

“A STUDY ON THE ROLE OF CULTURAL INTEGRATION IN MARRIAGE OF ENTITIES”

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Abstract: This paper addresses the cultural issues faced by entities after the merger during the integration process. Ideal cultural integration practices have been reviewed, as given by various consultancy groups and researchers. Ten recent cases of mergers and acquisitions were analyzed for applicability of these ‘ideal’ practices. Mergers were studied on the grounds of their cultural aspects and no other factor was taken into consideration. It was found that the ‘ideal’ practices were applicable to a certain extent depending upon the size, market share, financial position and culture of the entities. The entities that did not focus on the cultural integration took a long time to realize the predicted profits whereas the entities that focused on the cultural aspects were successful in a very short span of time.

Index Terms- Cultural Practices, Post-Merger Integration, Cross-Border Mergers

I. INTRODUCTION

In today’s fast paced world, globalization has become a necessity for the success of organizations and M&A have become the norm to accomplish this. It has become a usual practice to acquire or merge with others in the hope to take advantage of synergies. Even though the financial gurus and stock markets expect and at times are certain that the Merger or Acquisition will increase shareholders value yet in reality 70% to 90% of the mergers fail to do so. In judging the future performance of mergers and acquisitions, it has been concluded that the companies focus more on the hard aspects like financial, operational efficiency and competitive advantage but they fail to address the soft issues such as the human resource and organizational culture. When predictions are made about the value of the merger or acquisitions it is assumed that entities will continue to perform with same efficiency without taking into consideration the cultural differences that would arise post-merger.

In most cases of failed mergers; the management, in spite of recognizing the cultural issues as one of the major factors to be considered during integration, did not give due importance to it during implementation process. It can be because: Firstly, the management did not know how to address the cultural issues and secondly, there is no proper mechanism to handle such issues which added to the confusion. Whereas, in the successful mergers and acquisitions the cultural issues were addressed by the management through tailored interventions into areas that were detected during their cultural due diligence process prior to merger or during the integration planning stage.

Culture acts as a double-edged sword which can either lead to success or impede the integration process if not addressed properly. Thus, if the management can effectively manage the cultural clashes, it would create one of the biggest synergies in mergers and acquisitions with resounding success.

II. LITERATURE REVIEW

In the research paper titled “Mergers and Acquisitions: Managing culture and human resources” by (Gunter K. Stahl, 2005) the authors delineated the dynamics of socio-cultural processes inherent in mergers and acquisitions and discussed their implications with focus on post-combination management of the merged entity. They used the case study methodology focusing on the previous mergers’ data and studied the recent mergers that had taken place. The authors felt that the top management should create a shared corporate vision, make virtual headquarters, outline corporate language policy and conduct cultural awareness programs.

In a paper “Integrating Across National Cultures” by (Sue Cartwright, 2009) had taken a survey, used the available secondary data and observed different organizations in their attempt to remove cultural differences in a post merged entity and assessing the culture to adopt and how it could be made easier to adopt. The authors found cross-cultural training to be vital and providing language training can be costly and time consuming but has positive impact and improvement on the working environment of the organization post- merger.

The research paper titled “Cultural Strategies in M&As: Investigating ten case studies” by (Steven.H. Appelbaum, 2009) highlights the critical factors with respect to cultural integration that influences acquisition performance by making a comparison between successful M&A’s and failed M&A’s. They have taken a case study approach towards this study in which they have undertaken an analysis of 10 case studies consisting of 5 successful and 5 failed mergers and acquisitions. They found out that the critical factors of cultural fit, cultural potential, communication, leadership and direction are essential in improving the probability of success in mergers and acquisitions while reducing the negativities which are present in the form of cultural differences.

The research paper titled “The double edged word of cultural distance in International Acquisitions” by **(Taco H Reus, 2009)** tries to synthesise the conflicting arguments regarding the role of cultural distance in international acquisition performance and to illustrate the importance of integration capabilities and their mediating role between the two variables of cultural distance and international acquisition performance. They used a sample of 118 international acquisitions for the purpose of their study and undertaking a deep analysis of the various companies and acquisition performance through surveys and archival data. They concluded that the three integration capabilities of communication, understandability and key employee retention act as mediators between cultural distance and acquisition performance and that cultural distance is a mixed blessing which can lead to amazing results when utilised in full while it can also impede the development of integration capabilities.

