The Impact of
Cultural Management
on Merger and Acquisitions

4th Year Dissertation

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1. Introduction

1.1 Background

I started this project investigating change management techniques used in organisations to effect organisational change recognizing the constant change that organisations of which I have recently been a member seemed to go through. In most cases these changes created turmoil and tension in the workplace. I had undergone ERP implementations, attempts at organisational cultural change and a merger and acquisition. On beginning to investigate the theory I quickly became aware that, in order to make recommendations, I would need to focus on one particular type of context. Although there are some general precepts regarding implementation of any type of change such as Kotter's eight steps (2008 p. 10) or Lewin's model of change (2006 p. 487), I would need to focus on a particular type of change in order to limit the context to one where the issues being faced would be similar across various case studies and review of the theory. This led me to think about which type of context I should choose. I began reviewing general change management literature about implementation of new systems or processes and cultural change to effect organisation wide change due to a changing business environment or enhancing competitive advantage. Further reflection about my experiences led me to the realisation that the event which had caused the most stress was the post M&A integration. Although the organisation had a history of undergoing M&A's this did not appear to reduce the level of chaos that ensued. I remembered well confusion experienced during the post M&A integration as a result of changing role demands, increased workloads, customer dissatisfaction, uncertainty about the future, cultural differences due to opposing managerial styles and lack of communication. While through further theory investigation I realised that many others had undergone similar experiences following an acquisition and became aware of the complexities involved in managing these processes (Allred, B.B; Boal, K.B. and Holstein, W.K., 2005 pp. 23-24). I also realised that each M&A was unique, that no two contexts were exactly the same. For this reason I felt that my own experience would enable me to contribute to or support in some way the body of existent knowledge. However, I was concerned that focusing my research project on this particular subject area would involve a huge amount of background work for which time constraints would not allow. Although I had direct experience of an M&A, I knew nothing about the subject matter on a broader level. I was also concerned about access to primary data that would be relevant to the research. After discussions with some personal contacts whom I felt might be of assistance I decided to focus my research project on the role that management of cultural integration plays in overall merger and acquisition (hereafter M&A) performance. It is a complex issue to address due to the many variables to be taken into account when attempting to explain M&A performance. To give but some examples of these variables: purchase price, performance within the industry, long-term impact on the competitive environment and how the M&A affects the organisations position within that environment might all have a place in the descriptive narrative about whether a particular M&A in hindsight was a good idea or not. Therefore, it is problematic to define the success or failure of an M&A as organisations decide to proceed with an acquisition for so many different reasons and long term results can look quite different from short term ones. Some writers such as Porter (1988, pp. 39-42) consider failure as being the divestment of the acquired firm within a certain number of years, although this again is not necessarily the case depending on what the organisation set out to achieve through the acquisition in the first place and whether spin offs are total or not. It is, in my view, problematic to really determine failure, even if longer term analysis is attempted as Porter (1988 p. 35) has done through studies of organisations over a period from 1950 to 1986. He admits himself that it would be impossible to compare what an organisation is with what it "might have been" (Porter, 1988 p. 42). For example an organisation within the pharmaceutical sector may decide to acquire another for specific FDA approvals or products but may wish to spin off large parts of the business which are seen not to have a long term future. One of the reasons M&A's fail is that the acquired company has been overvalued in the first place (Shaked, Orelowitz and Marcus, 2010 pp. 40-42). However, the importance of a search for accurate and detailed information prior to signing up to a deal would seem essential. It is at this stage, called due diligence, that information can be requested so that as much as possible is known about the target firm in terms of it's potential liabilities, risks and operations. In order to prevent unforeseen difficulties in achieving the business strategy, attention should be paid to obtaining information which might indicate whether planned synergies can really be achieved and/ or cultures combined if that is necessary.

Cultural change issues are challenging to deliver and take years to orchestrate if this is even at all possible. Although there is general recognition that culture does change there appears to be confusion about what exactly causes it to do so and what causes the so called clashes when different cultures collide. Which leads us to the question of how culture does actually change, there is some evidence as discussed in the literature review that external events which cause shifts in the macro environment are a significant factor (Eriksen, 2007 pp. 135-138). In other words times of change may be the best time to implement change. In my literature review and subsequently through my primary research results I set out to investigate this issue in order to then examine how two different cultures interact. What are the elements that will influence this interaction to produce either positive results or destructive ones.

When difficulties caused by the differences in cultural identities do arise the question becomes "what impact does this have on achieving M&A targets?". Again we are faced with the difficulty of how to measure success or failure. It is possible to compare share prices pre and post acquisition although these are driven by analysts' assessments and are not necessarily the most accurate manner in which to measure an organisations value, they can often be affected by widespread speculation which may later turn out to have been erroneous. While the issue of increased shareholder value is obviously significant it is also difficult to attribute value decreases to an acquisition alone (Moeller, Schlingemann and Stulz, 2005 pp. 778-781). Another way in which to measure performance might be to compare financial targets with results achieved, although here again I believe there is scope for a significant margin of error as targets set may have been unrealistic in the first place or may become unrealistic due to changing external circumstances such as the recent global recession or the loss of the biggest customer for no other reason than a re-tender resulting in a new contractor being selected. In my view the coming about of any of these factors, which indelibly change results, are not reflective of a failed M&A in proper terms but rather the effect of elements outside of the scope of the M&A. In the case of targets having been unrealistic the fact that they haven't been met would not necessarily indicate failure, for example if the venture is nonetheless profitable its occurrence may be rightly celebrated as having been justified.

Mergers and acquisitions are increasingly used by businesses to diversify, increase market share or geographical reach yet the management of these is extremely complex and I believe that each new reflective account of experience will undoubted have something to add to the body of knowledge.

The first section of my dissertation is an introduction section which addresses a background overview leading to the choice of topic, the research question itself, as well as it's scope, limitations and significance. The literature review which provides an overview of recent research is the basis for a theoretical framework around which I have begun my work. I have included elements of writings which are in some contradiction to each other so that a broad understanding of the issues at question is achieved. I have also focused on M&A performance, cultural change and managing socio-cultural integration during the post-merger phase. A description of the main methodologies I have used to undertake primary research data collection and analysis, as well as my philosophical approaches to the research is outlined. Finally, section four, five and six relate to my research findings and my recommendations.

1.2 Research Question

Following initial conversations with personal contacts who provided organisational access for my primary data collection I came to the view that, many organisations appeared to experience difficulties when one acquires another and attempts to absorb it into its' own system. Based on the views of my contacts these difficulties appeared to vary from one situation to another in terms of intensity, although many of the themes appeared to present some commonalities in certain situations, at times the difficulties were reported to be so great as to threaten the actual viability of the acquisition. My four contacts have all worked on M&A projects at a senior level, three of them extensively. One is a CEO who has been involved in the purchase and implementation of many acquisitions for a British based privately owned company within the printing industry. Involvement was at an organisational level monitoring performance and managing implementation of both the Irish and British based parts of acquired entities. Another is a Human Resource professional who works in Ireland for a well known global U.S. multi-national within the IT sector employing over 100,000 people and whose sole responsibility was for implementing M&A's post acquisition at a local level for a number of years in a highly acquisitive organisation. The third is an acquisitions specialist who works for an Irish owned publicly quoted company and has been involved in the purchase and implementation of many acquisitions at both a national and cross national level. The fourth research participant is an individual who started and grew his own Irish services company within the IT sector to a headcount of 120 people and who then sold his company to a large publicly quoted US multi-national within the IT sector, he joined the multinational as part of the implementation team on a contract which included payment for target goals reached. I have also drawn on my own experience of mergers and acquisitions which occurred within a British owned publicly quoted organisation in the FMCG sector which was purchased by another British company within the same industry sector. The purchasing organisation, although publicly quoted was a smaller organisation than the company being purchased, the combined headcount post-acquisition and post-rationalisation was about 30,000.

The focus of my research project is to investigate how cultural issues affect the overall performance of a merger or acquisition and indeed whether or not tensions in the area of socio-cultural integration can or should be avoided at all costs. If the acquiring organisation's competitive value resides in it's culture and for value to be created as a result of the purchase of the acquired firm culture change must occur, then even in the event that this change is imposed, painful and results in the loss of some talented individuals, it is perhaps unavoidable. Although the literature I review points to the fact that many researchers appear convinced that cultural issues do impact overall performance, some of my research participants do not appear convinced of the importance of considering cultural issues to the same degree as other considerations such as financial, legal or strategic. In order to attempt to find meaningful responses to the question I have focussed on finding out how socio-cultural integration works well, what causes it to go badly and when it does go badly what the overall M&A results look like. I have investigated and evaluated the ways in which it is managed and the results which measures taken have produced. To further enhance in-depth understanding I analyse the nature of difficulties encountered and endeavour to unearth their origins.

My research involved investigating a number of M&A's which have taken place in recent years, the first stage of which was to classify the type of M&A involved, vertical or horizontal, related or unrelated. I used either the SIC (standard industrial classification) system or the North American Industry Classification system to determine the relatedness or otherwise of each merger.
The next stage involved looking at whether any kind of cultural understanding was attempted at the pre-merger stage or at any later stage and what, if any, formal or informal processes were used to facilitate cultural integration. I questioned participants on the difficulties encountered during integration as well as what worked well. Finally, I asked participants to express their views about whether the overall M&A was a success and independently checked for financial results to validate or otherwise these views. Indications suggest that managerial strategies attempt to reclassify failure as success or vice versa through discursive techniques (Vaara, 2002 pp. 239-241).
I sought to clarify the reasons for acquisition in order to better understand the type of integration required, as well as the synergies and financial targets aimed for. From all of the information collected I evaluated the similarities and differentials between the cultures to identify what potential positive or negative outcomes might result from combining the two. Following on from this an in-depth assessment of activities carried out by the acquiring firm to specifically address cultural integration issues as well as approaches to cultural integration efforts was undertaken. I mapped any activities with Lodorfos and Boateng's (2006 p. 1415) model for managing cultural integration, as well as comparing them with Rifai and Waight's list (2006 p. 413). A further analysis was conducted to assess whether proactive or

indeed reactive measures were put in place to deal with any potential issues caused by Seo and Hill's (2005 p. 434) underlying tensions occurring at different stages of the process.

I followed Stahl and Voigt's advice and acquired information regarding degree of autonomy removal, acquirer cultural tolerance and leadership effectiveness with particular focus on the integration phase. I investigated the roles and importance of these three constructs within the process.

Conclusions will be drawn about what results these programs delivered or alternatively what problems resulted from insufficient efforts in the area of socio-cultural integration. Following analysis of my condensed primary data I comment on my findings in relation to the impact of methods used to facilitate socio-cultural integration on the overarching objectives and attempt some recommendations for overall best practice in the area of socio-cultural integration.

I have also searched for potential other explanations than those related to cultural issues for M&A results. If there are other influences these are described in so far as the scope of this project allows, in order to confirm or contradict the impact of such factors on overall performance.

1.3 Purpose and Significance of Study

Much of the research carried out to date regarding the integration phase post-merger is quite fragmented in that there are very few holistic investigations which take the whole picture into account and attempt to draw conclusions from how each piece of the puzzle fits and interacts with the other pieces. Cartwright and Cooper (1995 pp. 33-41) advocate for a multi-disciplinary macro level direction for future research. They advance the concept that one of the reasons for human resource practitioners being trapped at the periphery of these issues is due to their lack of ability to put forward a widely useable model which has been financially validated. They argue that further qualitative research methods which focus solely on micro level context specific issues will not deliver this type of model. Haleblian et al. (2009 p. 490) in a review of research conducted to date on M&A's recommend that future research focus on how firms integrate and manage the whole organisation post-acquisition.

It is my belief that none of the theories from prior research can be used in isolation to secure positive results and that outcomes are dependent on a combination of interlinked realities. In my view it is problematic to draw meaningful conclusions through focus on only part of the story. The purpose of my project is to take a broader view of a number of M&A's and drawing on previous research results comment on what has taken place with regard to conclusions drawn from this prior research.

1.4 Limitations and Scope

One of the main limitations I faced with this dissertation was due to time constraints. The subject area I chose would have benefitted from longer term study which would have allowed for real time longitudinal data collection. It also hampered me in my ability to engage a greater number of research participants which would have been important for producing results with a higher level of general validity. Finally, taking the time to research events as they occurred at all levels of an organisation during an M&A would seem important in the quest for understanding the reality which occurs during these processes. This would avoid relying on one individuals' account of history which may be open to misinterpretation or misinformation.

Determining that which constitutes the success or failure of an M&A is not within the scope of this study. Further, in-depth investigation of the financial, legal or strategic purposes of M&A's is not within the scope of this study nor is a detailed understanding of the process of mergers and acquisitions that which is at question. Rather the focus is on the cultural, people and socio-cultural aspects and how they impact the overall process.

