Dublin Business School
&
Liverpool John Moores University

Post-Merger Integration
Achieving Success in M&A

MBA in Finance

Dissertation submitted in part fulfilment of the requirements for the degree of Masters of Business Administration (M.B.A) at the Dublin Business School and Liverpool John Moores University.

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Declaration

This is to certify that I, Sebastian Schmidt, student of Dublin Business School in partnership with the Liverpool John Moores University, studying a Masters of Business Administration, have submitted this dissertation on the topic “Post-Merger Integration - Achieving Success in M&A” in part fulfilment of the requirements for the degree of Masters of Business Administration (MBA) at the Dublin Business School.

Furthermore, I hereby certify that this dissertation is entirely based on my own work, unless referenced in the text as a specific source and the words have been placed in inverted commas (“”), and has not been submitted in part or in whole to any other College/University for assessment or for award of any other degree.

Sebastian Schmidt
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Many people have contributed to my success during my time in Ireland and therefore, deserve a very special thanks and acknowledgments.

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Abstract

The main purpose of this study is to better understand how the post merger integration contributes to a successful merger or acquisition transaction. This study attempts to find out why the numbers of failures in M&A are so high.

This study used data from two sources, primary and secondary data. The primary data was collected by in depth interviews. In fact, two interviews were done to achieve valuable information. Secondary data was collected from different sources such as libraries, journal articles, books, catalogues, textbooks and Internet.

The first part of this study starts with fundamentals of M&A, synergies and the post merger integration to better understand the research problem.

The second part is about the primary data, which was collected through interviews. The analysed data can help managers who are doing an M&A transaction or M&A advisors as well. The study found out that most of the M&A transaction fail because managers not esteem how important the post merger integration is. Transactions with a good post merger integration were much more successful and thus it can be said that the integration is the key point where companies will achieve their synergies.

However, this study found some important key factors, which can bring the desired success and therefore the synergies.
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Chapter 1 - Introduction

1. The merger and acquisition market

The 21st century was driven by fast technologies and globalization. The results of this fast growth and change of companies are fast growing competitive pressure, more complex value chains and hybrid company structures. This phenomenon is not new but the speed increases steadily. Thus, companies are facing new challenges. By the accelerated structural change, in particular through globalization associated with the international competition, organizations are forced, much more frequently and at increasingly shorter intervals to respond to changes in order to remain competitive viable. In such a competitive environment, growth represents a key requirement for the corporate success. At the same time, to compete on the world market, internal growth for many companies in terms of the development and activation of its own potential is not enough anymore. Therefore it is not surprising that forms of external growth, in particular mergers and acquisitions grow ever stronger (Grave, Vardiabasis and Yavas, 2012, p. 56-57). Hence, it is not surprising that Borghese and Borgese (2002, p. xiii) state “Every day it seems there is a new merger and acquisition deal splashed across the headlines”. Another growth driver, especially in Europe, after Moschieri and Campa (2009, p. 71) is “the process of economic integration in Europe, together with the European Commission’s efforts to foster standardization and increase transparency in the development of a single market for M&As”. Hence, Europe overtook the U.S. in the activity of M&A for the first time in 2007 (Moschieri and Campa, 2009, p. 71). However, the financial crisis in 2008 and the European crisis of course affect the number as well as the total amount of M&A deals. But Grave, Vardiabasis and Yavas (2012, p. 56) state that “The global financial crisis is changing the landscape for mergers and acquisitions (M&A) and identifying new M&A targets that indicate a shift with significant impact to our global business practices. Even more now than ever before, companies are implementing strategies that include gaining access to new geographies. They are responding to the crisis by focusing on growth outside their home country regions, expanding their geographic diversification and investment in secondary markets”. Therefore it is not surprising that the volume of M&A deals in 2010 is close to the year 2005 (Tschöke and Klemen, 2011, p. 286). Especially cross-border transactions grow rapidly. “For at least the past decade - and thus well before the onset of credit market turmoil
last summer - the growing integration of the global markets or labor, capital, goods, and services has been a powerful driver of cross-border M&A, leading developed market companies to search for growth in emerging markets” (Zenner, Matthews, Marks and Mago, 2008, p. 84). This trend even grows due to the financial crisis. Hence, companies doing cross-border M&A deals because of the following reasons, “…reduced domestic competition, a falling U.S. dollar, high relative valuations of foreign companies, and the rise of sovereign wealth funds” (Zenner, Matthews, Marks and Mago, 2008, p. 84).

It is therefore not surprising that, for example, the German Telekom acquired the mobile provider SunCom Wireless in 2008. They paid at that time the princely sum of around EUR 1.15 billion. Additionally, the telecom took over about $ 800 million debt. The background was the weakening U.S. business. The German Telekom expected in connection with the transaction synergies in the range of approximately one billion dollars. However, the Telekom reported no success in the U.S. It went so far that the weakening U.S. mobile subsidiary T-Mobile USA should be sold to the telecom giant AT&T. However, the U.S. authorities prevented this. So now plan B is T-Mobile USA to be merged with the mobile rival MetroPCS. The aim is to get the weakening business back on the path to success. The company based in Texas, with about 9 million customers the fifth-largest mobile provider in the U.S., T-Mobile USA with 33 million users, the number four. Again very large potential synergies are predicted. Analyst Alexandre Latrides of Oddo & Cie expects positive effects of up to 1.7 billion dollars per year.

2. Background of the Issue

Considering volume and frequency of mergers and acquisitions since the early 20th Century, it is clearly a cyclical trend. This development of the M&A industry over the past 100 years is explained in the literature as “Merger Waves” (Faulkner, Teerikangas and Jospeh, 2012). Faulkner, Teerikangas and Jospeh (2012, p. 20) define merger waves as “…periods of intense merger and acquisition activity. The beginning of the wave is characterized by a dramatic increase in the number of executed acquisitions relative to the prior period. This intense period of activity reaches a plateau, which often continues for several years. Finally, there is a significant drop in the overall activity as acquisition activity tends to return back to pre-waves levels.” See therefore table 1 based on Faulkner, Teerikangas and Jospeh (2012, p. 23).
Table 1: Merger waves based on Faulkner, Teerikangas and Jospeh (2012, p. 23).

<table>
<thead>
<tr>
<th>Time period</th>
<th>First Merger Wave</th>
<th>Second Merger Wave</th>
<th>Third Merger Wave</th>
<th>Fourth Merger Wave</th>
<th>Fifth Merger Wave</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value ($ Billion)</td>
<td>6.9</td>
<td>7.3</td>
<td>46</td>
<td>618</td>
<td>4500</td>
</tr>
<tr>
<td>Number of deals</td>
<td>3012</td>
<td>4828</td>
<td>NA</td>
<td>9617</td>
<td>31152</td>
</tr>
<tr>
<td>Rationale</td>
<td>Creation of monoplies</td>
<td>Creation of oligopolies</td>
<td>Managerial self-interest; growth through diversification</td>
<td>Elimination of conglomerate structures and inefficiencies</td>
<td>International expansion</td>
</tr>
<tr>
<td>Drivers of Wave</td>
<td>Changes in technology; economic expansion;</td>
<td>Increase in antitrust laws; economic recovery after World War I</td>
<td>Increase in antitrust regulation; underdevelopment external capital markets</td>
<td>Relaxation of antitrust regulation; favorable economic conditions</td>
<td>Globalization; deregulation; privatization</td>
</tr>
<tr>
<td>Acquisitions types</td>
<td>Friendly acquisitions</td>
<td>Friendly and diversifying acquisitions</td>
<td>Related acquisitions; LBOs</td>
<td>Related acquisitions</td>
<td></td>
</tr>
<tr>
<td>Financing</td>
<td>Cash</td>
<td>Stock</td>
<td>Stock</td>
<td>Cash</td>
<td>Stock</td>
</tr>
</tbody>
</table>

Interestingly, Duchin and Schmidt (2013, p. 69) found out that “…the average long-term performance of acquisitions initiated during merger waves is significantly worse. We also find that corporate governance of in-wave acquirers is weaker, suggesting that agency problems may be present in merger wave acquisitions.” Soegiharto (2011) state also “that the higher the premiums paid, the lower the post-merger operating performance will be. Stated differently, by paying high premiums, the bidder CEOs destroy the value of the mergers.” However, Harford (2005) found out that there is no evidence that mergers are worse during merger waves.

“Coming together is a beginning; keeping together is progress; working together is success.” (Henry I. Ford).
Habeck, Kröger and Träm (2000, p. 3) state, “Value creation is the credo. When companies merge the good news gets all the attention: greater efficiency and effectiveness, growth potential, increase in profitability. These great expectations become self-fulfilling prophecies, as the stock market analysts jump on the bandwagon. Companies can’t seem to get enough of this rush for shareholder value.”

This refers, however, just to a small amount of all M&A deals. In studies about how effective M&A deals were, Bain (2004) and Deutsch and West (2010) found out that almost 60 – 70% of the deals could not create the expected value. See therefore also selected studies of the success in mergers and acquisitions in figure 1.