The research article titled” Cultural Issues in Mergers and Acquisitions” by **(Frederick. D. Miller, 2009)** focuses on the role of culture in influencing organisational performance post-merger and the various ways of managing cultural issues by nurturing culture so as to encourage an effective integration. They have undertaken this study through the help of past data, their experience and illustrations. As per their findings, two ways of effectively managing and addressing cultural issues are by identifying high risk points in the development of the organisation post-merger and working with the employees to reduce the same, and also by linking cultural programs with measurable business results.

The Paper titled “Opening the Grey Box: Social Communities, Knowledge and Culture in Acquisitions” by **(Udo Zender, 2010)** talks how culture effects the creation of social communities which lead to better knowledge transfer in technological acquisitions and the previous ways in which these “grey boxes” have been unpacked to achieve the benefits of knowledge transfer. It proves that the post-acquisition integration efforts to create social communities lead to better knowledge transfer and how culture effects the creation of such communities.

I. In the book Mergers and Acquisitions: Strategy, Valuation and Integration by **(Ray, 2010)**, the author speaks about the importance to conduct the cultural due diligence by both the companies of the deal along with other dealing activities and come out with an integration plan which would address the issues or similarities that have been discovered in the due diligence process and use integration as a medium to make the people familiar with the new culture to be adopted by the entity.

The research work by **(Daniel. R Denison, 2011)** in the paper “Managing Cultural Integration in Cross border mergers and Acquisitions” suggest that even though there are no particular patterns as to how successful M&A occur but the failure is always due to the spilling over of the cultural differences into basic business functionalities. The paper suggests three ways to manage cultural differences 1) experience of the management, 2) organization and leadership compatibilities to handle the cultural issues at various levels of organization 3) integration process quality regarding cultural factors.

In the survey conducted by Aon Hewitt on Cultural Integration in M&A by **(Elizabeth Fealy, 2011)** show that culture is one of the main reasons for the M&A to fail and ranks the reasons through which or where cultural differences occur in M&A integration process. The survey shows three steps taken by the management in successful mergers and acquisitions that lead to better and faster integration in the entities. The authors give their own view on culture should be handled in the Merger or acquisitions based on their experience on providing consultancy services on their area.

In the research article “Merge Ahead: A research Agenda to Increase Merger and Success” by **(Mitchell Lee Marks, 2011)** discusses the different approaches that were taken in the past to address the issues that crop during integration and highlighted that there is a need to see how effective they were and how research in the field of cultural integration is lagging behind even after 30 years after rigorous studies. The article also talks about the concept of merger syndrome and its effect on M&A integration.

In the research paper titled “The impact of leaders communication and employee identification on post-merger and acquisitions (M&A) cultural Integration” by **(Salyachivin, 2013)** the author tends to examine whether the post- merger cultural integration is handled properly or not, how is it handled and the influence of leader’s communication and behaviour in employee’s identification with the organisation in the post-merger phase. The author has undertaken an empirical based research methodology with scholarly research processes and approaches. He concluded that effective communication and strong and decisive leadership style is very essential in the acculturation process post-merger which influences employee identification with the organisation in a very positive way which in turn leads to positive outcomes for the M&A as it increases the employee satisfaction and retains them with the organisation.

The research article titled” Cultural Clash In mergers and Acquisitions” by **(Senn, 2014)** provides valuable insights into how to manage and avoid cultural conflicts and gain the benefit of synergy from any merger and acquisition and also provides guidelines for a successful integration of cultures post-merger. He has also explained the benefits of a systematic integration. The author has used the available information on mergers and acquisitions for the purpose of his study and extracted some information from secondary sources as well. He concluded that the merging entities should perform a systematic evaluation of all the cultural factors before making a deal and to take necessary steps to avoid familiarity blindness (a phenomena in which the employees of both the entities see the same situations and events through different perspectives because of their own company’s values and beliefs).