2. Literature Review and Conceptual Framework

2.1 Mergers and acquisitions

M&A activity has snowballed since the beginning of 2010 (CRM, 2010 p. 16). Combining the resources of two companies should produce some of the following benefits:

- The combination of business activities should produce synergies resulting in increased performance and cost savings. Cost savings come from either internal economies of scale or purchasing. Better sales reach through a larger sales force and expanded customer base which provide opportunities for cross selling of products.
- Increased market share.
- Diversification, allowing companies a broader and more complex offering to customers, thereby widening their ability to cater for more customer needs and provide end-to-end services.
- Acquiring new technology.
- Enhanced market reach or penetration.

However, the risk is that of net loss of value, which can develop from resulting problems in the combined business. Correcting these problems diverts resources from investment. Poor decision making can leave the combined organisation over or under staffed, creating in the former case inefficiencies or in the latter loss of expertise and affecting employee morale (Muthu Kumar, 2006 pp. 1-3).

Vertical M&A's are when the acquiring and acquired businesses' activities are different but vertically linked such as when a retail company purchases a logistics and distribution company. *Horizontal* M&A's are when the acquiring and acquired companies are in the same industry sector, such as when Ryanair acquired another airline called Buzz. *Concentric* M&A's are when a company acquires another which has an unrelated business activity but which enables the acquiring company to broaden its' customer offering such as acquiring new products, technologies or services (Fish, 2007 p. 33). From the perspective of the acquired organisation M&A's can result in the rescue of the acquired company or they can be collaborative, in both these cases resistance from the acquired company employees is low and risk is moderate to low. The acquisition can be *contested* where there was a moderate level of resistance in which case the acquired company employees are less cooperative and risk is decidedly moderate. Or finally the acquisition can be classified as *hostile* where a high level of resistance and action to thwart the takeover was taken, in this case the risk is high (Fish, 2007 pp. 33-34). The literature is full of stories about purported failure of mergers and acquisitions to deliver the value they seek (Porter, 1988 pp. 39-42). In a study carried out by Bain and Company between 1986 and 2001 of acquiring firms with revenues of $500 million+ and involving U.S. based combinations: a) 82.5% of the firms did not generate significant excess returns, although those involved in acquisitive activity on a regular basis did better by a ratio of 2:1; b) within the group of successful regular acquirers, those involved in acquisitive activity across different economic conditions did better again by a ratio of 2.3:1; c) firms that initially bought small (15% of acquirers' size) did better than those that initially bought big (over 35% of acquirers' size) by a ratio of 6:1 (Harding and Rovit, 2004 Cited in Fish, 2007 p. 40). This suggests that experience in M&A impacts value delivery. Schweiger (2002 p. 11) confirms that experience leads one to improve integration techniques. Other research has found that significant size differential increases the degree of emotional conflict, process dysfunctions, blind spots in relation to dealing with differences and low cultural tolerance of the larger firm towards the smaller (Allred et al., 2005 p. 30; Li and Hambrick, 2005 pp. 805-808). In another study in the 1980's, of 300 companies over 10 years by Mercer Management Consulting, it was found that, three years following acquisition, 63% did not reach earnings above industry norms, this figure rising to 75% where the size of the acquired company was greater than 30% of the acquirer's size. Within the study three factors were examined: 1) price; 2) strategic objectives; 3) post-acquisition management, the overall finding was that post-merger management determined success or failure (Smith, 1997 p. S4). A study by the Boston Consulting Group, headed by Sirower (1997), indicated that in 80% of M&A's integration issues were not given consideration at any time during deal making (cited in Fish, 2007 p. 51). Mercer Management Consulting also found that the two main reasons for M&A failure were: a) lack of sufficient integration planning, and b) cultural incompatibility (Tentenbaum, 1999 pp. 22-28). Another finding was that proper integration planning increased the success rate by 50% (Fish, 2007 p. 51). A study by KPMG of 107 companies, conducted between 1996 and 1998 found that companies which effectively focussed on three hard and three soft factors, at the early stages of the acquisition were successful in creating shareholder value, measured one year after the M&A. The three hard factors were: 1) synergy evaluation, 2) integration planning, and 3) effective due diligence. The three soft factors were: 1) early selection of the management team, 2) early focus on resolving cultural issues, and 3) prioritizing communications to employees (Kelly et al., 1999 pp. 1-5). Carr, Elton, Rovit and Vestring (2004 p. 162) found 4 avenues leading to success: 1) focus, at due diligence stage, on where to prioritize integration 2) rapidly integrate, where it is important, for the key financial drivers which were the reason for the deal 3) prioritize cultural integration 4) no more than 10% of employees focussed on the merger or acquisition process, 90% must remain focussed on normal business activities. The common indication that these two sets of studies seem to point to is the importance of focus on the integration stage issues during due diligence and therefore the necessity of a bridge between due diligence and integration.

Hypothesis 1: no bridge between due diligence and implementation of the M&A will lead to high levels of confusion and stress

Hypothesis 2: a bridge between due diligence and implementation will lead to lower levels of confusion and stress

Hypothesis 3: Considering cultural issues during due diligence impacts implementation positively

Hypothesis 4: Those who work on M&A's do not think that cultural issues are of primary importance at due diligence stage

Weber, Shenkar and Raveh (1996 p. 1225) partly attribute the high level of failure to achieve financial targets to insufficient attention being paid to cultural fit during the M&A investigative stage and also to poorly managed cultural integration at the post-merger stage. The finding that there is a strong positively correlated relationship between shareholder value and perceived cultural fit in related mergers and acquisitions is evidence in itself of the importance of understanding cultural issues as part of the process (Chatterjee et al., 1992 pp. 319-328). However, Chatterjee et al. (1992 p. 331) find that although cultural synergy appears a determining factor for investors, managers of the acquiring firm often spend little or no time on these considerations.

Hypothesis 5: Cultural issues are rarely investigated or considered during due diligence.

Bekier and Shelton (2002 p. 1) found that too much focus on integration issues, particularly cost cutting, to the detriment of the day to day running of the business destroyed revenue growth, which had a far greater and longer term negative impact on final value of the M&A. They highlighted the importance of getting frontline customer facing employees on board, motivated, organised and resourced or face customer defection (Bekier and Shelton, 2002 pp. 2-5). Bahde (2003 p. 248) states that most combination projects do not deliver the hoped for results because they fail to focus efforts at all levels around the key economic drivers. He proposes an approach which would involve the construction of meaning by both sides of the M&A to articulate key strengths that each business brings to the table. From there consensus about the super-ordinate goals which the combination was conceived to deliver creates a common purpose of synchronized action detailed through action planning (Bahde, 2003 pp. 285-287). Numerous studies have found that the realisation of potential within the integration process had a direct impact on the ultimate value of M&A's (Bellinger and Hillman, 2000 pp. 324-326; Lind and Stevens, 2004 p. 10; Seo and Hill, 2005 pp. 422-424). In another study Bain and Company found that: a) M&A failure was in 67% of cases attributable to integration, and b) 80% of executives said that it was important to focus integration activities on the value generating components of M&A's (Vestring, Rouse and Rovit, 2004 p. 15).

Haspeslagh and Jemison (1991) found that value creation took place within the evolving processes which occurred during integration (cited in Fish, 2007 p. 55).

2.2 Post M&A Integration

Wolf (2003 pp. 62-64) stated that every M&A poses a unique set of circumstances and dilemmas. Due to this factor there is no one size fits all model that will guarantee success every time. Despite this there are nonetheless a number of commonalities that can be considered as contributing to success such as:

1. Using a project management approach to ensure speedy decision making and coordinated efforts.
2. A performance monitoring system which includes metrics on integration, operational factors, cultural factors and financial yardsticks.
3. Cultural measurements should be designed to provide a litmus test on the progress of redesigning organisational culture and that processes are being appropriately redesigned as well as implemented. This can be done through internal and external surveys which flash test employee reactions, performance and absenteeism.

Four integration models were proposed by Fish (2007 pp. 55-61) which shed light on the integration process and the difficulties faced when attempting to combine two previously separate organisations:

1. GE Capital's Pathfinder model
2. The FIDESS model
3. A Human capital model
4. M3 (The merger management model)

1. GE Capital's Pathfinder model

- Prior to acquisition, begin a cultural assessment to foresee disablers of integration, appoint a dedicated integration manager and draw up a communication plan.
- Early acquisition stage, the integration leader becomes active, puts in place an integration plan and actively involves senior management.
- Integration phase, speed up the pace by using process maps, audits and feedback to adjust integration as needed.
- Final stages of integration, continue to build on past successes in systems, processes, management exchanges, corporate education and audits.

Lessons learnt were that a) integration begins at due diligence and continues through to the management of the new organisation, b) the management of the integration process needs full time resources dedicated to it, c) clear announcements about management structure, key positions, reporting relationships, layoffs, restructuring, and any other elements which impact people's livelihoods or careers should be made within days of the acquisition announcement if possible, d) successful integration combines technical as well as cultural aspects of the business which is best achieved by setting people to work together on business problems so that they can deliver previously unattainable results which demonstrate the value each entity brings to the table in every area of the business (Ashkenas et al., 1998 pp. 167-178). Porter (1988 pp. 56-57) talks about the importance of transferring value adding skills as being critical. Kongpichayanond (2009 p. 384) highlights the important role knowledge management processes play during the different M&A phases. Cartwright and Cooper (1995 p. 33) hypothesize that one of the reasons why related M&A's tend to produce more successful results than unrelated, is because knowledge transfer is facilitated by the fact that the acquirers already understand much about the way in which the acquired business works.

Hypothesis 6: Unrelated M&A's fail more frequently than related ones.

2. The FIDESS model

"Focus:

Ensure a solid strategic rationale exists for the acquisition

Lay out the expected financials in advance

Develop a realistic integration timeline

Ensure "line" ownership for the acquisitions' success

Innovation:

Organize integration for functions and geographies

Share best practices on the integration team

Protect the acquired organisation

Make a decision "log"

Address existing management processes dispassionately

Discipline:

Plan, re-plan and plan again

Build in regular, formal reviews

Manage synergy capture

Develop robust communications

Excellence:

Bring in outside experts

Acquire excellent companies

Utilize the new talent

Be patient with progress

Appoint full-time integration team leaders & members

Go for "A" players

Reward successes regularly

Speed:

Jump start the project as early as is possible

Make decisions quickly

Appoint and announce new management quickly

Simplicity:

Make senior executive visits

Move people into the same locations

Keep the targets' management team together"

Vester (2002 pp. 34-36) also designed a six phase integration program beginning after due diligence:

a) Pre-announcement
b) Joint integration planning
c) First day execution
d) Actual integration
e) 100 day assessment and correction
f) On-going integration

Vester (2002 pp. 34-36) warned that a mindset allowing ongoing flexibility is needed to manage the process effectively as there will always be un-forecasted events to deal with. Mitleton-Kelly (2006 p. 38) also states that it is not possible to pre-design the integration plan in all its' detail as a large part of that plan involves the human behaviour factor which cannot be predicted scientifically with certainty, it is continuously evolving.

3. *The Human Capital Model*

This model designed by Nalbantian et al. (2005 pp. 46-48) considers degree and speed of integration. There are forces for integration and barriers to integration. Barriers were significant differences between the acquiring and acquired company in the following areas:

- demographics (age, ethnicity, gender)
- the way people are managed
- degree of scope in job design

- levels and types of autonomy and information given to employees
- strategies for selecting and training people
- decision making authority or level of decentralisation
- culture
- skill base in terms of breadth and depth
- levels and practices in relation to compensation.

Forces included strategic intent, human capital requirements and core business process requirements. These forces and the barriers present influence the optimum level of integration: 1. Total absorption of the acquired company 2. Partial assimilation of the acquired company 3. Little or no real integration resulting in a portfolio type of management. When barriers are high and forces are low a portfolio type arrangement was the optimum result. When barriers are low and forces high a full and rapid integration was called for. When barriers and forces are both low the result ranged from portfolio to partial integration. When barriers and forces are high a full but slow integration was required.

4. *M3 – Merger Management Model*

This model designed by Lynch and Lind (2002 pp. 6-9) involves assessing the levels of goodwill and disparity. Goodwill represents the amount above book value paid and therefore represents the expected added value of an M&A, it is the value within the acquired company to the acquiring company. Goodwill is often intangible but critical to the success of the acquired company and can represent anything from organisational culture to customer relationships to rare skills found within the organisation. Bahde's (2003 p. 205) research suggests that when value is located in sales or customer relationships it is much more difficult to transfer than when it is more tangible, such as, specific skills that the acquirer wishes to possess. The suggestion is that the ability of the acquiring company to recognize and protect the culture which fosters those relationships is questionable, particularly where the acquirer is a large conglomerate and the acquired firm is a much smaller operation. There is a high risk that those relationships will be impacted by the differences inherent in the way business is conducted in the new organisation, which in turn might be overly influenced by how the acquiring firm operates. An example of where this happened is the Ernst and Young acquisition of a local Chinese auditing firm, effectively the local firm was able to function in a way which facilitated their customers while E&Y required more stringent auditing methods which did not suit the customers of the smaller firm. The result was a loss of 30 out of the 46 clients within two years (Chen, Su and Wu, 2010 pp. 41-42).