<table>
<thead>
<tr>
<th>Study, Year, Country, Scope</th>
<th>Successful</th>
<th>Vague</th>
<th>Failure</th>
</tr>
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<tbody>
<tr>
<td>Kitching (1967), USA, 69 Acquisitions (1960-65)</td>
<td>68%</td>
<td>4%</td>
<td>28%</td>
</tr>
<tr>
<td>Kitching (1974), EU, 90 Acquisitions (1965-70)</td>
<td>53%</td>
<td>17%</td>
<td>30%</td>
</tr>
<tr>
<td>Möller (1983), Germany 100 Acquisitions (1970-79)</td>
<td>36%</td>
<td>26%</td>
<td>38%</td>
</tr>
<tr>
<td>Porter (1988), USA, 3788 diversifications (1950-86)</td>
<td>47%</td>
<td>0%</td>
<td>53%</td>
</tr>
</tbody>
</table>

This means that more than half of all the deals could not achieve the desired integration goals. Moreover, Habeck, Kröger and Träm (2000, p. 3) state, “While value creation might be the credo, value destruction is often the fact.” This is especially interesting because the number of announced M&A deals has increased more than tenfold since 1985 to nearly 40,000 deals in the year 2012 (Institute of Mergers, Acquisitions and Alliances, 2012). The contradiction between the high failure rate and high number of realized transactions is referred in the scientific literature as a merger anomaly.

This leads to the interesting question why so many deals fail in creating shareholder value and what are the success factors for a successful M&A transaction. Furthermore, the question arises why the predefined synergies potentials could not be achieved. Sirower (1997, p. xi)
“Unfortunately, in practice the use of “sophisticated” valuations models, combined with a poor understanding of what, exactly, synergy is, has caused the justification of many predictably bad acquisitions and the destruction of billions of dollars of shareholder value in acquiring firms.” Habeck, Kröger and Träm (2000, p. 7) say, “Companies have to understand that growth does not occur naturally because you add up the sales of two companies that were separate before the merger.” The reasons for the high failure rates are after Barnikel (2007) a mistake in the pre-merger phase, such as a false valuation of the potential acquisition, an excessive price or the overestimation of synergies. Furthermore are after Barnikel (2007) the biggest mistakes in the integration phase. Precisely these problems and the consequent issue of the success factors are examined in detail below.

3. Research aim

Reasons for the high failure rates often start with an error in the pre merger phase. For example: a lack of evaluation of the potential acquisition, an excessive price or the overestimation of synergies. These risks are minimized by detailed due diligence analysis. Additionally, the top management, especially in the merger phase is faced with the task and challenge to ensure the success of the business combination with an adequate strategy and put together a good integration team. It is precisely the very complex issue of integration which is still too much neglected of the top management. When you merge two companies it is important to consider different aspects: Heterogeneous systems, procedures, ways of thinking and working processes meet and must be brought into harmony. The managers in charge of the integration team must therefore be able to meet these challenges. The requirements for the management that all relevant factors are considered in the integration strategy, is increasing with higher complexity of the structures and cultures of the companies involved in the merger.

In this context, the research will investigate why so many M&A deals destroy value rather than create value and how important in this context the post merger integration is. The post merger integration phase in the M&A process should be investigated, because the pre-defined objectives and synergies will be achieved during this stage. Furthermore, most of the companies fail during this stage (Ramm, 2009). The aim of this work is to demonstrate a
holistic approach of the risks which occur during the integration phase and opportunities for intervention and thus to contribute to the success of mergers and acquisitions. The idea is to create awareness and to provide strategic alternatives for the planning and execution of successful mergers and acquisitions.

4. Research objective

According to Brink, Van Der Walt and Van Rensburg (2006, p. 79) research objectives can be defined, as “an objective is a concrete, measurable end towards which effort or ambition is directed Research objectives are therefore defined as clear, concise, declarative statements that are written in the present tense. An objective usually focuses on one or two variables, and indicates whether the variables are to be identified, analysed or described”. Hence, the research objectives are a more clearly sense of purpose and direction (Saunders, Lewis and Thombill, 2009, p. 34). Furthermore, Saunders, Lewis and Thombill (2009, p. 34) state that “research objective are likely to lead to greater specificity than research or investigate questions”. Thus, research objectives of the research project can been seen as the summary of what the researcher want to achieve by the study. Then, research objectives specify what the researcher will do to achieve his goals.

Then, objectives can be described as below:

- To know the impact that the integration process has in general on the success of an M&A transaction and to explore specific factors in the post merger integration that influence the success of M&A

- To get a better understanding why so many companies use M&A as an grow strategy even with the knowledge of high failure rates

- To understand how different cultures effect the M&A transaction

- To formulate recommendation and to develop strategies in order to improve success of M&A transactions
5. Approach to the dissertation

At first, a great number of general information about mergers and acquisitions, post merger integration, synergies and culture was investigated by the researcher. Thus, the researcher achieved a better understanding of the whole M&A process. After the information were collected and the subject appointed, the researcher started to investigate secondary data using crucial sources such as business library, journal articles, eBooks, catalogues, and textbooks to understand the research issue in depth. By this, the researcher was able to investigate information that have been already proven and stated by leading professionals in the field. To get even more secondary data, internet was used by the researcher. Through this, the gap was determined and primary data was collected by using in-depth interview with managers who has been participated in an M&A transaction in past. After that, the qualitative data obtained from the in-depth interviews was collected and analysed. Based on the findings, appropriate conclusions and recommendations emerged.

6. Suitability of the researcher and interest in the subject

Mergers and acquisitions has been captured the researcher’s attention since the undergraduate study with the major in banking and finance at the Cologne University of Applied Sciences. This general interest was supported by some work placement in the banking sector. The MBA at the Dublin Business School with the major in Finance and especially the lectures of strategic management and international business and trade have generated the interest in mergers and acquisitions further. Magazines and studies about the high failure rate of M&A transactions captured the attention additionally. Last, the researcher wants to work in the field of mergers and acquisition and therefore he has keen interest. The MBA in finance at the Dublin Business School provides the researcher with new knowledge and capabilities. Hence, the researcher has an adequate background in order to properly undertake this study. As a consequence, this research seems to correspond with the researcher’s ambition.
7. Scope and limitations of the research

Sevilla et al. (2007, p. 18) define scope as “… the scope of the investigation defines where and when the study was conducted and who the subjects were. The scope sets the delimitations and establishes the boundaries of the study”. Whereas Sevilla et al. (2007, p. 18) define limitations as “… a phase or aspect of the investigation which may affect the result adversely but over which the researcher has no control”.

According to Sevilla et al. (2007) it is very important for the researcher to state honestly his or her limitation. Therefore, the researcher should state the limitations clearly and honestly which obtain acceptance to the study.

7.1 Scope

The study focuses on the M&A industry with a specialization on the post merger integration in Germany. However, the M&A transaction that are under investigation could also be cross border transactions. Furthermore, the in depth interviews are conducted in Germany.

7.2 Limitation

Needles to say that this study has also a few limitations:

- The number of interviews with managers who participated in an M&A transaction may not be adequate to deliver reliable information. It was not easy for the researcher to find managers who were willing to do an in depth interview of one or two hours.

- Another big issue is that most of the companies who recently failed in an M&A transaction are not willing to speak about it. The information are too sensitive.

- Due to the fact that time was restricted, secondary data might not be deep enough. Furthermore is English not the first language of the researcher.
As stated before, the in depth interviews are all done in Germany with managers of German companies so that an international view is not possible.

However, this study gives reliable information how a company can avoid the synergy trap of an M&A transaction. It will help companies to do a better M&A transaction without destroying value. In fact, the study will show how important a good integration is to achieve more value rather then destroying value.

8. Organisation of the dissertation

This dissertation has 8 Chapters. The chapters are described below.

Chapter 1 - Introduction

As we can see before, the introduction is segmented into seven sections: mergers and acquisitions market, background of the Issue, research aim, research objectives, approach to the dissertation, scope and limitations of the research and the organisation of the dissertation. The aim is to give a good overview of the whole dissertation and to show the main idea behind this study.

Chapter 2 - Literature Review

The literature review will help to get a better understanding of the issue. It will show the studies and research which is already done by leading professionals. Therefore, it helped to get an opinion and theories on the research subject. In fact, this chapter is divided into three parts.

Chapter 3 - Research methodology and research methods

The aim of this chapter is to elaborate and better understand which research methodology and research methods are used for this study. It guide through the different research methods and methodologies that the researcher used in order to collected primary data. Hence, the
researcher observed each layer of the research onion. So that the chapter is divided into following sections: research questions, research philosophies, research approaches, research choices, research time horizons, framework, and data collection and data analysis.

**Chapter 4 - Data analysis and findings**

This chapter analyses the data which was obtained through the in depth interviews. The data of the in depth interviews is qualitative rather then quantitative. Thus, this chapter contain a lot of discussion and interpretation in order to get a good understanding of the data collected.

**Chapter 5 - Conclusion and recommendations**

The aim of this chapter is to draw conclusions of the data obtained in chapter 4. Furthermore, the researcher tries to give recommendations in order to avoid the issue. In fact, these recommendations will help managers to do effective post merger integration and therefore avoid the synergy trap.