In the research article titled “A cultural integration path for cross-border mergers and acquisitions from the perspective of acculturation” **(Miao Cui, 2016)** the authors have examined two case studies to answer their research question ‘How can cultural integration of Chinese enterprises be achieved?’ Their focus was on cultural integration from acculturation perspective to describe the penetration of cultural elements in mergers and acquisitions. They concluded that it is critical to achieve a dynamic fit between cultural environments, suitable employee adoption methods should be employed during each stage of cultural integration.

In a report titled “M&A Integration: Bridging the culture divide” by (Nitin kumar, 2016) the authors have analyzed the past and present method of cultural integration and have assessed the best way to go. They have found ways to integrate cultures by giving different perspectives and exhibits. Their observations were that addressing the value gap, levers for aligning the behaviors with desired results, aligning execution to transaction types and driving right behaviors by aligning cultures would go a long way in making a merger a success and help in generating returns to the investors.

“Breaking the cultural barrier in post-merger integration” by (Chris Barrett, 2016) the authors have given the reality of the mergers and acquisitions and have stated the best practices that can be implemented. Their four proven best practices are to identify cultural differences, commit to addressing these differences at the outset given its importance to talent retention and sustainability, systematic approach to addressing cultural differences and that the companies must migrate to the target culture while preserving and harnessing desirable differences and making sure to measure success.

III. STATEMENT OF PROBLEM

Generally the success of a Merger & Acquisition is determined by the financial performance of the merged or the acquired entity. The most ignored yet vital aspect in the success of a merger and acquisition is the cultural integration. Most proposed deals are looked at from a financial perspective but the role of organizational culture or the role of personnel in creating the financial synergies is often overlooked in the deal making process. How does cultural integration define the success of an M&A? What are the approaches that can be used to integrate culturally? This paper attempts to answer the question: “What successful mergers do differently when it comes to cultural integration?”

IV. OBJECTIVES

- To highlight the importance of cultural integration post- merger & acquisition.
- To study the cultural integration practices followed by successful mergers.
- To analyze the difference in the cultural integration approach which lead to the success or failure of a merger and acquisition.

V. METHODOLOGY

The case study method is followed for data collection. Analysis of ten real cases- five pertaining to successful mergers and five unsuccessful mergers have been carried out following the discussion mode of interpretation of data. The variables have been identified which have direct influence on the success and failure of a merger. The reasons behind the companies identified for study has also been mentioned in following discussion.

VI. DISCUSSION

To study the importance of the cultural aspect in the post-merger integration of entities, the case study method has been adopted. This method is chosen as it gives a practical view of how entities handle the cultural issues that arise in the integration process. To analyze how cultural issues can result in failure if not handled properly and how the merger can be successful if dealt with efficiently, five cases of successful mergers and five failed mergers have been studied. Parameters were identified from the vast information available about the mergers. No fixed parameters have been used to analyze the merger.

6.1 THE FOLLOWING ARE THE SUCCESSFUL MERGERS:-**6.1.1 Case 1: P&G and Gillette**

Reason for merger: To get access to new markets and products and become the largest consumer goods company of the world.

Table showing the success parameters for the merger of P&G and Gillette

S.No	Parameter for success	Description
1.	Communication style	The two groups had different modes of communicating and deliberating on decisions. Gillette, for example, had a “memo culture”; P&G favored face-to-face meetings. They handled their communication style differences pretty effectively. The communication component of their merger and acquisition process included carefully crafting all internal and external communication around the term “merger,” rather than “acquisition,” and holding town-hall-style meetings that drove home their principles.
2.	Culture	The new office was built on the principle of face to face culture so as to bring the cultures of the two companies together.
3.	Mutual participation	Both the companies took necessary steps to change and adapt to each other’s cultures. The Brazil office of P&G saw a reworking of employee placement in the office so that the employees can take their places at new offices and get motivated to contribute positively to the success of the organization.
4.	Involvement of both companies	P&G made sure that all the levels are involved in making important decisions rather than restricting the scope to only the highest level of hierarchy. They also involved the executives of Gillette in decision making.
5.	Making the merger easy for Gillette employees	P&G ensured that Gillette employees don’t face any problems post - merger. They provided a mechanism through which the new Gillette employees could reach out to the employees who joined P&G through previous mergers for advice. Also, P&G conducted training for the Gillette employees which helped them know more about the principles, values and vision of the organization and connect to it.
6.	Combining strengths	The merger involved combining the strengths of both the companies in its companies all over the world. It worked with the motto of combining the “best of both” companies whereby P&G in its various companies in different countries implemented those processes which were working well in Gillette companies than the established P&G companies.