Disparity is the level of dissimilarity between the two companies, if two companies have totally unrelated activities achievable synergies are probably low as there will be few duplications which can be eliminated. To ensure successful integration it is important to gain an in-depth understanding, as part of due diligence, of disparity and goodwill at both a macro and micro level, so at organisational and business unit/ functional level. The levels of goodwill and disparity are not likely to be the same in all parts of the organisation. If overall goodwill is high and disparity is low this probably means that the acquired company is in the same industry, markets and channels are the same or similar. The value is probably to be found in achieving synergies as well as market share, the latter will only be achieved if the special expertise or customer relationships are maintained. Therefore focus during integration should be on synergy, a slower integration timeframe to ensure goodwill is not lost, succession planning, cultural integration and reward strategy. If both goodwill and disparity are high full integration is likely to destroy value and therefore should probably only be attempted in areas which are non-core business activities. Focus should be on careful succession planning and ensuring long-term continued performance. If goodwill is low and disparity is high the acquisition is probably for reasons of vertical integration, such as the purchase of a services company to reduce related outsourcing costs and requires a portfolio type of management. Cartwright and Cooper (1995 p. 33) find that in unrelated mergers managers of the acquiring firm are unlikely to initially do anything that will impact change in the way in which the acquired firm functions. Any changes will be deferred until there is greater understanding about the acquired firms business. Where goodwill and disparity are low, focus during integration should be on reducing costs and growing market share, rapid total integration is required.

2.3 Integration Factors

Fish (2007, p. 7) finds that the disorder created within organisations due to M&A's has negative effects and that five underlying factors, when poorly addressed, cause it: 1) communication, 2) culture, 3) leadership, 4) people, 5) strategy. Martin and Huq (2007, pp. 126-128) outline the need to communicate with employees about the bigger picture in order to implement change. When employees understand the rationale for change and the results that it will have on the wider environment they are more likely to accept and be committed to it.

2.3.1 Communication

Post M&A integrations take place amid confusion and spreading of incorrect information (Bekier and Shelton, 2002 pp. 2-3; Honore and Maheia, 2003 p. 62; Whittle, 2002 pp. 30-31). Mitleton-Kelly (2006 pp. 37-46) found that when the employee groups coming from different organisational cultures cannot or do not communicate effectively in the new organisation it can cause M&A failure. While continuous and open communication at all levels was found to be an essential ingredient for successful integration (Bahde, 2003 p. 213; Napier et al., 1989 pp. 111-120; Schweiger and DeNisi, 1991 pp. 112-132). A 1998 study by Hewitt also highlighted communication to employees as being critical to M&A success (Tentenbaum, 1999 p. 34). Resolution of issues through open discussion increased the probability of successful integration although ensuring effective communication proved challenging, particularly where cultural differences were wide. However, where degree of integration required was low and therefore autonomy retained was high, these issues may matter less (Dooley and Zimmerman, 2003 pp. 13-27). Pritchett et al. (1997) described obstacles to effective communication as coming in the form of inaccurate information, misunderstandings, deceptive communications, outright dishonesty, increased complexity, many layers of communication channels, confusion about who needs what information, backtracking (Cited in Fish, 2007 pp. 63-64). Burgleman and McKinney (2006 pp. 14-23) found that poor two-way communication resulted in leadership focus concentrating on operational integration issues rather than on strategic integration goals, thus negatively impacting M&A results. If employees are not communicated with regarding their own job security very quickly following M&A announcements the result will be lost productivity, as employee focus will shift from doing their jobs to worrying about an uncertain future. Morale is also impacted by perceived procedural fairness in decision making such as who will populate the new organisation, it would seem therefore that communicating about the processes and strategies involved in decision-making would be important so that employees understand how decisions are arrived at. Another observation was that lack of communication, due to legal constraints, with internal stakeholders hindered the practicalities of integration. Only these internal stakeholders really know the organisation and its technologies or business processes well. External consultants often lack the practical organisation specific experience which internal stakeholders possess and which is needed for effective integration planning and implementation (Slowinski et al., 2002 pp. 22-28). Effective communication had the effects of reducing anxiety and resistance while increasing motivation and satisfaction (Napier et al., 1989 pp. 107-121; Tentenbaum, 1999 p. 34). Szpekman (2004 p. 9) isolated 10 communication guidelines for successful M&A integration: 1. Listen more and communicate face-to-face 2. Focus on facts not reassurance 3. Avoid interpreting facts 4. Explain the whole story to avoid anxiety and distrust 5. Communicate clearly and concisely 6. Provide timely information thereby keeping uncertainty to a minimum 7. Allow conclusions to become self-evident 8. Senior leaders should be constantly visible 9. Continually motivate employees by reminding them of the value of their contribution 10. Monitor outcomes and employee reactions.

Other studies found that keeping employees informed through continuous and regular communication is required throughout the integration process, a state of chaos occurred when employees did not understand what was happening around them. It was important to communicate the business case, the rationale for the acquisition, as well as how the acquired business will fit into the overall picture, dispersing this type of information to employees was found to reduce stress, anxiety and the level of disorder.

There is a point at which communications become less important than actions, so actions must follow communications.
Two-way communication forums should be set up, a lack of two-way communication can cause negative feelings among employees.

Hypothesis 7: Lack of two way communication processes will cause employees to react negatively.

If communication voids exist people will make their own assumptions which will often be very different from reality, based on these assumptions they will then create their own reality significantly divergent from the one intended.
Employee focus must be among the top agenda items, a very significant and justified concern employees had was about how the integration would impact their individual lives. They wanted to know about how the integration would change the roles they filled, levels of responsibility, management hierarchy, compensation and benefits and daily routines. It was found that creating a positive enjoyable working environment increased commitment. Employees may not respond to communication, which is a sign of resistance, if they don't trust it. This may occur if there is no visible buy in from the previous leadership team of an acquired company (Fish, 2007 pp. 175-185; Whittle, 2002 pp. 60-61).

2.3.2 Culture

The successful cultural integration post merger seems to be, on occasion, a difficult yet pivotal issue (Larsson and Lubatkin, 2001 p. 1574).
Cartwright and Cooper (2001) found that organisational culture derives from the environment, markets, business focus, history, company size, ownership and leadership, employees, and technology (Cited in Fish, 2007 p. 66). Adler and Jelinek (1986 p.74) defined culture as "a paradigm, map, frame of reference, interpretive

schema, or shared understanding, the culture concept emphasizes the shared cognitive approaches to reality that distinguish a given group from others". Culture is a word used to describe a set of norms or beliefs observed by a collective, these norms are constantly in a state of flux being continuously reshaped by the individuals of the group interacting with others and renegotiating their positions (Just, 2004 p186). So the culture of a group is created over time and by the individuals within that group. However, there has never been a single view of the norms, values and beliefs held by any society, according to Taylor (2004 p. 179). Culture in organisations can be considered through four levels of analysis:

- *Values:* these are directly related to how an organisation does business, for example "customer service focused on customer satisfaction", "consistent compliance to regulations", "delivering high standards of excellence on every task" or "focused on getting it done"
- *Beliefs:* these are often revealed through informal interaction and involve specific issues such as believing that authority power should not be questioned or in contrast that those who voice opinions based on expert knowledge should be listened to.
- *Behaviours:* these are observable by both organisation members and those external to the organisation, they are about how the organisation works and are seen through organisational structure, control mechanisms, work routines or actions symbolic of a belief or value.
- *Taken-for-granted assumptions:* are not easily visible or described, they are understandings that organisational members have in common, that have been developed over time within the organisation and govern how members operate as a collective. These can pose significant difficulty if they need to be changed in order to implement a new strategy or merge with another organisation which operates from a different set of assumptions.

It follows that culture is closely linked to the competitive strategy of a business and in fact achieving a culture which strongly supports this strategy is key to success (Johnson, Scholes & Whittington, 2008 pp. 194-195).

Thus, the need for a common culture to be established during integration (Bahde, 2003 pp. 26-29; Hinterhuber, 2002 pp. 7-9). If employees do not quickly feel a sense of belonging, anxiety, resistance, and frustration will ensue (Ager, 2004 pp. 10-61; Hinterhuber, 2002 pp. 7-8). Hon (2002 pp. 1-4) found that most leaders omitted to spend time on integrating disparate cultures, therefore most M&A integration plans did not address integrating culture and this was posited as the reason for the high failure rate. While Wolf (2003 p. 63) found that the most effective change management tool was face-to-face communication. Larsson and Lubatkin (2001 pp. 1573-1575) found, through their research of fifty M&A's, that socialisation activities were the best way of achieving successful merging of cultures. Socialisation activities take many forms such as cross site visits, social events or training activities. In the aftermath of such activities employees will create their own new culture. Their findings were that successful integration depended on the informal socialisation efforts made by the acquiring firm and that this strategy was successful regardless of the level of business or national similarity. Munner (2007, pp. 50-53) describes how culture change can be affected through learning and development programmes aimed at transforming how leaders interact at work.

The integration of cultures has been found to contribute to the success or failure of M&A's (Cartwright and Cooper, 1995 p. 33; Davenport, 1998 pp. 25-26; Jemison and Sitkin, 1986 pp. 147-159). While a Hewitt survey of US companies found that integrating culture was the biggest challenge for 69% of survey respondents (Cited in Fish, 2007 p. 67). So why is cultural integration so difficult? And what if any are the effects if it doesn't happen? I believe that we must first understand the meaning of culture within organisations, how it is formed and how it evolves. Eriksen (2007 pp. 135-138) in her review of Robbins' book *Becoming Sinners: Christianity and Moral Torment in a Papua New Guinea Society* (1994) describes how external environmental factors cause changes at the very core of the Urapmin peoples' belief system, their religious allegiance. Rees and Miazhevich (2009, pp. 55-59) also discuss how culture develops and how wider geopolitical environmental factors transform it. Kotter and Heskett (1992) found that companies which put significant effort into managing the cultural integration performed better than those which did not on revenue, net income and stock prices (Cited in Tentenbaum, 1999 pp. 26-28). According to Harding and Rovit (2004) cultural differences did not impact success or failure but early identification and proactive planning and action increased shareholder return by up to 13.9% (Cited in Fish, 2007 pp. 67-68). Chatterjee, Lubatkin, Schweiger, and Weber (1992 p. 319) found that the perception of cultural differences between the leadership of the two companies affected shareholder value. More recent studies by Stahl and Voigt (2008 pp. 160-166) of existing literature, suggest that the impact of cultural differences on post integration success or failure is not consistent from one situation to another. They attempt to provide additional insights into this divergence of research results through their own primary research in which they investigate:

- Impact of cultural differences on socio-cultural integration outcomes
- Impact of cultural differences on accountancy-based synergy realisation
- Impact of cultural differences on acquiring firms' shareholder returns
- Impact of national cultural differences vs organisational cultural differences on all of the above measures
- Impact of cultural differences when high levels of integration are required vs low levels of integration on all of the above measures

They find that cultural difference negatively impacts socio-cultural integration outcomes but not accountancy-based synergy nor acquiring firms' shareholder returns. Surprisingly, they discover that cross national cultural differences are found to less negatively impact socio-cultural integration outcomes and accounting-based synergy compared with organisational cultural differences. However, acquiring firms' shareholder values were not shown to be more positive as a result of national cultural difference compared with organisational cultural difference (Stahl and Voigt, 2008 pp. 169-171). The supposition is that more sensitivity is shown towards national cultural differences as compared with organisational cultural differences or that the benefits of cross national synergies are so great as to weigh significantly in and of themselves (Stahl and Voigt, 2008 pp. 165-166). In my view, the level of actual integration might also be lower, synergies coming from access to new markets rather than those related to close socio-cultural or task integration. This would be consistent with the findings of Stahl and Voigt (2008 p. 171) that high levels of socio-cultural integration requirements accompanied by high levels of cultural difference are negatively correlated with accounting-based synergy realisation. One may deduce that cultural aspects are not the explanation for success or failure but that other factors are the causal element. Stahl and Voigt (2008 pp. 171-173) argue against this as an all encompassing possibility and conclude that cultural issues, while not the only reason for success or failure, do matter. They assert that the body of research conducted to date does not adequately investigate the in depth workings of how cultural differences deliver positive or negative results and suggest that future research needs to focus on the following issues with regard to their effect on cultural difference moderation:

- Degree of autonomy removal (Weber, 1996)
- Acquirer cultural tolerance (Chatterjee et al., 1992)
- Leadership effectiveness (Kavanagh and Ashkanasy, 2006)

In effect, their own research seems to suggest that cultural differences can produce beneficial outcomes in some cases and present disadvantageous results in others with few clearly defined reasons for these paradoxical outcomes.
Marks (1997 pp. 273-274) argued for three levels of intervention to manage the cultural aspect of combinations and thereby increase success rates: 1. include cultural assessment as part of the pre-merger partner screening process to highlight where potential partners may have significantly divergent cultures which will be extremely difficult to integrate. Organisational cultural dimensions can be discovered, these can be used to analyse organisational culture:

- "**Innovation,** risk taking, experimental, and opportunistic;
- **Stability,** predictable, rule-oriented, clear performance expectations, secure;
- **People orientation,** fair, respectful of individuals' rights, supportive, non-demanding;
- **Outcome orientation,** action, achievement, and results oriented;
- **Easygoingness,** tolerant, calm, reflective, low conflict;
- **Detail orientation,** analytical and precise; and
- **Team orientation,** collaborative."