**Chapter 6 - Self-reflection on own Learning**

At the end of this dissertation the researcher reflect what he learned during this study and what experiences he achieved. In fact, it is a clear demonstration what this study has brought and taught him.

**Chapter 7 Bibliography**

**Chapter 8 Appendices**
Chapter 2 - Literature Review:

1. Fundamentals for this study

1.1 The term M&A

In the economic context, the term “mergers and acquisitions” is used - usually abbreviated with the acronym M&A - since the late 19th Century as a general term for various forms of business combinations. Furthermore, the English term - M&A - is usually used in all countries all over the World. Thus, a translation did usually not occur. Despite or even because of that language cross border use, neither economic theory nor in the corporate practice a uniform definition of the term M&A exist (Gaughan, 2005, p. 3). Hunt (2009, p. 204) however defines the term M&A as:

“Mergers and acquisitions are arguably the most prolific form of M&A transaction. A merger is the combination of two companies in a stock-for-stock transaction. An acquisition is the purchase of the stock or asset of a business using the stock of the acquirer, cash or other securities. In many cases, a merger and an acquisition are not mutually exclusive, i.e., an acquisition may be structured as a stock-for-stock transaction and hence can be viewed as a merger. Most often however, a merger is thought of in the context of two companies of relatively equal size combining, while an acquisition is thought of in the context of a purchase of a smaller target by a larger acquirer.”

Another suitable definition according to Halibozek and Kovacich (2005, p. 4)

“...they are the purchase of a company, in whole or in part, or the sale of a company, in whole or in part. Each transaction differs in size and complexity. Some transactions are very large, involving whole companies and billions of dollars, sometimes referred to as mega mergers. Some transactions are very small, perhaps involving only the purchase of a product line, a start-up company, or a new technology, often gaining little notice or attention.”
The often synonymously used terms “mergers” and “acquisitions” both describe business combinations, but have great purely legal differences. The term “acquisition” means a buying-in of companies or parts of companies, whereas the legal entities of the target company retain even if the target company simultaneously lose economic independence (Glenlake and Dearborn, 2000, pp. 2, Hubbard, 1999, pp. 6, Lucks and Meckl, 2002, pp. 23).

In a merger, the companies, in contrast to the acquisition, fuse to a business and legal entity, which means that, depending on the form of the merger one of the companies will lose at least their legal autonomy (Hubbard, 1999, pp. 6, Lucks and Meckl, 2002, pp. 23).

Due to the different non-standard definitions, it seems useful to write an explicit definition of the term M&A. Thus, mergers and acquisitions are understood in this study to all combinations of companies or parts of companies associated with the change in ownership and management level of the affected companies. The change at the ownership level is reflected in a redistribution of the equity interests. The change at the management level results from interventions in the management and supervisory powers of the company. Furthermore, this study will use the acronym M&A for all mergers and acquisitions.

1.2 M&A forms

The literature distinguishes between three different forms of M&A.

- Horizontal,
- vertical and
- diagonal or conglomerate combinations.

The different value chains to which the combining entity is located distinguish these three forms. The case of a horizontal merger, as it has been the case for example with the merger of DaimlerChrysler, is about two combining companies of the same value level, so a merger between competitors in the same or related business field. The main goal of a horizontal merger is the expansion of market presence and the use of synergies (Arnold, 2011, p. 278). Interestingly, especially at this merger the government is looking carefully at proposed horizontal mergers because “these mergers are the most likely to change the degree of
concentration, or competition, in a industry” (Arnold, 2011, p. 278). A recent example is the proposed merge between T-Mobile USA and AT&T. The sale of the U.S. mobile subsidiary T-Mobile USA to Telekom's competitors AT&T has finally failed. Telekom and AT&T bent after tough struggling against the fierce resistance of the U.S. competition authorities. The merger of AT&T and T-Mobile USA would have created the largest U.S. mobile operator. The U.S. authorities feared therefore drastic restrictions on competition. The Deputy U.S. Attorney General James Cole welcomed the decision of the companies as a victory for millions of American mobile subscribers (Focus Money, 2011). Another prohibited merger was the billion-dollar merger of Deutsche Börse and NYSE New York. The European Commission prohibited the merger of the world's largest stock exchange operator. Europe's top competition authorities, Joaquín Almunia, had justified the veto with the fear of a near monopoly in the trading of derivatives (Handelsblatt, 2012). One should realize that horizontal mergers are always particularly under the observation of competition authorities, because especially in horizontal mergers the risk of creating a monopoly can be very high.

Arnold (2011, p. 278) defines vertical mergers as “… a merger between companies in the same industry but a different stages of the production process. A vertical merger occurs between companies one of which buys (or sells) sells something from (or to) the other.” In other words, a vertical merger is the combination of the same business, but on upstream or downstream value added levels. Thus, the literate differentiates between forward and backward mergers (Gurusamy, 2009, p. 195). This could be the case, if an automobile manufacturer merges with a supplier. In fact, that would be an example for a backward merger. A goal for that strategy is to improve efficiency through the improvement of the production line (Gurusamy, 2009, p. 195). So companies merge with suppliers or customers. This is intended to secure and optimize supply sources and to get closer to the market.

The last M&A form is the diagonal or conglomerate merger. A diagonal or conglomerate merger is a merger where companies from different sectors merge. Therefore, Arnold (2011, p. 278) defines a diagonal or conglomerate merger as “a merger between companies in different industries.” It is a strategy of diversification in terms of risk spreading through the expansion of the product range.

If the merger is done with mutual agreement of both companies, then it is a friendly merger or a friendly takeover. If this is not the case and one of the two companies is against this merger, it is called a hostile takeover. These hostile takeovers are especially after a crisis very popular.
Thus, Sakoui and Gelles (2012) stated in the Financial Times that “Hostile deals are on the rise this year as strong companies look to take advantage of depressed stock markets and pounce on vulnerable targets.” Furthermore they say that “Year-to-date worldwide hostile mergers and acquisitions have jumped 86 per cent on the same period last year to $12.3bn and is at its highest level since the end of the last M&A boom in 2008, according to Thomson Reuters.” In fact, hostile takeovers seem to be a popular strategy to buy vulnerable companies in times of a crisis.

1.3 The M&A industry

Mergers and acquisitions have become a favorable growth strategy in the corporate environment for over 100 years. This strategy had been a popular whether in times of boom or crisis. The world largest firms adopted the M&A as a strategy to grow (Kumar, 2012). This development of the M&A industry over the past 100 years is explained in the literature as “Merger Waves” (Faulkner, Teerikangas and Jospeh, 2012). Faulkner, Teerikangas and Jospeh (2012, p. 20) define merger waves as “…periods of intense merger and acquisition activity. The beginning of the wave is characterized by a dramatic increase in the number of executed acquisitions relative to the prior period. This intense period of activity reaches a plateau, which often continues for several years. Finally, there is a significant drop in the overall activity as acquisition activity tends to return back to pre-waves levels.” See therefore table 3 based on Faulkner, Teerikangas and Jospeh (2012, p. 23).
### Table 3: Merger waves based on Faulkner, Teerikangas and Jospeh (2012).

<table>
<thead>
<tr>
<th></th>
<th>First Merger Wave</th>
<th>Second Merger Wave</th>
<th>Third Merger Wave</th>
<th>Fourth Merger Wave</th>
<th>Fifth Merger Wave</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value ($ Billion)</strong></td>
<td>6.9</td>
<td>7.3</td>
<td>46</td>
<td>618</td>
<td>4500</td>
</tr>
<tr>
<td><strong>Number of deals</strong></td>
<td>3012</td>
<td>4828</td>
<td>NA</td>
<td>9617</td>
<td>31152</td>
</tr>
<tr>
<td><strong>Rationale</strong></td>
<td>Creation of monopolies</td>
<td>Creation of oligopolies</td>
<td>Managerial self-interest; growth through diversification</td>
<td>Elimination of conglomerate structures and inefficiencies</td>
<td>International expansion</td>
</tr>
<tr>
<td><strong>Drivers of Wave</strong></td>
<td>Changes in technology; economic expansion; recovery after World War I</td>
<td>Increase in antitrust laws; economic recovery after World War I</td>
<td>Increase in antitrust regulation; underdevelopment external capital markets</td>
<td>Relaxation of antitrust regulation; favorable economic conditions</td>
<td>Globalization; deregulation; privatization</td>
</tr>
<tr>
<td><strong>Acquisitions types</strong></td>
<td>Friendly acquisitions</td>
<td>Friendly and diversifying acquisitions</td>
<td>Related acquisitions; LBOs</td>
<td>Related acquisitions</td>
<td></td>
</tr>
<tr>
<td><strong>Financing</strong></td>
<td>Cash</td>
<td>Stock</td>
<td>Stock</td>
<td>Cash</td>
<td>Stock</td>
</tr>
</tbody>
</table>

Interestingly, Duchin and Schmidt (2013, p. 69) found out that “…the average long-term performance of acquisitions initiated during merger waves is significantly worse. We also find that corporate governance of in-wave acquirers is weaker, suggesting that agency problems may be present in merger wave acquisitions.” Soegiharto (2011) state also “that the higher the premiums paid, the lower the post-merger operating performance will be. Stated differently, by paying high premiums, the bidder CEOs destroy the value of the mergers.” However, Harford (2005) found out that there is no evidence that mergers are worse during merger waves.
1.4 M&A in Germany

The German M&A market recorded since the 1980s a strong growth. The political environment, such as the reunification in 1990, and the privatization of many industries favored this growth (Dufey and Hommel, 2000, p. 964). For the development of the German market was also the increasing number of international M&A transactions of great importance (Dufey and Hommel, 2000, p. 965).