Table 1: Source –Secondary Data

6.1.2 Case 2: Kotak and ING Vyasa

Reason: To strengthen its position as one of India's leading privately held banks with great geographical spread and improved expertise in customer segments and product categories.

Table showing the success parameters for the merger of Kotak and ING Vyasa

S.No	Parameter for success	Description
1.	Control	The greatest challenge in their acquisition was that of the grade structure since one-third of the employees at ING Vyasa bank were unionized and their pay structure was came under the purview of the Indian Banks Association. So both the companies had different salary structures and as such the employees at ING Vyasa had concerns regarding their pay structure after the acquisition. But the management at Kotak Mahindra Bank handled this issue very efficiently. The CEO of the bank decided to announce the grade structure at the outset after drafting a convenient pay structure keeping in mind the concerns of all the employees and plans were made accordingly with having the pay structure ready at the time of announcement of merger.
2.	Proper communication	For any successful merger, communication is very important and this was realized by the CEO of Kotak Mahindra Bank very soon and as such in order to effectively manage the issue of grade structure , he delivered mails to all his employees on the day of merger regarding the new grade equivalent so that the employees are well-informed.
3.	Coordination	The central office of ING Vyasa bank was in Bangalore whereas that of Kotak Mahindra Bank was in Mumbai and as such the senior management at ING Vyasa were relocated to Mumbai and it was natural for them to face certain difficulties in adapting to the new culture but the management of Kotak Mahindra did their best to manage this issue and accommodate the location priorities of the employees.
4.	Better retention	The HR team of Kotak Mahindra did their best to retain talented employees by helping them in their new job profiles and prioritizing their location preferences wherever feasible. They managed it so well that all the employees were satisfied and very few people left the bank voluntarily.
5.	In-depth analysis and transparency	The management undertook a SWOT approach to identify key challenges and capitalize on opportunities. This analytical process began during the merger itself thereby providing the much needed transparency to both the banks and their employees. To achieve this goal, a centralized, top-down approach was adopted, which focused on speed, culture, and communication.
6.	Formation of a committee	A tiered governance architecture called the "Steering Committee" was formed which comprised of the top management of both the banks. This committee was responsible for making key decisions and monitoring the merger process. It also undertook the functions of managing the ING Vyasa's employee union, harmonizing the culture, optimizing the organizational structure and managing the internal communication in a transparent manner. This helped in smooth transition in the acquisition.
7.	Survey	Frequent surveys were conducted to know about the employee's mindset of both the banks like PULSE (on cultural harmonization) to bring forth the diversity of both the organization. Employee satisfaction surveys were conducted to ascertain the efficacy of the integration process and to formulate new strategies as per the information collected so as to cater better to the needs of the employees.

Table 2: Source –Secondary Data

6.1.3 Case 3: Disney and Pixar

Reason: Disney would benefit by owning the technology of the world's most innovative computer animation studio, decrease in competition and increase in revenue and Pixar would benefit from Disney's financial safety net and first-class distribution network.