Some of these characteristics are compatible, others are not, for example, an organisation that is found as having an innovation orientation is unlikely to also display a stability orientation. Therefore, companies displaying opposing dimensions are likely to differ significantly in the way they do business, in what socially acceptable norms govern daily interpersonal relations and leadership style (Gordon, 2002 pp. 376-377). 2. Senior executives should work on articulating their desired end result for the combined organisation. This would raise their awareness to potential cultural issues as well as clarify the strategy they wish to pursue which should then be communicated as honestly as possible to employees in order to prepare them for what is to come and thereby avoid negative impacts due to communications being misaligned with what subsequently happens on the ground. 3. Ensure that senior executives are aware of the cultural differences between the two organisations as well as the dynamics which cause cultural clash and that they are aware of the importance of culture throughout the combination process. Proactively managing cultural integration ultimately was found to contribute to the success of the integration process (Dillavou, 2002 pp. 16-18; McGrady 2005 pp. 22-49; Seo and Hill, 2005 pp. 438-440). Bate (1990) isolated four approaches to cultural change during integration: 1. An aggressive approach was used in smaller or underperforming M&A's, which drowned the acquired company's culture. 2. A conciliative method achieved through rational change which was amenable to the acquired company and which avoided conflict. 3. A corrosive approach used manipulation to garner the support of key influencing groups within the acquired organisation. 4. The indoctrinative approach sought to influence culture through providing information to employees which painted a particular picture of reality (Cited in Fish, 2007 p. 70).

A Price Waterhouse Coopers (2000) survey found that companies that achieved fast integration also did better on financial performance, morale, productivity and time to market while experiencing fewer systems and management problems (Cited in Fish, 2007 p. 80). Other studies, however, conducted by Yunker (1983) or again by Buono and Bowditch (2003) indicated that a push for rapid integration led to increased difficulties such as increased organisational turmoil and employee dissatisfaction

(Cited in Fish, 2007 p. 80). Some studies found that some aspects such as culture needed more time while other aspects yielded better results by more rapid blending, such as areas required to develop new products (Schweiger (b), 2002 Cited in Fish, 2007 p. 80; Mayo and Hadaway, 1994 pp. 63-70). Birkinshaw (1999 pp. 33-39) suggested that knowledge centric M&A's needed to progress slowly as they required longer acculturation, but product-centric M&A's needed rapid integration as they are more task focussed.

Bert, MacDonald and Herd (2003 pp. 42-43) found that rapid integration yielded the most positive results. An AT Kearney study found that the window for integration is a two year one at most. Bert, MacDonald and Herd (2003 p. 42) suggest that 70 – 85% of synergistic benefits can be captured in the first year and a significantly lesser amount of no more than 30% in the following year. Combinations which achieved integrations and synergies within two years were found to be more likely to deliver shareholder value above industry averages. On the other hand those that delayed beyond the two year timeframe were found to often destroy shareholder value.

They also found success to be rooted in a sound execution strategy communicated to all concerned parties and that failure was overwhelmingly due to poorly executed strategies. The detail of what constituted poor execution was extremely diverse, some companies failed to focus any attention on integration at senior executive level believing it to be a matter for the operational teams. Culture clash was a common cause of failure, in particular differences in management styles and the inability to adapt to or recognize a different style. Actions that were found to lead to success were:

1. Putting in place management and senior management levels as quickly as possible, the entire organizational structure should be in place within three months.
2. Demonstrate progress to the market through high level plans which link merger costs and revenue targets to recognizable management actions.
3. Achieve quick wins by delivering on high priority goals and easily achievable synergies, such as achieving sales targets for key product lines or closing inefficient facilities or rationalising functions.

4. Managing the markets' expectations, the best way for shareholder value to be created is to exceed market expectations, although goals do need to be seen early on.
5. Establish a steering committee of the company's top executives to delegate integration activities to functional units while ensuring that the strategy translates into clearly measurable targets.
6. A project management team should support the steering committee and be at the heart of the integration project by monitoring progress, ensuring consistency of processes, coordinating teams, identifying potential problems and managing risks.
7. Employee commitment was found to be the biggest indicator of success. Communications need to be carefully planned and executed to ensure that employees and customers understand the strategic intent. Even where difficulties are discovered which might result in the acquired entity being isolated and divested in the future, communication remains key in ensuring that value is not eroded through employee defection.
8. Ensure that customer focus is not lost due to increased internalized efforts. A small reduction in customer satisfaction can result in competitor's efforts to draw them away producing results which will affect the value of the deal negatively. The best results in this area were achieved through high level customer focussed plans which included customer communication plans, monitoring satisfaction and putting in place teams to ensure that quality of service was not being lost as a result of changes implemented (Bert, MacDonald and Herd, 2003 pp. 42-48). Again, yet other studies (Haspeslagh and Jemison, 1991; Sirower 1997) found that perhaps a longer period could be required for integration (Cited in Fish, 2007 p. 81). Integration periods for cooperative acquisitions could range from five to seven years while uncooperative ones could take up to ten years (Buono and Bowditch, 2003 Cited in Fish, 2007 p.81).

M&A's involving organisations of dissimilar cultures were found to present increased challenges and often resulting in a higher level of chaos. People from each side do not understand how the other side operates and how to talk to people from the other side. This can lead to situations of dissension, confusion and frustration. Bligh (2006 pp. 405-406) found that the optimum form of cultural leadership in a post M&A situation is to find ways of expressing broad meanings which are common to both cultures, for this a requirement to understand the culture of the acquired firm and its' history is essential. In the same manner leaders need to forge the future direction in ways that will not alienate the acquired organisation.

Hypothesis 8: if the level of cultural integration is high and the disparity between the two cultures is high the level of cultural change required is high.

Hypothesis 9: If the level of cultural change required is high formalised cultural integration strategies should be planned in detail.

Hypothesis 10: If the level of cultural change required is high the risk of cultural clash is high.

Hypothesis 11: If the level of cultural change required is low the risk of cultural clash is low.

Hypothesis 12: Cultural clash will cause failure of an M&A to deliver expected levels of financial returns.

Hypothesis 13: If cultural integration of significantly different types of cultures is required it impacts the M&A negatively.

Hypothesis 14: High cultural integration of similar cultures does not negatively impact the M&A.

Hypothesis 15: A low level of cultural integration of dissimilar cultures does not impact the M&A negatively.

Hypothesis 16: Fast integrations happened where cultural disparity was low and Fast integrations created value.

Yu, Engleman and Van de Ven (2005 pp. 1511-1522) tell of a vertical merger in the healthcare sector which resulted in significant long-term difficulty due to a lack of efforts towards mutual cultural understanding, in turn causing communication deficiency and failed effective integration.

One participant of the study conducted by Fish (2007 p. 189) found that formal cultures had less difficulty than informal cultures because they lack understanding of strategic issues. Examples of different types of cultures involved in M&A's were, "a formal academic culture and an informal marketing oriented culture", "a centralised formal culture with a decentralised informal culture", a "larger company that was owned by Wall street investors" focussed on "the bottom line, revenue and profits" and a smaller company focussed on "the nature of the work, or particular clients, or opening new opportunities". In each of these cases difficulties combining the cultures were experienced. Some participants believed that it would ultimately be impossible to combine very different cultures successfully, as employees from each culture had lived through very different experiences and had highly divergent world views. This school of thought believes that it is in fact not possible to change people's culture in a short period of time when their own present culture has been developed over a long period of time and is firmly rooted in lived experiences. Combining cultures which are already similar was found to present significantly less difficulty and chaos during post M&A integration. If the companies do not have the same philosophies, priorities and views on how to manage a company one participant suggested harnessing existing cultural values " to strengthen the culture of a newly integrated company" as opposed to attempting to change culture. Trying to change peoples' compensation and benefits was found to cause significant anxiety, stress and uncertainty, which all added up to creating a state of chaos. Culture is behaviour. Most organisations do not understand their own culture or the implications of it and therefore the ramifications of integrating another culture into it. It is also typical of organisations to see only the positive aspects of their own culture and to first see the negative aspects of another culture. These traits can lead to conflict during integration. Putting the key people of an acquired company into key positions can help to ensure that the acquired company culture gets a place at the table. Companies that have been through multiple M&A's experience their culture morphing and eventually switch to a sort of survival mode when faced with it again.

Younger employees with less company seniority tend to be more accepting of change whereas older employees with longer service tend to find change more difficult, the younger employee may have broad experience whereas more senior employees are likely to have more depth in their experience (Fish, 2007 pp. 185-199; Whittle, 2002 pp. 87-88).

Lodorfos and Boateng (2006 p. 1415) propose a tentative model for managing cultural integration as part of the M&A process:

"*Phase 1: pre-merger and pre-planning stage*

This phase involves information gathering and developing trust through one-to-one interaction between members of both companies. This stage culminates into pre-planning stage aimed at identifying cultural gaps and clarification through holding of retreat/workshop, and the use of job rotation in an attempt to identify:

(1) Structural/physical characteristics of each business.
(2) Beliefs and values behind these practices.
(3) Decision-making processes and communication lines.

Phase 2: planning stage

This stage aims to produce the action plan to facilitate the cultural integration process.

Key tasks to be undertaken are as follows:

(1) Negotiating the composition of a sub-taskforce for integrating culture.
(2) Decide on the extent of cultural integration.
(3) Decide on methods and timing of change.
(4) Assess the potential risks.
(5) Identification of training needs.
(6) Setting integration goals.
(7) Budgeting for integration.

Phase 3: implementation stage

This stage is designed to integrate structure and control systems and it involves the following activities:

(1) Creating atmosphere for cultural integration.

(2) Communication.

(3) Training/ staff development.

(4) Re-organisation.

(5) Integrate structures, functions/control systems.

Phase 4: evaluation, review and reflection

(1) Evaluate expected against actual outcomes.

(2) Learn lessons.

(3) Revise through consultations."

HR professionals can assist in particular with the socio-cultural integration, Rifai and Waight (2006 p. 413) found that training and development professionals contributed in the following ways during the integration phase:

1. "Orientation of company practices
2. Diagnosing and managing organisational cultures
3. Management development
4. Change management
5. Develop and implement a communication plan
6. Customer relations training
7. Develop staffing plan
8. M&A training
9. Review employee manuals
10. Training evaluation
11. Needs assessment
12. Performance management
13. Assessment of training location and resources
14. Six sigma training

15. Identifying organisational structures
16. Recruitment of employees
17. Performance appraisal training
18. Assess national cultures"

Hypothesis 17: Those who work on M&A's think that cultural issues are important at implementation stage but underestimate the impact of difficulties that may arise

Hypothesis 18: Those who work on M&A's do not formally plan cultural integration in great detail

Hypothesis 19: if the level of cultural integration required is low, autonomy should be high and efforts should be focussed on the practicalities of helping employees within the new organisation rather than on formal cultural integration programmes.

Hypothesis 20: If the level of cultural integration required is high, the communication plans must incorporate detailed communication of the business case so that employees understand what is expected of them

Hypothesis 21: If the level of integration is low, communication plans should be more informal and personable designed to facilitate the acquired entity with the practicalities of functioning within the acquiring firm while continuing to function as autonomously as possible

Hypothesis 22: Communicating the business case leads to increased satisfaction and reduced anxiety in M&A's involving full to partial integration.

Hypothesis 23: Communicating the business case does not lead to increased satisfaction and reduced anxiety in M&A's involving a portfolio type arrangement.

Hypothesis 24: Not communicating the business case does not lead to dissatisfaction and anxiety in M&A's involving a portfolio type of management.

2.3.3 Leadership

Bekier and Shelton (2002 pp. 106-108) stated that leaders needed to communicate the benefits of the M&A to employees and customers as quickly as possible, otherwise negative outcomes would result. Wolf (2003 pp. 62-63) stated that leaders needed to communicate the integration strategy to employees. Relevant leadership was found to be important in shaping the integration process, ensuring that communication is about the relevant issues and conveys real meaning. Having the right senior leadership in place who have the capability of providing relevant leadership was key, as well as appropriate leadership resources to manage the integration. They should communicate regularly with employees so that they understand the value of their contribution to the organisation within the merging context and beyond. Establishing high trust and credibility with employees makes managing the integration easier, not establishing this climate creates uncertainty and lack of confidence in management's ability to make the right decisions. This is achieved in a number of ways such as leaders demonstrating that they are looking after employee's interests and leaders of the acquired and acquiring companies working together in a cooperative way. If there is a sense of weak or a lack of leadership regarding the directing of the integration project, projects or business activities will spiral into chaos. If dedicated leadership resources are not in place, or if leadership are not taking the integration seriously, or participating sufficiently, confusion will ensue. Any weakness in integration leadership will, in particular, impact acquired companies whose own original leadership is no longer present. On the other hand, where leaders are seen to be strong and in control of the integration processes this was found to reduce employee anxiety and produce smoother integrations.