However, the continued uncertainty in the markets due to the euro crisis and the uncertain outlook for the global economy spills also over to the German M&A market. Especially the huge public debt in some euro countries burden the euro area and this leads to confusion and reluctance in the economy (Müller, 2012). All in all it can be said that the transaction activities in Germany in the first half of 2012 were in the global M&A trend.

The German M&A activity had both, a decrease relative to the number of transactions as well as the volume (Müller, 2012).

However, it seems to be that the global as well as the German M&A market come to life again. That shows a study of the Centre for European Economic Research (ZEW) because they expect an increasing number of completed mergers and acquisitions in Germany for the year-end 2012.

1.5 The strategic decision of mergers and acquisitions

“Whenever the media flashes news of companies seeking to merge, the management explains to the public the reasons for the merger, their future prospects and the benefits to the stakeholders.” (Ray, 2010, p. 2)

A company is always faced with the question “make or buy”. M&A are for companies a strategy to expand their business and therefore represent a path to growth. The literature defines the growth path of a company in which the company obtains the necessary resources for business development. Hence, the literature distinguishes between external growth and internal growth (Haberlandt, 1970, p. 386). External growth is described in the literature as a way in which a company can access complementary resources by connecting to another company on the activities needed to achieve the desired development objective. External growth is much faster then internal growth. Hence, Gaughan (2011, pp. 14-15) argues that
“Acquiring a company in a line of business or geographic area into which may the company want to expand can be quicker than internal expansion.” But the risks are also very high through the fact that most of the M&A deals fail. Schwenker and Bötzel (2007, p. 26) defines external growth as

“This includes all strategies in which growth is achieved by buying in external resources. Mergers and Acquisitions allow a company to make substantial advances in growth within a short space of time.” Furthermore they state that “External growth tends to happen leaps and bounds, and some mergers have doubled sales at a stroke. But external growth strategies also harbor enormous risks.”

Internal or organic growth, however, is described in the literature as a strategy where a company growth of its own power. This strategy takes of course more time than buying in. If, for example, a company wants to open new markets in a different country, it takes much more time to build everything by themselves in the new market than buying a developed company in the market. Schwenker and Bötzel (2007, p. 26) defines internal growth as

“Typically, internal or organic growth is realized on the basis of the company’s own strength and using its own resources.” Furthermore they state that “Internal growth strategies of this kind are usually less risky. However, organic growth usually requires the company to take a longer term perspective, as the processes need more time and do not result in sudden leaps forward in growth.”

Porter (1992, pp. 29) argues that external growth is preferred when internal growth precludes high barriers. Such barriers include: state and legal barriers, capital requirements, access to distribution channels, buyer loyalty, cost disadvantages and time requirements.

Other motives for M&A are after Porter (1985) and Ray (2010) that companies merge is to achieve a competitive advantage. These competitive advantages come along when companies achieve synergies by integrating two or more business units. Other motives after Calipha, Tarba and Brock (2010) include enlargement of the product or service line, growth, increase market share and risk diversification.
1.6 Different Phases of M&A

The literature seems to be divided over the number of phases in the M&A process. Boland (1970), and Schweiger and Weber (1989) explain the M&A process with just two phases, premerger and post merger or implementation. There are different authors who divided the process into 3 phases like Salus (1989), and Appelbaum et al. (2000). But they have in common, that they have both the pre and post merger phase. Salus (1989), and Appelbaum et al. (2000) just added a third phase, which is: during. Moreover, explain Carpenter and Sanders (2007), Vance et al. (1969) and Parenteau and Weston (2003) the process with four different phases. Six phases use Farley and Schwallie (1982) to explain the M&A process. Last, Kazemek and Grauman (1989) state that the process has 7 phases. Interestingly, while most authors differ in their number of phases, they have all in common that the last phase should be the post merger, integration or implementation phase. However, this study will use the concept of three phases and will take a detailed look at the integration phase.

1. Pre-Merger Phase (planning)
   - Determining the strategic positioning
   - Assess whether M&A serves to achieve the corporate goals
   - Planning of the objectives that occur through the transaction
   - Planning of tasks and allocation of responsible persons

2. Merger Phase (transaction)
   - Making contact
   - Pre acquisition due diligence
   - Evaluation of the target company
   - Negotiation
   - Planning of integration
   - Signing of the contract
   - Closing
The Post-Merger Phase (integration), which is the focus of this study, will be discussed later on in this study in more detail.

1.7 Culture

In order to examine the Post-Merger-Integration with a special focus on corporate culture, one has to understand culture and corporate culture firstly. Thus, this chapter will exemplify the fundamentals of culture.

1.7.1 Definition culture

Known as one of the first definitions of culture by Sir Edward Burnett Tylor (1871), who said culture is:

“that complex whole which includes knowledge, belief, art, morals, law, custom, and any other capabilities and habits acquired by man as a member of society.” (Burnett Tylor, 1871, cited in Samovar, Porter and McDaniel, 2009, p. 10)

Geertz (1973) provided a more sophisticated definition for culture

“a historically transmitted pattern of meaning embodied in symbols, a system of inherited conceptions expressed in symbolic forms by means of which men communicate, perpetuate, and develop their knowledge about and attitudes toward life.” (Geertz, 1973, cited in Samovar, Porter and McDaniel, 2009, p. 10)

In the literature there are many definitions of culture. To find harmonized definition of culture in the literature is nearly impossible, which attest the complexity of this social concept called culture. The various definitions have all in common that they mean shared values, standpoints, perceptions, methods, standards, and material objects (Birslin, 1990; Martin and Nakayama, 2005; Neuliep, 2003; Rogers and Steinfatt, 1999; Triandis, 1995, in Samovar, Porter and McDaniel, 2009, p. 10).
1.7.2 Definition corporate culture

Also for the term corporate culture, there is no uniform definition. However, in the literature one can identify various similarities in interpretation. Most of the literature refers to Schein’s (1992) definition for corporate culture.

“A pattern of shared basic assumptions that the group learned as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid, and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to these problems.” (Schein, 1992, cited in Miller, 2009, p. 88)

Each organization developed a specific, distinct culture and thus also provides a self-sufficient community of culture. This thesis of management research takes the actually developed for different ethnic cultural term and transferred him to organizations and systems. The behavior of the members of this organization is shared through all by characteristic symbols and orientation models and thus characterizes the behavior internally and externally (Steinmann and Schreyögg, 1997, p. 605). In other words, corporate culture is understood as the important characteristics and beliefs of the members of this organization. These beliefs characterize again the perception, thinking, acting and feeling of the members of an organization. The reflection and discussion on corporate culture is not new. But the initial effort, according to Dülfer (1991, pp. 10), made big Japanese companies. They saw very early the poorly defined corporate culture as a success factor and therefore developed this concept further.

1.7.3 Corporate Culture as a success factor

An interesting analysis of the success factor corporate culture is the study of Deal and Kennedy in 1982. According to Deal and Kennedy (1982, p. 8), corporate culture is a system consisting of an assembly of values and beliefs approaches. Deal and Kennedy investigated 80 companies, with the hypothesis that long-term successful businesses have employees, which have the same basic assumptions. The result of the analysis was a demonstrable correlation between clearly identifiable approaches beliefs and economic success.
According to Schmid (1995, p. 26) and Schnitzler (2003, p. 79) it’s a fact that each organization has a specific corporate culture. Furthermore, the management must be aware of the dimension and functions of the corporate culture so that they can guide and develop the culture in a certain direction.

A study of Peters and Watermann (1982) show how important the dimensions and especially the functions of corporate cultures are. In the study “In the search of excellence” they analyzed successful American companies and showed critical success factors. The authors investigated successful and less successful companies. This investigation showed clearly that the successful companies had a strong corporate culture. The authors (Peters and Watermann, 1984, p. 32) also presented a theory that corporate top performance is not only created by hard factors (structure, strategy and systems), but also by the seeming irrelevant soft factors (skills, staff, style and shared values). Through this study, the now highly known 7-S framework of McKinsey was created.

![Figure 1: McKinsey’s 7s framework based on Witcher and Sum Chau (2010, p. 249)](image)

The seven elements are divided into hard and soft elements. The hard elements (green circles) are generally feasible and easy to identify. The four soft elements (yellow circles), however, are scarcely tangible and also more difficult to describe. Skills, values and cultures evolve constantly in a company. They can only be limited planned and influenced, as the people involved heavily influence them. Although these soft factors are more hidden, they can have
great influence on the "hard" such as structures, strategies and systems. A major disadvantage of this model is, however, that no interactions are shown. Furthermore propose Doherty and Horne (2002, p. 71) that there should be another element “Synergy”, to represent “… how well all the elements worked together.”