Table showing the success parameters for the merger of Disney and Pixar

S.No	Parameter for success	Description
1.	Leadership	The management had a common vision and worked towards the common goal of creating innovative stories, memorable characters and films that has the power of attracting the large number of consumers all across the world. Disney Pixar created teams consisting of both leaders as well as managers since it's the leaders who come up with innovative ideas and the managers execute them.
2.	Respect and trust	The two companies were engaged in a joint venture for production but there were clashes between the CEO of both the companies which was a result of lack of respect and trust between them and as a result the joint venture fell off. But later on when the CEO of Disney was changed from Michael D Eisner to Bob Iger, both the companies saw an impossibility turning into reality, that is, the merger of both the companies which was a very distant hope. All of this was possible because of Bob's excellent qualities of negotiation, leadership, and the attribute of not bringing in personal vendetta into business. Also Disney kept all of their promises that they made to Pixar before merger. This sense of trust was vital in the success of the merger.
3.	Team establishment	By developing a team both the companies had the opportunities of discussing and resolving the various issues arising as a result of the merger. This helped them in carrying out a smooth execution of the merger process.
4.	Coordination	Both the companies worked together and meshed their cultures to work towards their vision of creating the best animation movies.
5.	Acceptance and openness	Both the companies had different working styles. Disney had a stiffer business-like approach whereas Pixar had a relaxed environment. Although most of the mergers are dictated by the dominating force yet Disney was ready to accept the culture of Pixar as its strength. He approved readily to some immovable requests by Pixar like the Pixar employees weren't forced to sign the employment contracts.
6.	Cultural acceptance	Both the companies had different corporate cultures and as such Pixar had a fear that an acquisition and merger with Disney will hold its freedom and creativity to create based on its core competencies of creativity but this issue was taken care of by Disney wherein the Pixar employees were able to keep their own identity within the enlarged group and could maintain their working style as before. This was enough to form trust among the Pixar employees.

Table 3: Source –Secondary Data

6.1.4 Case 4: CEMEX and RMC

Reason: For CEMEX to establish its position as the world's largest building materials companies, enhance its growth platform and diversification of geographical presence.

Table showing the success parameters for the merger of CEMEX and RMC

S No	Parameter for success	Description
1.	Team formation	There are various difficulties that companies face when they merge especially the difficulty in adapting to new processes. CEMEX made it easy for Rugby (the underperforming cement plant of RMC) to adapt to various changed processes by sending post-merger integration teams as well as experts in quality control and maintenance.
2.	Training on new corporate culture	CEMEX conducted training programs for the Rugby employees such that they were sent to the various CEMEX plants in different countries so as to give them a first-hand experience of the CEMEX way of doing work, technology and management. Once they became more acquainted with the company's values and mission, they were motivated to join CEMEX.
3.	Cross-cultural training	The CEMEX post-merger integration team was comprised of employees of both the companies from all around the globe which brought about diversity and provided an opportunity to bridge the cultural gaps. They were trained on what was accepted and how to adapt their processes to the expectations.

Table 4: Source –Secondary Data

6.1.5 Case 5: Adidas and Reebok

Reason: To perform better than its competitors especially Nike in U.S market.

Table showing the success parameters for the merger of Adidas and Reebok

S.No	Parameter for success	Description
1.	Recognition of Cultural Differences	The management of both the companies addressed the differences in corporate culture since Adidas based in Germany gave more importance towards process, engineering and control while the Reebok based out of U.S favored more innovative and entrepreneurial culture
2.	Define organization structure	The management of Adidas was very clear on keeping the brands separate so as to retain the brands customers as in the words of then CEO of Adidas Herbert Hainer "each brand has a lot of Value and it would be stupid to bring them together". Only the departments which were similar in activities such as buying, sourcing raw material, finance and IT were integrated to cut back on costs and departments such as product development and marketing were kept separated.
3.	Communication with employees	The management of Adidas had frequent communication with the employees through monthly pulse surveys. The core issues identified through the surveys were followed up through addressing them either individually or in group. Communication was used as strategy by Adidas management to manage the anxiety among the employees and retain them. the value, mission and vision of the acquisition and the company to be formed were clearly communicated
4.	Manage resistance	To avoid the resistance of employees of Reebok Adidas had outsourced the activity of selecting employees for managerial positions to BCG (Boston Consultancy Group) which made sure that there were employees from each organizations are considered for the position. all the employees were updated on the acquisition process through intranet sites where the CEO of Adidas made sure that it is clearly communicated that here will be NO layoffs.