Sharing the vision about where the new organisation was going created a positive atmosphere and excitement among employees. Kavanagh and Ashkanasy (2006 pp. 82-84) draw our attention to the indispensable nature of the leadership voice in any change management project, and again confirm the well established view that radical change without considering current cultural positions is not possible.

Leadership commitment at all levels, including middle management levels, which demonstrates buy in to the integration process and that they are prepared to put in the necessary effort to make it work was found to contribute to the success of the integration process. It is essential to have a strong and robust integration leadership team in place which means high performers with senior executive experience and specific remit to lead the integration project. These people should not be given the project as an addition onto their already long list of responsibilities but should be freed up to ensure their entire focus is fully on managing integration (Fish, 2007 pp. 163-175).

Hypothesis 25: M&A integrations which do not have full-time dedicated resources to implement experience significantly more difficulties than those which do.

I believe that much depends on the specific personalities of the actors involved, their ability to exercise emotional intelligence during the process and their specific capability of managing change integration projects as well as their propensity to understand the acquired business.

2.3.4 People

People are the factor that contributes to the state of chaos that typically exists during integration, without people there would be no state of confusion. Arguably, the level of chaos goes up in direct correlation with people's feelings, when people are not committed the level of organisational chaos is high. Appelbaum et al. (2007 pp. 195-196) highlight the importance of management capability in relation to people issues during this phase as having a direct bearing on M&A outcome. In particular trust, communication, participation, job security and procedural justice were constructs proposed to figure prominently in overcoming resistance to change (Chawla and Kelloway, 2004 pp. 485-489). Employees are concerned about what will happen to them, how they fit into the new picture, how their compensation and benefits will be impacted, if these questions are not answered then the level of confusion within the organisation increases. If employees understand that they will not be negatively impacted then they will focus their energies on their jobs instead of worrying about their own personal situations.

Seo and Hill (2005 p. 434) identify six theories from M&A literature which can be used to analyse the potential people related issues associated with different phases of the process.

Table 2

EFFECTS OF DIFFERENT SOURCES OF PROBLEMS IN DIFFERENT INTEGRATION STAGES OF MERGER AND ACQUISITIONS

Stressor	*Underlying theory*	*Premerger*	*Initial Planning And Formal combination*	*Operational combination*	*Stabilisation*
Uncertainty	Anxiety	med-large	large-medium	small	small
Loss of identity	Social identity	small	large-medium	medium-small	small
Intergroup conflict	Social identity	small	medium-large	large-medium	small
Perceived unfairness	Organisational justice	small	medium-large	medium	medium-small
Acculturation stress	Acculturation	small	medium	large	medium-small
Job environment changes	Job characteristics	small	small	medium-large	medium-small
Role conflict and ambiguity	Role conflict	small	small	large-medium	small
Prolonged uncertainty	Anxiety	small	small	small-medium	small or high

Employees who do not fit into the new organisation, because of skills that are no-longer relevant or as relevant as in the old organisation, will create disorder as they do not understand the new order and will be unhappy. As the two organisations are knit together to create a new company seams of activity between the two teams of each functional division come into existence, therefore it is essential that the relationships come into existence. Getting the two teams working together as quickly as possible is essential. De Haldevang (2009, pp. 6-12) found that involving the

people impacted by the M&A in driving change and delivering solutions produced significant and positive results as well as reducing resistance to change.
Organizational change needs to be managed, people will find that they may report to someone whereas before they were head of their function and some people will find these kinds of changes difficult. Very et al. (1997, pp. 609-610) demonstrate that if acquired executives perceive a loss in status or autonomy the result will likely be reduced performance within the acquired firm and this phenomenon is positively correlated with cultural disparity between the firms.
Another example of the type of change that may be difficult to adapt to would be if performance is measured differently, this type of variance may change the way in which people need to perform their jobs and change management skills are required to assist in leading the change efforts. Cartwright and Cooper (1995 p. 33) suggest that change management skills are essential for delivering successful integration outcomes. Cummings and Worley (2009 pp. 169-170) discuss the influence that communicating a vision has on managing and leading change. A vision should describe a future that employees want, so in the case of M&A's a carefully crafted vision would take account of the different organisational cultural orientations while influencing and guiding the business strategy in the desired direction.
It was noted that the existing state of confusion did not abate while employees were seen to be treated unfairly. It is important that processes promoting procedural fairness are put in place and communicated to employees. Even if the outcome may not be perceived as fair in all cases, if the procedure through which decisions were reached is deemed to be fair that may be sufficient to reduce negative impacts (Fish, 2007 pp. 199-212).

2.3.5 Strategy

Belkaoui (1976 pp. 49-50) studied three metrics: balance sheets, liabilities and asset information measures of 25 acquired companies and 25 independent companies.
He discovered the prevalence of "information decomposition",which means lack of accurate and transparent information, in the event of a takeover. The research of Fish (2007 pp. 150-151) indicated that a state of confusion during post M&A

integration manifested itself through negative employee reactions such as: anger, anxiety, concern, depression, discontent, dissatisfaction, fear, frustration, mistrust, nervousness, stress, unfocused behaviour, and worry. The lack of an integration strategy causes disorder, in order to avoid this, a roadmap which details how to get there needs to be formulated. Clear processes and procedures reduce frustration. Seven out of ten participants within Fish's (2007 p. 220) study preferred fast integration, three preferred a slower pace to get things done properly and thereby avoid increasing the level of disorder. Most participants seemed to agree that the higher the degree of integration the higher the risk of high levels of disorder.

Hypothesis 26: The more interference in the acquired firms business by the acquirer if there is a wide disparity between the acquired and acquirer's business the higher the risk of failure

Hypothesis 27: When degree of integration was low and autonomy retained was high less formalised communication efforts and high cultural differences did not adversely affect the M&A.

Hypothesis 28: If the level of integration is high focus should be on synergy delivery and cost cutting

Although one participant suggested that this would depend also on how the acquisition is sold to employees internally, if employees are told that nothing will change but then the acquiring company proceeds with a full blown integration very high levels of chaos would be experienced.
A clear communications plan reduces confusion. The plan should include what needs to be communicated, when, by whom and to whom.
The size of the acquired company impacts integration planning, the larger the acquired company the more abstractions need to be factored into the plans as the higher the level of complexity the integration will present. The smaller the number of individuals who need to be integrated the easier it is to ensure that all of those individuals are content, the larger that number by definition the more difficult that task becomes. Also, cultural differences are likely to be more marked where a

smaller company is being absorbed into a larger one, for example the management style of the smaller company is likely to be more personable and informal, the smaller organisation is likely to be less bureaucratic and employees are likely to have broader rather than specialised skills.

A good incentive plan is necessary to keep key people on board and interested. It is important to incentivize them to meet the objectives the organisation needs them to meet. It has been found that articulating what success looks like and recognizing when individuals have contributed to it increases overall employees' contributions (Fish, 2007 pp. 212-235).

3. Methodology

The question of which philosophical paradigms from which I have approached my research is the first one to be answered according to Saunders, Lewis and Thornhill (2007 pp. 100-121). I intended that my approach be at times positivistic but also rely heavily on the interpretivist view of analysis. Due to the highly qualitative nature of the research it took on more of an interpretivist analysis than anticipated. I consciously endeavoured to adopt the positivist-objectivist stance through a concern about gathering factual information and conducting analysis which can be considered objectively sound. However, I found it increasingly difficult to analyse data without resorting to an interpretive approach, I found in particular due to the broad nature of my research scope that factual information was difficult to obtain. I believe that the issues under study are complex in nature and may escape comprehension through an absolutely positivist lens. As the subjectivist, I also believe, that in business, human influence is enormous. The overall influence on the project has been I believe close to the critical realist school of thought, as my view is that any human resource or business reality is linked to unique contextual issues which are not readily and easily accessible in explicit form. I also believe that these contexts are rooted in networks of past evolutions, that they are ever changing and that multi-facet research is required to grasp phenomena meaningfully. From the latter it may be concluded that my reality is pragmatic, I do not subscribe strongly to one philosophy or another but comprehend that there is value in each and that the appropriate one should be matched to the appropriate situation, in general I interpret the world based on pragmatic utility worth. I had intended my research to be iterative which I found in reality difficult to achieve as I was constrained by the limited availability of my research participants.

I used multiple case study exploratory research techniques. Multiple case study as I wished to examine whether phenomena occurring in one case also occur in others, exploratory because I was not sure exactly what I would find and sensed the potential need to refine my research focus as I advanced (Saunders, Lewis and Thornhill, 2007 pp. 133-140). I used a combination of deductive and inductive methods to construct my conclusions (Saunders, Lewis and Thornhill, 2007 p. 142). I began by adopting a deductive approach, as I was inexperienced in researching the subject matter I had selected, and compared research findings with those outlined in the literature review. As I advanced through the process I looked for patterns to emerge and results which were inconsistent with my theoretical framework. These results then required further investigative research which took on an iterative nature. Through this research I attempted to discover new frames of reference (Saunders, Lewis and Thornhill, 2007 pp. 480-499). Inductively produced theory was grounded in my research data (Collis and Hussey, 2009 p. 179). I used primarily qualitative collection techniques in the form of semi-structured interviews. I recorded all but one interview, as one participant did not wish to be recorded, recorded interviews allowed me to focus fully on the questioning techniques during interview and also to avoid any misinterpretations of data due to incomplete note taking. I found that I had to rely significantly on memory and found it significantly more difficult to focus on questioning techniques during the interview which was not recorded. I have assured complete anonymity to participants in order to secure their participation in the project in the first place and I also am of the view that this may have enabled them to be more honest in their responses thereby minimising bias although I found the majority of them very reluctant to admit failure of their company and speak about errors committed. The choice of qualitative data collection was based on my need to gain a richness of data about the reality in which the organisations found themselves, how that reality evolved during integration and the results that ensued. I needed to find out as much as possible about the many different perspectives that exist to ensure that I am not linking causal events incorrectly although I was confronted with significant difficulties in this regard due to lack of free access allowed to the organisations as a whole. The semi-structured interview style was used during this part of my investigation as its structured but open adaptive possibilities most appropriately enabled exploratory investigation (Saunders, Lewis and Thornhill, 2007 p. 312). I chose the semi-structured as opposed to the unstructured style because I wished to focus on specific issues as outlined in my research question and also for the purposes of comparing the various cases under study (Bryman and Bell, 2007 pp. 477-480). Saunders, Lewis and Thornhill (2007 p. 324) remind us of the danger of bias causing undue influence at interview stage, I remained conscious of the importance of maintaining a neutral demeanour particularly when digressing from pre-prepared questions. I consciously endeavoured to avoid allowing any personal preconceptions or beliefs to influence participant responses. I remained attentive to any uneasiness demonstrated by participants in response to particular questioning focus and did not press further but attempted to reframe or change direction to mitigate stressful feelings. I consciously attempted to create a pleasant ambiance through rapport building in order to minimise the potential for uneasy feelings due to particular lines of questioning (Bryman and Bell, 2007 p. 486). If particular issues were raised which I felt may have been of interest I prompted for further information in order to gather a maximum of, what might have been, relevant data (Bryman and Bell, 2007 pp. 488-489). Prior to any interviews I prepare a series of closed or open questions and themes regarding reasons for the M&A which were forwarded to the interviewee a number of weeks in advance of the interview. I purposely kept this list as concise as possible. The reason for doing this is to prepare the interviewee for the type of information I am looking for and minimise difficulties related to lack of focus during interview, the shortlist was designed to hold the interviewees attention. I followed up by a short phone call to ensure understanding and to ask for feedback. Revisions to the interview themes, structure or specific questions were made in light of any misunderstandings or feedback although I found that I needed to resort to verbal communication to explain the type of information I was looking for. Ideally I would have liked to carry out a pilot interview (Bryman and Bell, 2007 p. 473) although I believe that this was not feasible in this case due to participants' time constraints, for this reason I prepared the interview in this manner which went some way towards fulfilling my needs of pretesting my interview questions. As discussed I used a semi-structured style during the actual interviews and therefore used open style, probing or closed questions as appropriate. Most of my research participants spoke extensively without waiting for questions. Second interviews were not possible although research participants were available to take phone calls to answer specific questions to clarify certain points.