2. Synergies

2.1 The term synergies

The phenomenon of "synergies" is in practice, particularly in relation to the reasoning of M&A, very important. Thus, they are often named as a key objective for external growth strategies (Stahl and Mendenhall, 2005; Sirower, 1997; Ansoff, 1965). The importance of synergy pointed Ansoff in 1965 out. Ansoff (1965, p. 75) define synergy as

“One of the major components of the firm’s product-market strategy. It is concerned with the desired characteristics of fit between the firm and its new product-market entries”.

In other words, it means that synergy is fundamentally a fit between units. According to Sirower (1997, p. 20) synergies can be defined as

“…the increase in performance of the combined firm over what the two firms are already expected or required to accomplish as independent firms.” Moreover, “Adding synergy means creating value that not only does not yet exist but is not yet expected. So achieving synergy-improvements above what is already expected or required-is like starting a new business venture. There might be improvements in performance following an acquisition, but if they were already expected, that is not synergy.”

A common equation for synergy is (Sirower, 1997; Fleuriet, 2008):

\[ 2 + 2 = 5 \]
However, Sirower (1997, p. 5) state how dangerous this equation is “The easiest way to lose the acquisition game is by failing to define synergy in terms of real, measurable improvements in competitive advantage”. Thus, 70% of all companies fail because they overvalue the estimated synergies (Christofferson, McNish and Sias, 2004).

The impression that synergies can create solely a positive change in value is wrong. Especially in the context of M&A, attention should be drawn to the potential negative effects of synergies. In the literature, these negative effects are known as “dyssynergies”. The term “dyssynergies” has its origin in the Greek language where “dys” means bad and adverse. Thus, “dyssynergies” can be understood as bad or adverse cooperate. Unlike synergies, dyssynergies can also be a weakening of the competitive position, or a loss of competitive potentials (Rockholtz, 1999, pp. 132). According to Sirower (2001, p. 48), through synergies an improvement and through dyssynergies a deterioration of the operating units working together can be achieved. Examples of dyssynergies in the practice could be, loss of customers to competitors, the resignation of qualified staff or the increase of cost because of the increase of administrative costs.

2.2 Fundamentals according to Ansoff

As described above, Ansoff (1966, p. 99) first dealt comprehensively with synergies. The starting point of his considerations is the return on investment (ROI). With the help of the ROI, qualitative synergies can now also be described quantitatively. If connections exist between business units, Ansoff is the opinion that that due synergies usable value potential can be realized. Synergies in this sense will affect all factors that justify the return on investment. As described above, if the income increases, there are positive synergies. In the case of a reduction, negative synergies can be expected (Ansoff, 1966, pp. 98). Ansoff described four different types of synergy (in Iversen, 1997, p. 3):

“- Sales synergy which occurs when different products use common distribution channels, common sales administration, or common warehousing.

- Operating synergy which includes higher utilization of facilities and personnel, spreading of overhead, advantages of common learning curves, and large-lot purchasing.
- Investment synergy is the result of joint use of plant, common raw materials inventories, transfer of R&D from one product to another, common tooling and machinery.

- Managerial synergy is possible when a new business venture faces strategic, organizational or operating problems which are similar to problems that the management has dealt with in the past.”

The first three types are used mainly as material synergies, the fourth form is referred to as immaterial (Ansoff, 1966, pp.100). Furthermore, Ansoff divides the four forms of synergy in terms of their timing emergence. He distinguishes between one-time occurring synergies, so called "Startup Economies", and continuously occurring synergies, so called "Operating Economies" (Ansoff, 1966, pp. 104). The synergies, which occur in the founding stage, are identified by unique competitive advantages during or shortly after the transaction. The synergies, which occur during the implementation phase, are ongoing competitive advantages.

However, one has to critic that Ansoff described primary the effect of synergies and dyssynergies, but did not deal with practical sources of potential value changes. Unlike Ansoff, Porter (1985, p. 328) has an explanation for the reasons of synergies:

“sharing has the potential to reduce cost if the cost of a value activity is driven by economies of scale, learning or the pattern of capacity utilization”.

Furthermore, it cannot be recognized, what exactly meant by negative synergies. Finally, Ansoff provides no evidence what structural requirements are necessary to ensure effective implementation of synergies and dyssynergies can be avoided.

2.3 Synergy Potentials through M&A

In the literature known as price synergy means the acquisition of a direct competitor or substitutive company, the competitive position of the buyer can be improved and thus a higher market power generated. As a result, the buyer has higher selling prices and also achieves higher sales. This leads to an increase of the net cash flow (Meckl and Riedel, 2011).
Volume synergies have also the goal to increase the revenues. The sales volume grows, while the cost of sales does not increase is the same extent (Meckl and Riedel, 2011). Supply synergies are achieved because two companies have a higher purchase volume and thus a better negotiating position towards suppliers. Through this is a company able to reduce the variable costs (Meckl and Riedel, 2011). Other synergies after Meckl and Riedel (2011) are link synergies, centralization synergies, investment synergies, tax synergies and risk synergies.

There are a lot of synergies that can be achieved through a merger or acquisition, see therefore figure 2. The intention is to create positive synergies and a greater value than before the transaction. Positive synergies emerge mostly through economies of scale, which can be defined according to Wilkinson (2005, p. 227) as “aspects of increasing scale that lead to falling long-run unit costs” and economies of scope, which can be defined according to Segal-Horn and Faulkner (2010, p. 6) as “using a resource acquired for one purpose for additional purposes at little or no extra cost”.

However, companies tend to overestimate the expected value and fail therefore (Christofferson, McNish and Sias, 2004; Mocciaro Li Destri, Picone and Mina, 2012).

Figure 2: Potential synergies in M&A deals based on Payne (1988) and Mocciaro Li Destri, Picone and Mina (2012).
Kuhn (2009) shows with the help of a McKinsey study that synergies are often overestimated. Of the 160 examined mergers, 70 percent did not achieve the planned revenue synergies and in cost synergies 40 percent missed the expectations. A study of Roland Berger Strategy Consultants (2011) agrees with that and say that crucial to success is a good post merger integration. That’s why this study will focus in the next step on the post merger integration.

3. Post Merger Integration (PMI)

“About two thirds of mergers and acquisitions fail to meet managements’ objectives, according to research studies. A major source of the problems seems to be the failure to plan adequately for the integration of the two (or more) organizations after agreements are signed. Even if there is a plan, it is rarely implemented in a careful and businesslike manner. In other words, after the bankers and lawyers leave, managers don’t seem to know that they need to get on to the next phase of the process, "post-merger integration" (PMI). Crossing borders makes it worse.” (Radway, 1991, p. 33)

“A Boston Consulting Group study found that during the pre-merger stage, eight of ten companies did not even consider how the acquired company would be integrated into operations following the acquisition.” Sirower (1997, p. 7)

Thus, the literature agrees that understanding the post merger integration is important because most of them fail during this stage (Alaranta and Martela, 2010; Blake and Mouton, 1984; Epstein, 2004; Marks and Cutcliffe, 1988). Interestingly, companies still fail and do not learn from previous failures (Davis, 2012, p. 20)

“Companies don’t make problems public and so don’t own up to these problems - this is understandable, however this does not help them learn and does not help Integration in general.” Donald Marchand, Professor in M&A, IMD in Davis, 2012, p.20.
3.1 Integration – A definition

The term "integration" is etymologically referable to the Latin "integrale" (recreate, remake). In general usage, usually used to identify a process where through mutually complementary parts a new comprehensive unit is created.

The integration term is defined in the literature many times. At this point, an overview of different definitions of integration is given.

- “The process of bringing together the parts, the human resources in this instance, and making them into a new whole is the integration process.” (Schoenhauer, 1967, pp. 27)

- “The concept of integration refers to the process through which changes in various systems in the acquired subsidiary are undertaken.” (Lindgren, 1982, p. 61, in Bauch, 2004, p. 45)

- “Integration is defined as the quality of the state of collaboration between the organizational units.” (Chakrabarti, 1990, p. 263)

- “The term M&A integration refers primarily to the art of combining two or more companies – not just on paper, but in reality – under they have come under common ownership. ... This term can also apply to entities other than companies (for example, nonprofit and governmental organizations) and to transactions other than mergers and acquisitions (for example joint ventures, strategic alliances, and partial acquisitions).” (Reed-La Joux, 1998, p. 4 in Bauch, 2004, p. 44)

- “Integration can be defined as the making of changes in the functional activity arrangements, organizational structures and systems, and cultures of combining organizations to facilitate their consolidation into functioning whole.” (Pablo, 1994, p. 806 in Bauch, 2004, p. 44)
One can see that there is no common definition of the term “integration”. However, looking at the different definitions, it seems suitable to say that integration is a change and to combine different parts.

**3.2 The significance of corporate culture for the PMI**

Culture and corporate culture has been considered in more detail in chapter A. The aim here is to look more closely to the role of corporate culture for the PMI. Dabui (1998, pp. 20) says that a good PMI can help to get success in M&A and furthermore help to integrate two different cultures.