5.	Proactive Management	The management was proactively involved to win the trust of the reebok employees by creating unified mission statement, making available the videoconference between the CEO of two companies and by physical presence of the CEO Herbert Hainer in headquarters of Reebok.
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Table 5: Source –Secondary Data

6.2 THE FOLLOWING ARE THE UNSUCCESSFUL MERGERS:-

6.2.1 Case 1: Alcatel and Lucent

Reason: To become the largest telecom company.

Table showing the reasons for failure of the merger of Alcatel and Lucent

S.No	Reason for failure	Description
1.	Culture incompatibility	Alcatel-Lucent ran into serious issues as a result of clash of personalities between CEO Patricia Russo and fellow board member Serge Tchuruk and cross-cultural issues at various levels and the company had experienced six quarterly losses. In a crisis, Americans like to lower the cost and cut jobs whereas French look for governmental help or a friendly bank. There was resistance in making tough decisions with each side trying to protect its turf.
2.	Ineffective management	The initial period of a merged company Alcatel-Lucent had been associated with six quarterly losses. The management was not able to manage the issues related to integration effectively which not helped by rental agreement issues, regulation issues etc. It was ambiguous about the person in charge.
3.	Loss of human resources	A very U.S centric company found it difficult to adjust with the French culture. An American CEO and a French chairman turned out to be a recipe for disaster. This lead to a lot of culture adjustment issues and the losses resulted in job cuts.
4.	Dominant approach	Alcatel approached the merger as a takeover and not as a "merger of equals". This approach was not appreciated by Lucent.

Table 6: Source –Secondary Data

6.2.2 Case 2: Pilkington and Nippon Glass Sheet

Reason: To achieve the largest share in the global market of industrial sheet glass

Table showing the reasons for failure of the merger of Pilkington and Nippon Glass Sheet

S.No	Reason for failure	Description
1.	Human resource management issues	The ever increasing costs due to the European debt crisis and the excess capacity inherited by the NSG from Pilkington lead to a job cut of 5800 jobs. NSG had to focus on restructuring for the last 10 years. The Japanese employees were not as good as their British counterparts at global management. They had to employ a series of restructuring practices to overcome these issues.

Table 7: Source –Secondary Data

5.3.3 Case 3: Bank of America and Merrill Lynch

Reason: Bank of America wanted to gain a strong investment bank and a global network of financial advisors.

Table showing the reasons for failure of the merger of Bank of America and Merrill Lynch

S.No	Reason for failure	Description
1.	Regulator's threat	The government also stated that the Board of Directors and management would be forced out if the deal did not go through. This would have a large impact on the leaders. Lewis and the board members are all in financially secure positions; therefore, losing their jobs would not have a financial impact. But the corporation would suffer from a government-forced change in leadership with no financial help, not to mention if the deal did not go through and Merrill Lynch was declared bankrupt it would have created more panic in the market — and this was after the fall of Lehman Brothers. The real dilemma was deciding whether secrecy or disclosure would result in greater consequences.
2.	Moral choices	CEO of Bank of America faced enormous consequences without an easy way out. No matter what, Lewis would have to choose an action that would impact a large number of people. The best choice is likely the one that minimizes the damages.
3.	Non-disclosure of facts	Both Lewis and Thain also had a duty to consider the overall wellbeing and greater good of the entire country. This duty does not omit their obligation to the shareholders, but the universal appeal of the good of the community has a stronger pull than the individual shareholders of the corporation. Lewis' and Thain's reputations were on the line. Both were faced with failing at their primary responsibilities. The US economy was failing and this merger could save it from its ultimate collapse.

Table 8: Source –Secondary Data

6.2.4 Case 4: Sprint and Nextel

Reason: To create the largest telecommunication industry and as a strategy to face the AT&T and Cingular wireless merger success and Verizon.