Analysis of the qualitative data was through a specific coding system which I revised as I advanced through inductive logic (Saunders, Lewis and Thornhill, 2007 pp. 480-481). Firstly, for the purposes of producing a visually comprehensive view of the data I reduced it and produced an "events flow network" (Collis and Hussey, 2009 pp. 166-173). I used open coding in order to derive patterns from the data because I did know what patterns, if any, would emerge and also because I wished for discoveries to remain close to the raw data. I used Axial coding in order to form theories about relationships existing within categories and sub-categories of data. The reason for choosing to use this form of analysis within the overall main analysis is because of the importance of understanding causal reasons behind phenomena. "The main stages in axial coding: Causal conditions → Phenomenon → Context Intervening → conditions → Action/Interaction strategies → Consequences" (Collis and Hussey, 2009 p. 180). All coding, analysis and presentation of data was carried out manually or with excel. Although I am aware that specialised software packages such as NVivo (Bryman and Bell, 2007 pp. 602-621) would better serve my purposes I was limited by cost constraints and therefore have opted not to invest in specialised software.

I intended to use quantitative data collection through questionnaire to determine the cultural dimensions of acquirer and section of organisation acquired unless I find this to have been done by the organisation itself. Quantitative methodologies are the most appropriate for this type of investigation as it would involve asking samples of individuals to choose between a series of constructs in order to determine how best to describe their organisational culture. The question style could be best described as forced choice rating type to test preference of a particular construct over another as well as the strength of each construct relative to the others. In my view this is the optimum methodology for endeavouring to place the organisation in one category or another, the purposes of this categorization would be to serve my overall research objectives which would involve placing these categories side by side. I am not endeavouring here, through my own primary research, to obtain an in depth analysis of how that culture operates nor how or why it exists, the objective is simply to discover that it does exist. In order to avoid bias terminology would have been as value free as possible. Assuring strict confidentiality and complete anonymity may have mitigated any over reliance on perceived socially acceptable responses. I believe that detailed explanations about why the data is being collected may have introduced a desire to influence results in a particular way and therefore I did not intend providing any, other than what may be necessary to justify the purpose of collection. As recommended by Saunders, Lewis and Thornhill (2007 pp. 386-387) I would have conducted a pilot survey to ensure ease of completion and accurate understanding.

I would have coded the questionnaire responses prior to distribution to facilitate subsequent analysis, which would have been carried out using excel. The reason for selecting excel rather than more specialist software such as SPSS (Bryman and Bell, 2007 pp. 375-398) is due to cost constraints. Questionnaire design and analysis would have been largely influenced by methodologies used by current practitioners with experience in defining organisational culture in this way. In order to isolate these I would have endeavoured to investigate methodologies and questionnaire design conducted to date. However, I envisaged that questions would produce ordinal variables given the style of question described above (Bryman and Bell, 2007 p. 356). I believed that these variables would facilitate determining the overriding culture which best describes the organisation through statistical analysis of construct choice response. I would have ensured statistical significance of results at 95% confidence by calculating the standard error of the mean (Bryman and Bell, 2007 p. 368).

I would also have reviewed company documentation relating to mission, goals and values which should have served to reinforce quantitative analysis results from the questionnaires or perhaps add a new facet to my understanding of the cultural positions from which both organisations were coming. However, I was unable to carry out the quantitative element of my research as I had not outlined details of this to research participants from the outset and they were highly reluctant to allow me this type of organisational access.

The main shortcoming of my research methodology is that it could not be longitudinal in nature, this form would have been ideal for observing real time data and the evolution of events. The reason that I have decided not to pursue this course of research is due to time constraints and lack of resources. Another limitation that I am faced with is the number of case studies available to me, they involved primarily five organisations although various M&A's have taken place within some of those organisations. In light of this fact it will be difficult to generalise results.

Objectives of research (Saunders, Lewis and thornhill, 2007 pp. 32-33):

1. To determine whether widespread difficulties regarding people integration can alone cause the M&A to fail
2. To determine to what extent widespread difficulties regarding people integration impact the results of the M&A negatively
3. To determine the conditions which cause widespread problematic people integration
4. To determine the conditions which result in widespread positive people integration

I am searching for cause and effect relationships and concerned with gathering intelligence (Saunders, Lewis and thornhill, 2007 pp. 34-36).

Two methods are used to achieve phenomenological validity. Bracketing is used to eliminate preconceived views which allows for clearer understanding of the phenomenon being studied, and reduction gets to the essence of the subject (Cohen and Omery, 1994; Merriam, 2002; Moustakas, 1994).

The methodology for examining interview data took the following form:

1. *Statements that related to the topic were isolated* – information required breaking up into small segments each representing a line of thought and separation into relevant and irrelevant data
2. *Statements grouped into units* – experiences related by participants are then grouped according to their meanings
3. *Look for opposing perspectives* – seek out differing experiences of the same or similar phenomenon
4. *Build an argument* – through the data analysis develop an overview describing how the phenomenon is typically experienced (Creswell, 1998; Leedy and Ormrod, 2005).

4. Research Results

Between my own experience of a merger and acquisition and that of my four research participants I was able to study eleven acquisitions in total, involving five acquiring companies. The acquiring companies came from four different industry sectors and ranged from large publicly quoted multi-nationals to privately owned firms. The acquired firms also ranged from public to private status and one case involved an owner-managed company which had been organically grown from start-up by the owner, the acquired firms also came from a range of industry sectors some of which were related to the acquiring firm's business others which were only very distantly related. The acquisitions which I have classified as unrelated could all be considered concentric in that they served to expand the acquiring firm's offering to customers in some way, none were so totally unrelated as to have been considered as having no link distant or otherwise with the acquiring firm's customer offering. I have nonetheless classified them as unrelated if the type of business was significantly different so that the acquiring firm would not have prior knowledge or understanding about how to manage the acquired firm's business. In other cases although the merger would be considered related the cultural disparity between the firms would have been high.

It was difficult to pin down exact financial benefits of the merger in many cases and I had to rely on participants recount as to whether the M&A resulted in financial gain to the acquiring organisation or not. I did not use share price as a measure as this could not be measured in the case of the privately owned firms, of the publicly quoted firms some had a high level of acquisitive activity so it would have been impossible to link any fluctuations with any degree of certainty to acquisitions which I was studying and in other cases the global recession would certainly have impacted values.

I did not however, rely solely on the views of my research participants in relation to classifying the M&A as a success or failure. In the majority of cases they portrayed the acquisitions as successes and were very reluctant to classify them as failures, only one participant spoke openly about failures. Others portrayed the M&A's as successful even if targets were not reached and appeared to be of the view that unless divestment occurred, success could be declared. When pressed about aspects of acquisitions which had gone wrong, such as the loss of a major customer, failure to integrate cultures, failure to retain staff or process failures which produced costly failures which in turn seriously undermined business results, participants attributed these things almost to unforeseeable and more importantly unpreventable circumstances. In order to classify the M&A as a success or failure I questioned participants about what constituted success or otherwise in each case, put all of the information provided in the data collection sessions together to evaluate whether I would consider the M&A as successful or not without the opinions of the research participant and searched for articles in the press as well as reviewing company annual statements. In a number of cases I did not fully share the views of the research participant following this analysis.

1. The first M&A involved a large US multi-national, it was an unrelated acquisition which was contested by employees of the acquired firm. There was no bridge between due diligence and implementation, no cultural issues were considered at any time during due diligence. Although, when post-M&A integration arrived significant efforts were made to facilitate acquired employees who were highly skilled knowledge workers who were in actual

fact the reason for the acquisition in the first place. Without the highly skilled knowledge workers the acquisition had no value so it was essential that they be retained. Compensation and benefits plans were specifically designed to retain them although half of them left within 7 years. Although the cultural disparity between the acquiring and acquired firms was high the acquiring firm attempted to initiate a form of cultural integration through formalised management training and other events. This would not necessarily been required as the business activity of the acquired firm differed from that of the acquirer and while value may have been extracted by attempting to create a link between the acquired and acquirer activities the level of cultural disparity would have called for a slower integration approach. It is difficult to say whether this acquisition succeeded or failed on financial measures as the only results I could access involved those for the entire business division which were increased by 17%. Certainly the company attempted to prevent the consultants from leaving through legal action when they could not persuade them to stay by courting them.

2. The next acquisition was by the same company but this time it acquired a privately owned related business. This acquisition was definitively a success. The bridge between due diligence was in the form of the HR professional responsible for post-M&A who was also involved in due diligence. Although the level of task integration was low, due to the specific nature of what the group did, the level of socio-cultural integration was high as the acquirer wanted to benefit from linking activities in order to provide increased end-to-end type services to customers. The level of cultural disparity between the firms was low due to a similar technical orientation although there was disparity to be found due to the significant size differential between the two. The acquired firms employees were not used to the level of bureaucracy and formal work processes very prevalent in the larger firm. This difficulty was overcome through cultural integration efforts in the form of information sessions aimed at helping the new employees navigate the system and demonstrating significant efforts to make the acquisition work on the part of the acquiring firm. Speed of integration was fast, senior leadership were very

visible throughout communicating the business case and the whole process was extremely people focussed.

3. The third M&A in the study involved an acquisition by the same company as above but this time the acquired firm's activity would be considered as being unrelated to the acquiring firms business. It is difficult to classify this acquisition as success or failure, the business in Ireland was closed due to the loss of the biggest customer and the business was transferred to Poland to establish a European wide service. The company did acquire the expertise it was looking to acquire with the acquisition although it incurred significant costs closing the operation in Ireland and it is not clear whether the entity has delivered financial results in excess of costs. Certainly it could be argued that effective due diligence could have foreseen the danger that losing a single customer would present, it could also be argued that losing this particular customer could have been predicted given that the customer in question was a direct competitor of the acquiring firm which was also the reason for its defection.
4. Prior to the three previous acquisitions the same acquiring company acquired a related company in a hostile and widely contested takeover. The reason for the takeover was to acquire expertise and protect market share. Some of the products designed by the acquired firm were rendering some of the acquirer's customer offerings obsolete. Here again it is difficult to classify success or failure. Success might be that the acquisition was completed and therefore the acquiring firm protected itself against dangerous competition but failure might be that integration took over ten years and whether excess value was delivered is unclear. There is certainly evidence that a group of employees still identify themselves as belonging to the pre-acquisition organisation although the takeover happened fifteen years ago. The research participant actually came from the firm acquired in this takeover so was able to describe events from the acquired perspective. The indication was that it was the acquiring company which decided to allow the acquired organisation to continue to function in a completely autonomous fashion. The research participant described it as follows "when the takeover happened we all were

waiting for something to happen but nothing changed, we just continued to operate as we always had and this continued on for about ten years. Then one day we were told to relocate to the offices of the acquiring firm and everything changed. It was much more difficult to come to terms with the change then so many years later, it was such a shock to us and it was very difficult in the beginning... I would say it's important to front-load the pain don't wait because it's even more difficult to terms with later, people then don't understand why they can't just continue as before, there is no explanation and it's much more difficult to get them to accept the changes".

5. In this case both firms were privately owned and within the same industry sector so the M&A was related. Despite the fact that the acquisition was related it was managed under a portfolio type arrangement following acquisition. There was very little strategic rationale behind the M&A other than the fact that the business was related meant that the acquiring firm understood how it worked. The reason for the purchase was that the acquired business had not been doing well and the acquirer felt that he had the expertise to turn the business around and make a profit, the excess returns would then be significant due to a lower purchase price. The venture was a success due to purchasing synergies, reducing costs and increasing sales. Although the entire management team were removed following an IT system implementation that went wrong and a hole in the accounts of €1 mil which developed post acquisition.
6. The same company as above acquired another privately owned firm this time in an unrelated business sector. This again was a rescue with a view to turning a profit on business turnaround and was also managed under a portfolio type arrangement as above. The company went from losing €1.5 mil p.a. to making €1 mil p.a. in 18 months. Here again difficulties were encountered with the company losing £450,000 in one foul swoop due to a process error. Efforts for cultural integration were based on informal socialisation efforts in the form of regular cross site visits and closed leadership meetings, no business case communications were conducted.

7. Again, the same company as above acquired to manage under a portfolio type arrangement. This time the activity was unrelated and the company was already profitable, so the conditions were somewhat different. The company was divested within a short space of time due to cultural incompatibility and the M&A was considered a failure. Although there was a bridge between due diligence and implementation as the person in charge of implementation was also involved in the purchase, there was no attempt to consider cultural issues at any time during due diligence.
8. The same privately owned company as above was again involved in a further failed acquisition. This time the business activity was related although cultural disparity between the firms was high. The reason for failure was attributed to ineffective due diligence. The biggest customer had a three year contract which was not renewed, the research participant did not attribute this customer defection to anything other than pure chance. The failure at due diligence was the lack of proper risk assessment. I would however, venture to suggest that the customer loss happened for a reason although I was not able to obtain greater clarity on this matter. The acquiring firm was left with the costs of making staff redundant, getting out of a 15 year premises lease and effectively closing down the entity.
9. An Irish publicly quoted manufacturing firm acquired another publicly quoted manufacturing firm, both firms were involved in exactly the same type of manufacturing. The reason for the acquisition was to increase geographical scope, market share and to deliver value through synergies and economies of scale. Cultural disparity was low and level of integration required was high. Speed of integration was fast. Huge efforts were made to ensure smooth socio-cultural integration in the form of highly detailed communication plans, senior leadership visibility, dedicated integration team, communication of the business rationale and collaborative approach to integration. The M&A was a huge success delivering excessive return on investment.
10. Private manager-owned company was grown from start-up to headcount of 120 and sold to a publicly quoted US multinational. The rationale for the acquirer was to acquire local knowledge and relationships and for the

acquired was for the business to benefit from the global reach which only an M&A would produce. The manager-owner was highly emotionally committed to his staff and business, he therefore ensured that both of these would be safe before he agreed to the sale. In his own words "I felt responsible for all those jobs". He also remained with the company for 2 years to ensure a smooth transition. He was fully bought into the acquisition and assured his staff on their job security very quickly. There was little or no communication about the business rationale although the process was people focussed from the perspective of the owner-managers involvement to ensure that all went smoothly for his staff. There was little cultural understanding between the two firms however who had high cultural disparity in relation to one another. The acquisition can be considered a success as value was delivered even if targets set were not reached.