The PMI phase as the last phase of the M&A transaction includes the realization of the previous established integration objectives. The main task of the PMI phase is to match up the strategies, systems, processes and cultures of the different companies. Especially during this phase the consideration for the employees is very important (Haseslagh and Jemison, 1991, and Pritchett, 1997). The PMI phase is therefore, in the amount of work and by the time required, the most extensive phase (Dabui, 1998).

If two different corporate cultures in a merger or acquisition encounter each other, it often causes problems. However, a look at the empirical research shows, that there is no consensus that cultural differences cause problems. For example, Chatterjee et al. (1992) and Weber (1996) state that cultural differences have a negative impact on the success, while Larsson and Risberg (1998) and Morosine, Shingh and Shane (1998) find quite positive effects on cultural differences. Nonetheless, the task of the post-merger management is to avoid and solve these problems. Hereinafter two culturally related conflicts that occur during the integration will be investigated.

**3.2.1 Culture collision**

Buono and Bowditch (1989, p. 164) state that “cultural tensions and clashes between merging organizations are often the root cause of combination-related difficulties”. In other words, a culture collision is expected whenever two strong corporate cultures meet each other in the course of a merger. This clash of the different, unusual and disturbing elements can trigger of
a so-called cultural shock at the organization's members on both sides. Furthermore, the unknown values and standards for employees in the other companies are often not understandable and intangible. Nonetheless, the employees have to deal, during the merger, with the unknown culture, and frequently suffer the above mentioned cultural shock. Furthermore, Olbrich (1999, pp. 60) says that employees of the smaller company often fear to loose their own culture, which leads to self-doubt and disorientation. In the worst-case, a loss of motivation can occur, which cause a loss of quality, and even productivity. Therefore particularly larger companies with a strong corporate culture should respect the cultures of smaller companies and not simply impose their own.

### 3.2.2 The Merger Syndrome

Marks and Mirvis described the "merger syndrome" for the first time in 1985. Marks state that the merger syndrome occurs in all types of mergers, regardless what form of merger and integration is chosen. Additionally, Marks describes the consequences of the syndrome with an increased self-interest and resistance against necessary changes. Just the announcement of a merger causes stress, anxieties and tensions. This, of course also has a negative impact on employee loyalty and on job satisfaction (Buono and Bowditch, 1989, p. 12). The employees and managers now expect the psychic and economic loss of values, which is also expressed by the fear of loosing their jobs. Employees begin to envision worst-case scenarios and thus transfer the effects of the merger on their personal situation (Haspeslagh and Jemison, 1992, pp. 156; Marks, 1982, p. 42; Marks, 1988, p. 41).

Marks and Mirvis (1985, pp. 50) have demonstrated in their empirical study that all the consequences of the merger syndrome negatively impact the performance of employees and also the performance on business.

### 3.3 Post merger integration models

The cultural fit and the possible resulting consequent success in M&A has been studied in the literature in different models. In this section, the models will be investigated in detail and after critically compared.
3.3.1 Integration approach of Buono and Bowditch

In the attempt to bring together different corporate cultures, Buono and Bowditch see the causes for unsuccessful attempts at integration. Buono and Bowditch (1989, p. 143) state that

“A common misconception about cultural integration in a merger or acquisition is that there must be a total assimilation of the different cultures for the combination to be successful.”

The authors observed four approaches to integration (Buono and Bowditch, 1989):

- Cultural Pluralism,
- Cultural Blending,
- Cultural Takeover and
- Cultural Resistance.

At cultural pluralism, there are different cultures at the same time, without that there will be a cultural adaptation. The cultural integration is minimal. The acquired organization maintains the maximum flexibility in terms of their corporate freedom. There is a common strategy for corporate growth and success. Corporate cultures, however, remain independent from one another. The various views, the different types of problem solving and the high degree of cultural influences create at this concept the corporate success. Hence, Buono and Bowditch (1989, p. 143) state “… strength comes from diversity”.

At a cultural blending, a new culture is formed from a combination of the old cultures. The aim is to combine the strengths of both cultures and to eliminate the known weaknesses (Buono and Bowditch, 1989, pp. 144).

At the cultural takeover, a company (usually the weaker) has to take the culture of others. By imposing a new culture, the potential for conflict is fueled. Hence, cultural conflicts are conceivable. Therefore, it requires a forward-looking and straightforward planning of the integration project (Buono and Bowditch, 1989, pp. 145).
In the worst case, at the cultural resistance, there are great tensions between the companies and their cultures, so that integration is considerably more difficult. Defined goals of synergies will not or only through great effort achieved (Buono and Bowditch, 1989, pp. 146).

According to Buono and Bowditch, corporate cultures change over time and additionally can actively changed. However, this is an evolutionary process that can be time and financially consuming and also emotionally draining. Thereby are incremental changes, considering the history of the company, clearly the most successful. The two fundamental ways to achieve a cultural change are according to Buono and Bowditch (1989):

1. Achieve an acceptance of new beliefs and values by the existing members of the organization,

2. Recruitment and socialization of new employees to the organization with special attention to the new beliefs and values and simultaneously removal of old members of the organization if necessary.

The following figure shows the five key points at which according to Buono and Bowditch (1989, pp. 166) interventions, in order to effect a culture change, are possible.
Figure 3: Five key points where interventions are possible based on Buono and Bowditch (1989)

1. Reaching changes in behavior through clear expectations and performance standards with a reward of appropriate behavior.

2. Justification or rationale for the new behavior through clear explanations.

3. Use of cultural communication in the form of "explicit cultural messages" (announcements, memos, speeches or other forms of direct communication) and "implicit cultural messages" (rituals, ceremonies, stories, logos and other symbolic actions).

4. Recruitment and socialization of new employees, where a cultural fit is ensured with respect to the new culture.

5. Removal from employees who permanently resist against the cultural change, if there is no other option.
3.3.2 Integration approach of Cartwright and Cooper

Cartwright and Cooper focus on their approach to integration of corporate cultures. The "culture compatibility" of two organizations is measured by four categories. The different types of culture describe Cartwright and Cooper (1996, p. 70) as:

- Power Cultures,
- Role Cultures,
- Task/Achievement Cultures and
- Person/Support Cultures.

The authors assume that in reaching a great cultural fit of two corporate cultures based on the four categories, the success of a merger will also occur with a relatively high probability.

A power culture has a highly centralized decision-making structure, with a single person or a small group of people in the center of this power. This type of culture is more likely small business. In these companies loyalty and tradition are the focus (Cartwright and Cooper, 1996).

In the role culture of a bureaucratic corporate are logic, rationality and efficiency the focus. The clearly defined roles are more important than the people in the company. Following the rules and keeping clear process cycles is an important part of culture, especially in large companies with highly specialized work areas (Cartwright and Cooper, 1996).

At a task/achievement culture, the focus is always on the task to be solved. In such a performance-oriented company the task determines their solution. The power is decentralized distributed and teamwork is in the foreground. This type of culture is found mainly in very young companies or as a subculture in individual corporate divisions (Cartwright and Cooper, 1996).

A person/support culture is characterized mainly by the equality of all employees. The development of the individual employee is the most important factor. All decisions in this decentralized companies are taken together and all the information are accessible to all. A person/support culture is often found in non-profit organizations (Cartwright and Cooper, 1996).
Cartwright and Cooper (1992, p. 76) assume that during a merger, the cultures of the companies involved should not necessarily be the same, but necessarily compatible in order to ensure a successful integration. It depends not so much on the cultural distance, more important is the degree of change in the scope of action of the employees. Thus, if a company with a task culture would take over a company with a power culture, the scope of action of the employees would be extended accordingly and therefore a successful integration can be expected. If an acquisition would happen in the reverse case, a company with a power culture takes over a company with a task culture, then failure of integration would be expected due to the expected resistances (Cartwright and Cooper, 1992, p. 78).

It can be said that, both cultures must be compatible with each other and also the direction of the alignment decides over the prospects of success. Hence the success or failure of a merger on the basis of this model of Cartwright and Cooper can be predicted. According to the research of theses authors only certain constellations are suitable to bring the wished success.

### 3.3.4 Acculturation model of Nahavandi and Malekzadeh

To the problems that arise during the post-merger management, Nahavandi and Malekzadeh have developed the model of acculturation. Acculturation is a process in which two groups solve challenges and conflicts that arise from "come into contact with each other". Due to this contact, changes results in both cultures. These changes are described in four ways of acculturation.

1. Integration: The preservation of their own identity and culture as well as a certain degree of autonomy and independence is the goal of the acquired company. However, in order to fit into the structure of the acquiring company, the acquired company is also willing to adapt specific methods of the other company. Integration is only possible if the acquiring company agrees to this in future existing independence. Thus, the integration leads to changes of the cultures of both groups, with an exchange in both directions, as no group tries to dominate the other (Nahavandi and Malekzadeh, 1988, p. 82).
2. Assimilation: The corporate culture and identity are completely taken over by the acquired company. This requires a willingness to abandon its own corporate culture and identity. By this procedure it is absorbed culturally and structurally, and loses its existence as a cultural individual. This happening is often seen if the acquired company is economically unsuccessful (Nahavandi and Malekzadeh, 1988, p. 82).