Table showing the reasons for failure of the merger of Sprint and Nextel

S.No	Reason for failure	Description
1.	Lack of organizational structure	The organizations had different reporting structures i.e. horizontal hierarchy of sprint and Vertical hierarchy of Nextel. Over the existing differences the two headquarters confused the employees and widened the cultural divide.
2.	Us Vs Them attitude in employees	The Nextel corporate culture encouraged entrepreneurship which was not accepted and seen as a threat by the Sprints bureaucratic setup. The slow decision-making process of sprint was not appreciated by Nextel employees. The Nextel employees were asked to get the permission from Sprint executive which created the image that the companies didn't trust each other.
3.	Lack of efforts to retain employees	The wall street journal reported the exit of chief executives from both companies stating cultural incompatibilities. It also stated there were cultural clash from the beginning of the merger.
4.	Wrong leadership style	Sprint forced the entrepreneurial oriented Nextel to adopt its bureaucratic approach which led to high turnover in mid-level management of Nextel. After significant number Nextel Employees left the organization the Sprint
5.	Lack of integration plan	Sprint was financially sound but lacked customer relation which was the core field of Nextel. But throughout the integration there was no mention of combing the sales teams. The company did not identify the departments to be integrated and the ones not required to be.
6.	No shared vision	The vision of Nextel was more consumer focused while sprint continued with its original vision to become the best in

		telecommunication sector. This clearly shows the lack of commitment of management of sprint to consider the values of the Nextel.
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Table 9: Source –Secondary Data

6.2.5 Case 5: BenQ and Siemens

Reason: BenQ acquired Siemens handset business to acquire global customers, better product design and global brand image.

Table showing the reasons for failure of the merger of BenQ and Siemens

S.No	Reason for failure	Description
1.	Lack of Integration skills	Even though the management of BenQ recognized the differences between the cultures of its Taiwanese employees and German employees of Siemens the BenQ chairmen Lee did not form proper strategy of addressing them. He relied on the existing management of the German subsidiary so that transition would be smoother. A decision which he regretted later as he recognized that the executive turnover in Siemens was very high with them having six management changes.
2.	Wrong leadership style	Ben Q wanted to bring in the Taiwanese way of doing business in the German subsidiary which did not work. Clear differences such as more employee participation, more individualistic approach and less hierarchy in Siemens. The Germans held their culture superior to its acquirer and BenQ trying dominate it with their did not work
3.	Disagreement within leadership	The leadership did not agree on the policies relating time and speed of production and development. BenQ was more entrepreneurial and informal corporate structure while Siemens had methodological way of doing things and nothing was done to address this by BENQ management
4.	Lack of communication to establish trust among employees	The employees of Siemens did not trust their executives as they felt betrayed by them and hence also the BenQ Merger. Under such circumstances, the reason for acquisition should have been properly communicated to them along with the synergies to be created from it which BenQ failed to do. there was no internal communication during the merger
5.	Lack of a shared vision	The Ben Q wanted to change the business strategies and the management but did not communicate this to the Siemens management and employees which added to the fear of merger syndrome
6.	Insecurity among employees	The Siemens employee where feeling Insecure about the company as it was making losses during the acquisition. To add to the sentiment the German media based the Siemens got rid of the mobile handset department to unknown Taiwanese company and BenQ chairmen Lee did not have open conversation with employees in Germany and when asked about layoffs he just put the statement that BenQ does not want to shut down any factories

Table 10: Source –Secondary Data

VII. Conclusion

There are many factors that lead to the success or failure of a merger. Culture is an underestimated aspect which has led to failure of big and billion dollar deals. Through our literature review we came to know about the factors which were considered ideal for the success of a merger. But these were not enough. It was important to test whether these “ideal cultural factors” had any practical applicability. For this some major merger and acquisitions needed to be studied or analyzed. So the case study approach was adopted and the available data was analyzed. Five successful and five unsuccessful mergers were studied to arrive at some common factors which lead to the success or failure of these mergers and acquisitions.