11. The final M&A relates to my own experience. The acquiring organisation and acquired came from the same industry sector, their business activities were close to identical. There was no bridge between due diligence and implementation which resulted in the implementation team being put under huge stress as they had had no prior training, they had no prior experience and no time to prepare. Perhaps for this reason communications with staff were kept to a minimal focussing on what was felt to directly impact them in terms of headcount reductions, severance terms and information regarding office relocation. Staff complained about a lack of communication and integration projects such as outsourcing of logistics ran into huge difficulty, tensions with customers reached an all time high despite relationships having been excellent prior to acquisition. Level of cultural disparity was low and integration was high and fast. The Irish operations business was pulled out and integrated into UK operations two years after integration after sales results had reached an all time low.

5. Findings

Hypothesis 1: no bridge between due diligence and implementation of the M&A will lead to high levels of confusion and stress.

4 out of 11 had no bridge between due diligence and implementation. 1 definitely experienced high levels of stress and confusion, it is not clear whether the other three experienced this phenomenon but it is possible to consider that these other three were not considered successful M&A's.

Hypothesis 2: a bridge between due diligence and implementation will lead to lower levels of confusion and stress.

7 out of 11 provided for a bridge between due diligence and implementation. Of the 7 none experienced high levels of confusion and stress during integration.

Hypothesis 3: Considering cultural issues during due diligence impacts implementation positively.

Only 2 out of 11 considered cultural issues during due diligence. Only in one of the two did this have a positive effect on implementation so I would say the evidence is inconclusive. Further examples of where cultural issues were considered during due diligence would be required to analyze the impact of doing this. However, in the case that was positively impacted the M&A was a success.

Hypothesis 4: Those who work on M&A's do not think that cultural issues are of primary importance at due diligence stage.

Only 2 out of the 11 M&A's considered cultural issues at due diligence stage. None carried out a cultural assessment either at this or any other stage. So I would say that this hypothesis is supported by my research.

Hypothesis 5: Cultural issues are rarely investigated or considered during due diligence.

Based on the above this hypothesis is confirmed.

Hypothesis 6: Unrelated M&A's fail more frequently than related ones.

In my sample 40% of the unrelated M&A's succeeded and 67% of the related ones succeeded. Although, these results are not conclusive due to the small sample size. The need to classify M&A's as successes or failure with limited information and even though there are significant doubts about whether a number of them are in actual fact successes or failures also reduces the conclusiveness of results.

Hypothesis 7: Lack of two way communication processes will cause employees to react negatively.

I do not have evidence of whether two way communication genuinely existed in at least half of the cases. In most of the other cases I can confirm that it did not exist but have no evidence in these cases, except for one, that it in particular caused negative reaction in employees. This hypothesis cannot be confirmed.

Hypothesis 8: if the level of cultural integration is high and the disparity between the two cultures is high the level of cultural change required is high

In most cases where high socio-cultural integration was required due to a high level of business integration cultural disparity was low. In one case only was it evident that cultural disparity was high and socio-cultural integration required was high. Although it stands to reason that if cultural disparity is high but high levels of cultural integration is nonetheless required that cultural change required would be high. This hypothesis cannot be confirmed by my research.

Hypothesis 9: If the level of cultural change required is high formalised cultural integration strategies should be planned in detail.

My research suggests that this might be the case although the evidence is not strong enough unequivocally support it. In all of the cases some cultural adaptation was required, in only one case were formalised cultural integration strategies evident and in that case cultural integration arguably failed. In most cases the natural ability of human beings to adapt to new situations was relied upon, in three cases there was evidence of cultural clash.

Hypothesis 10: If the level of cultural change required is high the risk of cultural clash is high.

My research suggests that this might be the case, in all three cases where cultural clash was present the level of cultural change that was required was high, although the sample size is too small for this to be conclusive.

Hypothesis 11: If the level of cultural change required is low the risk of cultural clash is low.

Due to the lack of evidence to support the two previous hypothesi this hypothesis can neither be confirmed nor refuted.

Hypothesis 12: Cultural clash will cause failure of an M&A to deliver expected levels of financial returns.

There were arguably three cases where cultural clash was present in some form and failure to deliver expected financial returns was evident in each case, although the fact that this was caused by cultural clash is much less evident and there are other factors present which explain failure more readily.

Hypothesis 13: If cultural integration of significantly different types of cultures is required it impacts the M&A negatively.

There is evidence to suggest that this is the case as three cases where disparate cultures would have required high cultural integration resulted in cultural clash, although the cultural differences appear only to be significant in relation to the nature of the business rather than for example differences in levels of bureaucracy or other differences due to size differentials.

Hypothesis 14: High cultural integration of similar cultures does not negatively impact the M&A.

There is evidence to suggest that similar cultures meld together easily, this was the case in all cases where cultural similarity was present even if other factors were creating a stressful environment.

Hypothesis 15: A low level of cultural integration of dissimilar cultures does not impact the M&A negatively.

It appears that with any M&A involving cultures which present high disparity there is a risk of that disparity resulting in problems which cause the M&A to fail, however, it also appears that with high disparity any kind of integration higher than low again increases the negative risk. So my research suggests to refute the hypothesis that low integration where cultures are dissimilar ensures no negative impact.

Hypothesis 16: Fast integrations happened where cultural disparity was low and Fast integrations created value.

In most cases companies pushed for fast integration which did not guarantee value creation.

Hypothesis 17: Those who work on M&A's think that cultural issues are important at implementation stage but underestimate the impact of difficulties that may arise

I believe that my research participants demonstrate this to be the case. Out of the 11 cases investigated in 9 of them research participants demonstrated that although attempts at facilitating cultural integration were made they did not measure the impact that difficulties in the area of cultural integration would present. Although appeared to acknowledge it unconvincingly with increased experience in M&A implementation which had provided them with first hand experience of what can go wrong. Participant 1 saw employee defection of knowledge workers but did not acknowledge that this really constituted the failure of the M&A targets to any degree, although she acknowledged that culture was important she seemed to believe that there was little which could be done about it, either people wanted to be part of the new organisation or they didn't and once the acquiring firm achieves the target of entering the business sector in which it wants to enter through the M&A it can build from there so really the cultural issues while they cause problems will not prevent the acquirer from achieving its targets. Participant 2 only realises the importance of cultural issues following significant difficulties faced in the area although he too seems to be of the view that in most cases people will adapt and the best approach is a fast and forceful one which does not in any way allow for cultural tolerance, he also believes that in the few cases where significant difficulties arise it is difficult to see how these can be avoided. Participant 3 states categorically that cultural issues will not cause an M&A to fail but then states that if there are significant cultural issues value will not be achieved and the acquisition will "just limp along", he says that there are always ways around lack to cooperation due to cultural issues but then again contradicts this apparently unknowingly when he gives the example of the option to replace the management team of the acquired company but then states that if one does this it will take a long time to get value as a new management team will not understand the business sufficiently well to integrate appropriately and deliver value, he then goes on to say that once you don't get the value out at the start it is unlikely that you ever will. Participant 4 however who only has one experience says that it is of huge importance, although he never faced any cultural issues apart from his own frustration due to working in the new organisation which did not tolerate his entrepreneurial style.

Hypothesis 18: Those who work on M&A's do not formally plan cultural integration in great detail.

I have found this to be the case in three participants and one spent more time on formally planning cultural integration, the HR professional. My research seems to bear out the fact that those who work on M&A's are absorbed by other activities and do not spend time on planning cultural integration in any great detail.

Hypothesis 19: if the level of cultural integration required is low, autonomy should be high and efforts should be focussed on the practicalities of helping employees within the new organisation rather than on formal cultural integration programmes.

If cultural integration required is low there is not enough of a sample size to be able to conclude that levels of autonomy should be high to ensure M&A success although all participants reported favourable reaction to the need for practical assistance being provided about how to operate within the new organisation, such as how to order materials or the process for having expenses approved or where to find people's contact details etc.

Hypothesis 20: If the level of cultural integration required is high the communication plans must incorporate detailed communication of the business case so that employees understand what is expected of them.

This was found to be the case in all cases where high cultural integration was required although again due to the small sample size it is difficult to be conclusive that other factors were not at play.

Hypothesis 21: If the level of integration is low communication plans should be more informal and personable designed to facilitate the acquired entity with the practicalities of functioning within the acquiring firm while continuing to function as autonomously as possible.

I found this to be the case in my research although low integration was typical of one particular organisation which acquired firms and consistently operated them in a portfolio type arrangement, this company was a privately owned firm which purchased other privately owned firms so arguably the culture is more likely to be informal and personable in that type of environment regardless of level of integration. So this significantly skewed the results.

Hypothesis 22: Communicating the business case leads to increased satisfaction and reduced anxiety in M&A's involving full to partial integration.

I found this to be the case in all six of the full to partial integrations so my research confirms this theory in so far as the results can be considered conclusive.

Hypothesis 23: Communicating the business case does not lead to increased satisfaction and reduced anxiety in M&A's involving a portfolio type arrangement.

I also found this to be the case in the four portfolio type integrations, although in each of these cases the firms involved were privately owned firms which perhaps indicates a culture where employees are not informed about general business affairs and information regarding the company is not in the public domain.

Hypothesis 24: Not communicating the business case does not lead to dissatisfaction and anxiety in M&A's involving a portfolio type of management.

I found this to be the case in the four portfolio arrangements in the study, it is not clear from the study that this is necessarily due to the type of integration but may be more to do with the fact that they are privately owned indicating a more "wild and wooley" style of management as the research participant put it, which has accustomed employees to being dealt with on a very informal individualised level but with few corporate style events to inform employees about what is happening in the business.

Hypothesis 25: M&A integrations which do not have full-time dedicated resources to implement experience significantly more difficulties than those which do.

There are definitely indications in my study which confirm this in all cases except for those which result in a portfolio style of management which arguably do not need dedicated integration resources due to the low level of integration which allows the business to pretty much continue to function as pre-acquisition at an operational level.

Hypothesis 26: The more interference in the acquired firms business by the acquirer if there is a wide disparity between the acquired and acquirer's business the higher the risk of failure

There are too few examples in the case studies where this occurred to confirm or disprove this hypothesis. Although there were many examples of wide disparity where the acquirer did not interfere in the day to day running.

Hypothesis 27: When degree of integration was low and autonomy retained was high less formalised communication efforts and high cultural differences did not adversely affect the M&A.

I found this to be the case in all four examples.

Hypothesis 28: If the level of integration is high focus should be on synergy delivery and cost cutting

This was the case in both cases where integration required was high and the business activities of both firms was practically identical.

6. Conclusions and Recommendations

1. Widespread difficulties regarding people integration can alone cause the M&A to fail.
   I found that three of the cases failed due to people integration issues.

2. Widespread difficulties regarding people integration impact the results of the M&A negatively
   I found that where difficulties regarding people integration existed negative M&A results also existed to some degree or another although I could not isolate with absolute certainty that these negative results were not due to other factors than difficulties regarding people integration.

3. Widespread problematic people integration was found in situations where:
   There was no link between due diligence and integration.
   Cultural disparity between the two firms was high.
   Cultural integration issues were not formalised and planned.

There was a lack of communication about the business case if integrations required were high.
Cultural disparity was high and the acquisition involved knowledge workers.

4. Widespread positive people integration was found in situations where:
   Communications were well planned.
   There was respect for the acquired firms culture.
   Integration was achieved through high collaboration between the two firms.
   There was low disparity between the two firms cultures.
   There was demonstrated buy in from the acquired firms leadership.

I believe that my research confirms the importance of cultural considerations during mergers and acquisitions and that in some cases cultural difficulties can cause M&A failure. I believe it also confirms the difficult nature of cultural change.

