communication to both parties	Communication
	Communication	Communication
	Fear of Competition Commission	Communication
	Compromise on benefits	Adaptability
	Consultants on culture	Importance of Culture
	Culture measurement	Importance of Culture
	Importance of culture	Importance of Culture
	importance of Firm size	Task and Human Integration
	Incorporation of Benefits	Task and Human Integration
	Job Security	Task and Human Integration
	Management role	Role of the Leader
	Planning	Change Management
	Similarity of culture	Importance of Culture
	Status in Industry	Adaptability
	Task teams	Change Management
	Team size	Task and Human Integration
	Trust	Adaptability
Uncertainty	Adaptability	
Willingness to work together	Adaptability	

Phase	Activity	Theme
Post-Acquisition	Align benefits and reward	Issues of Justice
	Change Management	Change Management
	Communication	Communication
	Culture as Enabler	Importance of Culture
	Culture as enabler to integration	Importance of Culture
	Faster integration	Task and Human Integration
	Illustrate ways of working	Task and Human Integration
	Importance of culture	Importance of Culture
	Issues of Justice	Issues of Justice
	Job Security	Issues of Justice
	Measurement of Culture	Importance of Culture
	Planning	Change Management
	Right Attitude	Adaptability
	Role of Management	Role of the Leader
	Similarity of culture	Importance of Culture
Training	Task and Human Integration	