3. Separation: There is no cultural exchange. The acquiring company will only be regarded as a kind of holding company, which does not exert any influence on the culture of the acquired company. This is usually the case if the acquired company has a particularly strong and successful company culture and is not willing to change. Such mutual independence complicates the integration. There is only a financial connection between the two companies (Nahavandi and Malekzadeh, 1988, p. 82).

4. Deculturation: The corporate culture of the acquired partner is considered of its employees as so bad that they no longer want to have it. At the same time, however, the new culture of the acquiring company is rejected as well, so that the company ultimately has no culture, which leads to alienation and loss of identity (Nahavandi and Malekzadeh, 1988, p. 82).

Depending on the preferences of the respective companies the choice of acculturation is linked to the four factors. The preferences of the acquired company results from the strength or weakness of their own corporate culture and the attractiveness of the culture of the acquiring company. The buyer company preference results from the strategic goal orientation. For the authors, it is critical to achieve success in integration, if the preferred acculturation of the two companies matches. Not important according to the authors is the similarity of the respective cultures (Nahavandi and Malekzadeh, 1988).

3.3.5 Integration approach of Keller

Keller describes another integration model. According to Keller (1990, p. 250) the potential for cultural conflict is linked to the type of cooperation of the organization. Keller describes the different conditions, with regard to the functions of the organization and of the cultures with the help of three levels of urgency:
The normal situation,
The problem situation and
The crisis situation.

The daily events are described with the normal situation. As a result, this is not further investigated here.

Strong strategic and cultural changes, and mergers, however, cause the problem situation (Keller, 1990, p. 250). Keller believes that cultural conflicts occur when two organisations decide to a very close cooperation. The extreme case is, according to Keller (1990, p. 260), the total merger of two organisations and the associated complete reallocation and adjustment of structure, organizational structure, responsibilities, competencies and tasks. Keller found in her studies that a culture collision causes three processes. First, a polarization which comes along with from of fronts. After that, the evaluation of the own culture follows. The own culture is always rated better than the culture of the others. Third, an ethnocentrism can be derived. This has the consequence that the alienating values and the divergent behaviours are neither accepted nor tolerated. According to Keller (1990, p. 141), companies should already search during the planning stages of a merger for appropriate measures, to prevent these mostly resulting problems, and thus avert the failure of the merger. Hence, Keller makes the assumption that the evolution of a common corporate culture is the long-term goal of a merger. Therefore, Keller (1990, pp. 262) presents four different variants of merging corporate cultures:

- Best of both worlds
- Colonial master
- Cherrypicking
- Visionary

Best of both worlds means the combination of all the elements of the two cultures in a new common culture. But this is only possible when both cultures are very similar. Colonial master means that only one of the two cultures will remain. This usually happens when one of the two companies has a strong dominance. Cherry picking is a combination of selected elements of both cultures. Only the best elements of both cultures will be selected. Commonly
found when a balanced power relationship exists. Visionary means the development of a completely new culture. But this is very time and labor intensive. Commonly found when both cultures are weak.

Depending on the cultural characteristics of the merging organisations an early commitment to one of the four variants is necessary. Keller (1990, p. 264) state that, by the early planning of future strategies and structures of the common organisation, a positive symbolic effect will occur. The future strategy, structure and corporate culture should be therefore planned, simultaneously and under consideration of their mutual interdependence.

### 3.3.5 Critical appreciation of the integration models

All models show relatively similar forms of integration, but the decision-making basis and the occurrence of the constellations are fundamentally different. Furthermore, the statements concerning the different types of mergers and the differing problem situations are different. Also, the statements regarding the merger types where the most serious problems occur are partially in contrast to the statements of other authors.

The authors Buono and Bowditch, Cartwright and Cooper, and Nahavandi and Malekzadeh assume in their acculturation and culture fit models that for a successful cultural integration, the crucial factors of cultural integration should be determined and taken into account before the transaction. The study of Nahavandi and Malekzadeh basically assumes that the success of integration depends on the willingness of the acquired organisation to accept the corporate culture of the merger partner. In consideration of the different integration models, especially the inclusion of the negative effects of corporate culture differ and thus the emergence of problem situations.

Positive of all considered models is the recognition of corporate culture as a fixed value, resource and a part of the organisation. All models have the goal to reduce cultural conflicts through predefined alternatives. However, sometimes the complexity of the corporate culture is placed in the background and badly needed cultural changes are excluded. The integration models have therefore a greater impact on the choice and the previous consideration of a possible merger partner during the pre-merger phase, as to give assistance during the post-merger phase.
Additionally, Elsass and Veiga (1994, p. 431) criticize the lack of practicality of the models of Buono and Bowditch, Cartwright and Cooper, and Nahavandi and Malekzadeh. All models offer, due to their inflexibility, barely customization options during the integration and thus the possibilities of cultural change will be neglected (Elsass and Veiga, 1994, p. 431).

The overall conclusion is that none of the approaches provides a last resort. In particular a practice-relevant feasibility to an integration strategy for corporate cultures is barely derivable from the integration models. However, all approaches have some content, which is worthwhile to consider.
Chapter 3 - Research Methodology and Research Methods

The aim of this chapter is to elaborate and better understand which research methodology and research methods are used for this study. Before speaking about the research methodology and methods, research has to be defined. Kumar (2008, p. 5) termed research as “an inquiry into the nature of, the reasons for, and the consequences of any particular set of circumstances whether these circumstances are experimentally controlled or recorded just as they occur”. Another definition is after Goddard and Melville (2001, p. 1) “research is not just a process of gathering information, as is sometimes suggested. Rather, it is about answering unanswered questions or creating that which does not currently exist. In many ways, research can be seen as a process of expanding the boundaries of our ignorance. The person who believes he/she knows everything reveals not only arrogance, but also a profound ignorance”.

Research methods can be seen as techniques that are used for the research (Kothari, 2006, p. 7). Thus, research methods are used to answer to all research questions during the study. Methodology however answers to the question why the researcher is using this methods and why the researcher is not using others (Kumar, 2008, p. 5). Thus, methodology can be defined as “… a way to systematically solve the research problems. It may be understood as a science of studying how research is done scientifically” (Kumar, 2008, p. 5).

1. Research questions

“For an investigator conducting a study, the research questions or hypothesis is a key preliminary step in the research process. The research question (sometimes called the problem statement) presents the idea that is to be examined in the study and is the foundation of the research study” (Haber, 2010, p. 28). Thus, the research question is what the investigator want to look at and what to ignore. Hence, it is very important to formulate accurate research questions. Haber (2010, p. 29) states “Research questions or topics are not pulled from thin air”. Furthermore states Haber (2010, p. 29) “… research questions should indicate that practical experience, critical appraisal of the scientific literature, or interest in an untested theory was the basis for the generation of a research idea”. In summary it can be said that, the research questions should be clear and accurate. Furthermore, the research questions are
helping to answer to a significant problem and thus one of the key steps in the research process (Monsen and Van Horn, 2008). Hence, the following questions have been designed:

- **How can a company achieve the discovered synergy potentials?**
  This question is dedicated to find out why more than half of the M&A deals could not achieve the desired success. And more important, what the other half did better to achieve the discovered synergy potentials.

- **How can a company avoid the synergy trap?**
  “The synergy trap opens for the eight out of ten companies involved in major acquisitions that do little pre-acquisition planning. But even for the two out of ten that do a plan, performance improvements already required by the pre-acquisition price of the target firm and the certainty of competitor reactions will limit synergies.” (Sirower, 1997, p. 19)

- **Which impact has the integration process on the success of the M&A deal?**
  Described in the literature as the most important part in the M&A process, however, is not entirely clear what influence the integration has on the M&A deal. This question is also connected to the two questions above. Is a good integration process the winning formula to avoid the synergy trap?

- **Under which conditions can M&A create value for the company?**
  After avoiding the synergy trap and achieving the synergy potentials, it is also important to create value for stakeholders. The success of companies or shareholders is often controversial in the literature. Many agree that M&A destroys value rather than create it. Interesting would be, why and under which conditions M&A create value.

- **How can both parties of an M&A deal achieve long term value?**
  If the M&A deal creates value, it is usually only in one company. Furthermore, it is important to ensure this value in the long term for both companies. In this context the study will investigate the culture of both companies. Some people talk
about merging or combining cultures, while others seek to create a new culture that is separate from those of the legacy companies.

2. Research philosophies

This dissertation follows each layer of the research onion (Saunders, Lewis and Thombill, 2009, p.138). To follow theses structured layout is so significant because, “The research philosophy you adopt contains important assumptions about the way in which you view the world. These assumptions will underpin your research strategy and the methods you choose as part of that strategy” (Saunders, Lewis and Thornhill, 2009, p. 108).

Furthermore Johnson and Clark (2006) state that especially in the field of business management, researchers should be conscious about what philosophical commitments they make. “…through our choice of research strategy since this has significant impact not only on what we do but we understand what it is we are investigating” (Saunders, Lewis and Thornhill, 2009, p. 108).
Saunders, Lewis and Thornhill (2009) define two major ways how a researcher can think about his topic: ontology and epistemology.