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Appendix 1

Overview of condensed results

See excel worksheet attached to hard copy

Appendix 2 : list of pre-planned questions

1. Reasons for M&A, i.e. acquire product range etc.

2. Was the M&A related, vertical or unrelated?

3. Was the level of close (socio-cultural/ task) integration required high or low?

4. Financial/ synergy/ other targets: what were they? Were they achieved?

5. What were the main reasons for results?

6. Any cultural assessment during due diligence?

7. Any cultural assessment at later stage? When? How?

8. What efforts made for people integration, e.g. informal socialisation efforts, social events, training, cross site visits, leadership meetings, planned model for social integration etc.? (the answer can be no contrived efforts)

9. Speed of integration?

10. Day one plans?

11. First 100 days plans?

12. Focus more on process based activity or people based activity? Examples.

13. Cohesiveness key influencers around future direction? Details.

14. What could you tell me about strategies and role of:
    Autonomy removal
    Acquirer cultural tolerance
    Leadership effectiveness

15. How did people integration go? Give as much detail as possible.

16. Did the success or failure of people integration impact targets? How?

M&A	Date of Acquisition	Size/ value of M&A	Activity of acquired company	Activity of acquiring company
A	2002	$3.5bn	Business consultancy	IT services sector
B	2007	Privately owned company purchased by large multinational	Software monitoring network infrastructure performance: specific wireless telecommunications	IT services sector
C	2005	Not disclosed	Payment processing	IT services sector
D	1994/ 95	$3.5 bn	Software development for social and business networking	IT services sector

E	2003	No info, privately owned	Print management	Print management
F	2003	No info, privately owned	Mailing services	Print management
G	2001	No info, privately owned	Pen manufacturer	Print management
H	2002	No info, privately owned	Bank printing group	Print management
I	2007	€660 mil	glass bottling manufacturer	glass bottling manufacturer

K	2008	acquired company 120 employees, no info on purchase price, privately owned company sold by owner	IT services	IT sector manufacturing hardware, software
L	2007	€1.8bn	FMCG	FMCG

Reasons for M&A	Related/ Vertical /Unrelated	High/ Low level socio-cultural integration	High/ Low level task integration	Targets
Get into consulting activity, no prior experience in this area acquisition was to acquire highly skilled people	Unrelated (concentric)	Mid-level	Mid-level	Gain skills
get into wireless telecoms market, extending existing capability to provide end-to-end services	Related	High socio-cultural integration	Low task integration	Acquire skills and software to enter new market area
Acquire expertise and systems	Unrelated	Low socio-cultural integration	Low task integration	Acquire skills and software to enter new market area
Acquire expertise and systems	Related	Low socio-cultural integration	Low task integration	Acquire skills and software to enter new market area

To restructure business in order to create value	Related	High socio-cultural integration	Low task integration	Business turnaround from loss making to profit, delivering value through strategy implementation
To increase revenue through purchase of unsuccessful business turnaround	Unrelated	High socio-cultural integration	Low task integration	Business turnaround to significantly increased profitability
20 mil turnover, to broaden product range and enhance group profits through improved cost structuring	Unrelated	High socio-cultural integration	Low task integration	Financial
Contract from bank for 3 years	Related	Low socio-cultural integration	Low task integration	Financial due to process improvement and increased performance through purchasing synergies and cost savings
to increase geographical reach, increase market share and deliver value through synergies	Related	High socio-cultural integration	High task integration	€234 million EBITDA 2009

for local knowledge in Ireland, access to customers and contacts	Unrelated	High socio-cultural integration	Mid-level	financial and successful integration of business
increase market share, synergies, economies of scale through eliminating duplication of channels to market	Related	High socio-cultural integration	High task integration	annual sales of €3.8 bn and efficiency savings of 4% p.a.

Achieved	Main reasons for results	People issues considered during due diligence
50% (50% of consultants left the organisation within 7 years), 17% revenue increase	Consultants were against acquisition from start - revenue increase was measured as part of the total for business division	None
Yes, contributed to 18% revenue growth in business division and recruitment drive to double headcount in specific acquired services area	similar culture, easy to integrate, same mindset	HR involvement pre-signing
significant divergence from original plan due to loss of biggest customer	Loss of customer base significant	None
Yes/ no (see lynch and lind 2002)	Allowing what was already a successful organisation to continue operating autonomously	Keen not to destroy value and therefore agreement to allow group to continue to operate autonomously

Yes, reached 40 mil turnover p.a.	Cost reductions through synergy and centralised purchasing strategy, HQ adding value and delivering increased sales through putting pressure on leadership	None
Yes, moved from losing 1.5 mil p.a. Within 18 months making 1 mil p.a.	Cost reductions through synergy and centralised purchasing strategy, HQ adding value and delivering increased sales through putting pressure on leadership	None
No, business sold off very quickly	Culture was too different and it was felt that it would not fit with the rest of the group	None
No, contract lost with bank, had to close down operation and make all employees redundant	Incomplete assessment of due diligence and the risks	None
Yes	Very closely related business easily understood by acquiring firm and therefore few or no task integration difficulties, due to highly visible leadership team, dedicated integration team and planned communications no cultural integration issues	Very sophisticated and well planned communicatons strategy

Financial not achieved, no integration problems so far, although owner manager left March 2010 having managed acquired entity from purchase until then	Reason given for non achievement of financial targets was recession, that they should have been re-evaluated in the changed economic climate	None
Sales: no, savings: yes	Recession caused reduction in sales, savings were achieved mainly through implementation of a group wide ERP system	Yes, plans developed for cultural integration

Efforts made for people integration	Autonomy removal	Acquirer cultural tolerance
Allowing people to hold on to previous benefits, assigned "buddies" from acquiring company to teams or on one-to-one basis for very senior people, social events, induction and training for people to provide insight about acquirer company and how it works, managers signed up to in-house leadership development programs as quickly as possible	No	Yes
Communication, cross site visits, significant organisation around people integration, significant efforts made by acquiring leadership to ensure acquired leadership on board to bring others along	Yes but negotiation and discussions to ensure acquired leadership buy-in to plans	Yes
None	Yes	None
Total autonomy	No	Initially left alone but eventually had to change to adapt to the acquirers culture

Regular office visits, leadership meetings, rules/ guidelines/ heavy focus on structured reporting to ensure common mindset, drove strong work ethic through example of head office being service oriented	Autonomy to run business left intact although authorisation for spending became necessary, centralised financial reporting and purchasing was also required. Business development and sales strategy remained totally under the control of acquired leadership, they were only accountable for the results.	No
Regular office visits, leadership meetings, rules/ guidelines/ heavy focus on structured reporting to ensure common mindset, drove strong work ethic through example of head office being service oriented	Autonomy to run business left intact although authorisation for spending became necessary, centralised financial reporting and purchasing was also required. Business development and sales strategy remained totally under the control of acquired leadership, they were only accountable for the results.	No
Regular office visits, leadership meetings, rules/ guidelines/ heavy focus on structured reporting to ensure common mindset, drove strong work ethic through example of head office being service oriented	Autonomy to run business left intact although authorisation for spending became necessary, centralised financial reporting and purchasing was also required. Business development and sales strategy remained totally under the control of acquired leadership, they were only accountable for the results.	No
Informal communication efforts mainly with leadership only	Yes	No
Getting teams working together fast, visible leadership team, efforts to communicate business plan and high cultural tolerance involved with parts the parts of the business which were cross national, significant prior M&A experience and efforts to merge businesses on basis of equality	No, respectful and highly collaborative meshing together of businesses with a best of both approach	Yes

Communication addressing concerns about individual job security, informal socialisation efforts, no detailed communication about business case, leadership from acquired and acquiring company collaborating	Some	No
Communications, leadership presence, announcing redundancies quickly, informal socialisation efforts, surveys to measure employee committment and reactions	yes	No

Leadership	People integration success/ failure	Culture	Speed of integration
Leaders of group (partners) from acquired company came accross, working to getting these on board was key to getting the rest of the team on board	50 out of 100 left over a seven year period	Different	Medium to fast
Alot of communication from top leadership to acquired company employees about future direction and ensuring positive messaging	success	Similarity in terms of technical orientation, different in terms of formal work processes	Fast
Distant	N/ A	No cultural integration took place, not sure of level of cultural disparity	Fast
Distant	Was pushed approx 10 years after acquisition, was difficult due to getting employees to understand the need for it at the later stage but ultimately succeeded	Different, less formal processes and communication style, creative	Very Slow

Acquired company remained autonomous and in competition with the other divisions in the group, leadership's role was to be a value adding service as well as keeping control of and improving cost efficiency and driving sales	success	subsidiaries of other groups used to central reporting	Fast
Acquired company remained autonomous and in competition with the other divisions in the group, leadership's role was to be a value adding service as well as keeping control of and improving cost efficiency and driving sales	success	Owner managed, creative and unstructured, not used to reporting centrally	Fast
Acquired company remained autonomous and in competition with the other divisions in the group, leadership's role was to be a value adding service as well as keeping control of and improving cost efficiency and driving sales	Failure	Divided management team, one half belonging to a religious group, very different culture from the existing group	Fast
Interfering in acquired company business	Failure	High cultural disparity	Fast
Highly visible and dedicated integration leadership team	success	similar	Fast

Little visible senior leadership presence	No major culture clash although frustrations felt on side of acquired firm due to confusion about dealing with new bureaucratic non entrepreneurial culture	High cultural disparity	Medium
highly visible leadership and visible cooperation between acquired and acquiring leadership	success	low cultural disparity	Fast

Day one plans	First 100 days plans	Focus process-based vs people-based	cohesiveness key influencers around future direction
Socialisation - provision of equipment to all new employees required for work	Facilitation of acquired employees with regard to previous work practices and reporting lines for smooth people integration	Unclear	No
Very people focussed, everyone had equipement necessary for work on day one, welcome meetings, parties	Senior acquirer leaders visiting acquired teams/ sites, alot of efforts towards people integration, Q&A sessions for acquired employees to provide them with information, cultural workshops	Alot of focus on people integration	Key influencers from acquired organisation and acquiring cohesive around future direction
Few plans, process focussed	Few plans, process focussed	Process based	Don't know
Communications with CEO of acquired business	Communications with CEO of acquired business	Complete autonomy	No hostile takeover

Meet with leadership teams to discuss future direction	Put in place financial reporting (MOR), full annual accounts every month in a way consistent across the group. Centralise purchasing. Visit the acquired teams every week. Involve the leadership of acquired firm in group leadership meetings very quickly every week.	Focus process based with close people contact	Leaders signed up to new reporting requirements and business ethos or were cleaned out
Meet with leadership teams to discuss future direction	Put in place financial reporting (Monthly Operating Report), full annual accounts every month in a way consistent across the group. Centralise purchasing. Visit the acquired teams every week. Involve the leadership of acquired firm in group leadership meetings very quickly every week.	Focus process based with close people contact	Leaders grudgingly signed up to new reporting requirements and corporate structure, relationships improved over time
Meet with leadership teams to discuss future direction	Put in place financial reporting (Monthly Operating Report), full annual accounts every month in a way consistent across the group. Centralise purchasing. Visit the acquired teams every week. Involve the leadership of acquired firm in group leadership meetings very quickly every week.	Focus process based with close people contact	Lack of cohesiveness around future direction
Meet with leadership teams to discuss future direction	Put in place financial reporting (Monthly Operating Report), full annual accounts every month in a way consistent across the group. Centralise purchasing. Visit the acquired teams every week. Involve the leadership of acquired firm in group leadership meetings very quickly every week.	Focus process based with close people contact	Some, not sure about agreement to cost saving measures
Communications to reach as many staff face to face as possible	Working with acquired company leadership to mesh businesses together, get functional teams from both companies working together quickly, continue communications ensuring two way communications, monitor performance, announce redundancies, synergy implementation, cost savings	People focussed	Yes

Socialisation - communication with seller of company on future - assurances from acquiring firm on job security	Acquired leadership (seller owner-manager) working with leadership of acquirer to achieve financial targets - relocate staff - slow integration of staff - socialisation efforts	People focussed	Yes
communication meetings, cascade meetings	new teams selected and in place, continued communications, negotiations and agreement with unions on severence pay, announcements of redundancy decisions	People focussed	Yes

Important notes

acquired employees not happy about takeover, huge resources and experience of acquirer in M&A

huge resources and experience of acquirer in M&A, alot of organisation went into people integration and communications, people integration faster and better than previous M&A's

New strategy was adopted following loss of biggest customer. Services centre was relocated from Ireland to Poland to service european wide customers. No significant long term financial losses due to new strategy adopted

IT implementation went terribly wrong and got into a significant mess, hole in accounts of 1 mil developed due to lack of auditing and level of business autonomy, entire leadership cleaned out as a result

Due to a systems failure £450,000 cost as a result of spelling mistake in one customer order, level of autonomy given meant that controls were not in place which might have avoided this

No cultural issues considered during due diligence

Contract was lost and group was left with 15 year lease and staff, efforts were made to integrate staff with another group but it didn't work, so left with cost of laying off staff and getting out of lease contract

Did not have access to huge detail on financial targets set and achieved although participant assured that financial returns delivered significant excess to the tune of 2.5 times the value of the combined org