7.1 THE MOST COMMON FACTORS FOR SUCCESS OF THE MERGERS AND ACQUISITIONS WERE:-

- **Communication style:** A proper communication style or structure was adopted to ensure proper flow of dialogue between the managers of both the entities during the integration process. This ensured that there was no unambiguity between the employees of both the merging entities which led to smooth integration of the companies. Holding town hall style meetings

worked for Gillette and P&G as they both had distinct communication styles of one favoring face to face meetings and the other with the memo culture.

- **Handling cultural issues:** For the successful post-merger integration of entities due importance was given to distinct corporate cultures of entities, which culture to be adopted or if it was feasible for the entities to work distinctly. Cultural issues cropped up like cross-cultural differences, formal or informal working environment and many other things. Mutual trust and respect was shown towards the other company's culture as in the case of Disney and Pixar which is one of the reasons why the merger is a huge success. Cross-cultural training was provided to the employees to help them get along with other employees.
- **Leadership and managerial style:** The pre-merger leadership styles of the entity might be different from that of the other entity. During post-merger integration process there might be clashes due to the different style of leadership. It is the responsibility of the leadership to map the process of cultural transformation of two entities keeping in mind their differences and communicate the same. For example, US has an innovative and entrepreneurial style of management whereas Asian countries or Germans have a hierarchical style of management where every decision has to follow a hierarchy or a process. Western countries' culture focus more on individual growth and development whereas Asian countries focus more on collective growth.
- **Formation of a special team:** A special team was formed to carry out the integration procedure so that all the issues regarding the merger like employee issues, cultural differences and all other problems can be handled by this team. This gives the employees and all the people concerned with the integration process a particular group of people that can be approached in case of any uncertainties faced.

7.2 THE FACTORS THAT HAD RESULTED IN FAILURE OF MERGERS ARE:-

- **Ignoring the cultural issues:** This is the most common factor which resulted in the failure of mergers and acquisitions especially cross-border mergers. Entities tend to have a distinct corporate culture even if they are in the same country. All the concerns follow a distinct way of working or conducting their day to day affairs which may be distinct from the entity they are integrating or merging with. These issues cannot be ignored.
- **Ineffective management:** Also one of the factors related to cultural issues is the fact that the management is ineffective in handling such a huge change and development after the merger which leads to bad decisions in the working of the organization. The managerial style in some countries is different from that of the others. For example, if funds are required in a US based company, they lay off people and start cutting costs whereas in France, they try to seek help from the government or a friendly bank. This leads to clashes between the management of one entity with that of the other and even the simple decisions might get delayed. Even the style of leadership has a huge impact on the post-merger functioning of an organization.
- **Communication Gap:** There was a gap in communication or flow of information among the employees and from top level management to lower level management and vice versa. This caused suspicion and lack of trust among employees and there was a foreboding among them that they will lose their job. It created a whole set of problems and misunderstandings within the workforce.

Through this research common factors for the success or failure of a merger and acquisition were identified by analyzing five successful and five failed mergers. The five failed mergers were not a complete failure as the cultural aspect becoming a hindrance was identified and necessary steps were taken and the losses were reduced. This has only served to highlight the importance of culture in the post-merger integration of entities.

SUGGESTIONS:

- In order to be successful, the merged entity should have proper communication structure so as to enable smooth flow of information between the top level management and the low level of management. This will ensure that all the employees are aware of all the decisions and happenings within the organization and there is no friction.
- Due importance should be given to the culture of both the merging entities since it plays a very important role in the success of a merger. Proper actions must be taken to effectively manage the cultural issues existing between both the entities by making decisions regarding which culture to adopt, whether to let both the entities operate as per their respective cultures and the like. This will help in resolving the cross-cultural barriers which is a factor that can lead to various problems and ultimate failure of the merger.
- A well-defined approach of management and leadership style should be adopted that is generally accepted to all the members of both the entities so that there are no clashes between the merging entities by virtue of their respective managerial styles.
- The acquiring entity should take the necessary steps and make sure that the employees of the acquired entity feel at ease and feel a sense of belonging towards the organization by creating an interactive, positive and stable environment for them as it will be helpful in gaining their confidence and maintaining their productivity.

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