“Ontology is the study of being” (Crotty, 2003, p. 10). This means that ontology describes the researchers view of the reality. It does not matter if these are claims or assumptions (Blaikie, 2003).

Epistemology deals basically with issues of how knowledge comes about, which knowledge processes are conceivable, how knowledge is established under various conditions, and how to recognize that knowledge is actually offered on the basis of knowledge (Steup, 2005). This is most suitable, not at least because of the chosen research strategy and method.
2.1 Research paradigms

“Research paradigms refer to the broad approaches to research. Paradigms refer to our understanding of what one can know about something and how one can gather knowledge about it” (Kasi, 2009, p. 95). Following the different philosophies, which refer to first layer in the research onion, will be explained.

2.1.1 Positivism

Positivism is deductive because the researcher will test his or her established hypothesis, which he or she has developed from existing theory (Blaikie, 1993; Saunders, Lewis and Thornhill, 2009). “These hypotheses will be tested and confirmed, in whole or part, or refuted, leading to the further development of theory which then may be tested by further research” (Saunders, Lewis and Thornhill, 2009, p. 113). Furthermore state Blaxter, Hughes and Tight (2010, p. 61) “The aims of positivist research are to offer explanations leading to control and predictability. Positivism has been a very predominant way of knowing the social world”.

2.1.2 Realism

Realism is another philosophical position and according to Saunders, Lewis and Thornhill (2009, p. 114) “…what the senses show us as reality is the truth: that objects have an existence independent of the human mind”. In other words, real structures exist independent of human awareness. Thus, realism is more appropriate to natural sciences and has entered with critical realism into the social sciences (Bryman and Bell, 2007, p. 628)

2.1.3 Pragmatism

Pragmatism is according to Saunders, Lewis and Thornhill (2009) the research method which use mixed methods, both qualitative and quantitative. According to Tashakkori and Teddlie (1998, p. 23) answers pragmatism to the either-or “…pragmatism is a reactive, debunking philosophy that argues against dominant systematic philosophies, making mocking critiques
of metaphysical assertions such as the grand either-or”. Additionally, the research question is the most important determinant at this method.

2.1.4 Interpretivism
Saunders, Lewis and Thornhill (2009, p. 116) state “Interpretivism advocates that it is necessary for the researcher to understand differences between humans in our role as social actors”. Furthermore Neill (2006) asserts that “Interpretivism, or the qualitative approach, is a way to gain insights through discovering meanings by improving our comprehension of the whole”. Interpretivism is the most suitable research to find out whether M&A is a valuable strategy and how important the post merger integration is in this context because according to Kasi (2009, p. 96) “…the research involves making theories and contributing to meaning rather than testing theory and meaning”. Additionally state Kasi (2009, p. 96) that it is more important for the researcher to add meaning and interpret it. Then, research has to go into depth, because M&A process is very complex and creative (Rezaee, 2011), which is due to the interplay of humans, organisation and finance. This method focuses on what people are thinking and feeling. It is very important for the researcher to interpret the verbal and non-verbal communication (Easterby-Smith et al., 2008). Through this the researcher understands the meanings and the viewpoints of social actors in M&A. With these understandings the gap, which exist in the theory, can be closed.

2.2 Research approach

**Inductive** and **deductive** methods are usually described as approach of gaining knowledge. Researchers use the inductive method as a mechanism of developing hypotheses, which can then be checked using the deductive method (Peters, Brühl and Stelling, 2005). The inductive method is usually used to conclude from the individual to the general (Hatch, 2002 ,p. 161). In contrast to the inductive method, deductive conclude from the general to the individual. This means that the agreement between theoretical and empirical data will be checked. In other words, deductive is a process where observations or findings are the outcome whereas inductive “… involves drawing generalizable inferences out of observations” (Bryman and Bell, 2007, p. 14). Additionally, state Hatch (2002, p. 161) that, “Inductive analysis begins with an examination of the particular within data, moves to looking for patterns across
individual observations, then arguing for those patterns as having the status of general explanatory statements”. Thus, following statements can be made:

Deduction ➔ Theory ➔ Observations/findings

Induction ➔ Observations/findings ➔ Theory

Then, *inductive* method is the most appropriate for this research. Saunders, Lewis and Thornhill (2009) define two facts that make inductive method the most suitable. First, Saunders, Lewis and Thornhill (2009, p. 126) stated that “…if you are particularly interested in understanding why something is happening, rather than being able to describe what is happening…” Referring to the question why M&A transactions often fail rather than create value, it is exactly what Saunders, Lewis and Thornhill (2009, p. 126) stated before and that is “…interested in understanding why something is happening…”. Second, it is the need to explain relationships between variables, which make it the most suitable method.

2.3 Research strategies

Basically, there are seven different research strategies. “Each strategy can be used for exploratory, descriptive and explanatory research” (Saunders, Lewis and Thornhill, 2009, p. 141). Furthermore Saunders, Lewis and Thornhill (2009, p. 141) state that it deepens always the choice of “…research questions and objectives, the extent of existing knowledge, the amount of time and other resources you have available, as well as your own philosophical underpinnings”. Moreover should a researcher not look at the strategies as discrete entities, it is quite possible to combine two research strategies (Saunders, Lewis and Thornhill 2009).

2.3.1 Experiments

Blaxter, Hughes and Tight (,p. 75) define Experiments as “ The experiment is a situation in which the independent variable (also known as exposure, the intervention, the experimental or predictor variable) is carefully manipulated by the investigator under known, tightly defined and controlled conditions, or by natural occurrence”. Furthermore are experiments generally
used to study links between two variables (Saunders, Lewis and Thornhill, 2009). Therefore, experiments are mostly used to answer how and why questions. However, Saunders, Lewis and Thornhill (2009) stated that this strategy isn’t useful for business and management research questions.

### 2.3.2 Surveys

Surveys in contrast to experiments are often used to answer to business and management research questions. Denscombe (2007, p. 7) define survey as “… to view comprehensively and in detail. In another sense it refers specifically to the act of obtaining data for mapping”. This strategy is an appropriate combination with the deductive approach (Saunders, Lewis and Thornhill, 2009). Thus, is this strategy useful to answer to questions like who, what, where, how much and how many. Summarized it can be said that surveys are good to collect huge amounts of data, for example through questionnaires. But the researcher has a lot more methods which can be used. For example, interviews, documents and observation (Denscombe, 2007, p. 7).

### 2.3.3 Action Research

“Research that produces nothing but books will not suffice” (Lewin, 1946, p. 35). The objective of action research is to obtain empirical facts and data, and also to effect practical changes in a social field. Generally, action research is “…research in action rather than research about action” (Saunders, Lewis and Thornhill, 2009, p. 147). Furthermore, state Blaxter, Hughes and Tight (2010, p. 68) “Action is undertaken to understand, evaluate and change”.

### 2.3.4 Grounded theory

Grounded theory is the combination of inductive and deductive method. It is especially useful to research mode of behavior. The theory for this study is obtained through data generated by a series of observations (Saunders, Lewis and Thornhill, 2009). Thus it starts without an initial theoretical framework. Then, “…is an overall theory to explain data” (Punch, 2009, p. 130).
2.3.5 Ethnography

Ethnography after Saunders, Lewis and Thornhill (2009, p.150) basically means “…that in adopting an ethnographic strategy, you will be researching the phenomenon within the context in which it occurs…”. For this strategy Saunders, Lewis and Thornhill (2009) suggest to use participant observation and this is certainly very time intense. Additionally, state LeCompte and Schensul (2010, p. 1) “Ethnography takes the position that human behavior and the ways in which people construct and make meaning of their worlds and theirs lives are highly variable and locally specific”.

2.3.6 Archival Research

Archival research use administrative records and documents as the essential resource of information. It is very important for the research that this strategy will not merge with the secondary research (Saunders, Lewis and Thornhill, 2009). This strategy is qualified for answering research question which focus on changes over time.

2.3.7 Case Studies

Case studies are defined by Robson (2002, p. 178) as “a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence”. This strategy differs to the experimental in that the boundaries between the phenomenon and the context are not clearly evident (Saunders, Lewis and Thornhill, 2009). Furthermore, the case study strategy is different to surveys in that the number of variables for which data can be collected are limited for surveys. Therefore, a very common definition in the literature after Yin (2003, p. 13-14) is “A case study is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between object of study and context are not clearly evident. It copes with the technically distinctive situation in which there will be many more variables of interest than data point, and as one result relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result benefits from prior development of theoretical propositions to guide data collection and analysis”.

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For this research, this strategy is very useful because it has considerable ability to answers to questions like how, what and why. Then, the research questions “How can a company avoid the synergy trap?” and “How can both parties of an M&A deal achieve long term value?” fits well. Furthermore the research is exploratory and thus case studies are the best strategy to use (Saunders, Lewis and Thornhill, 2009). Additionally, multiple cases are chosen for this research. Multiple cases are after Yin (2003) very useful because the researcher is able to prove if the findings from the first case occur in other cases and moreover the need to generalize from these findings. In detail, this research had done 2 interviews with 3 different people.

3. Research choices

*Mono method* basically means that the researcher use a single data collection and therefore means *multiple methods* that the researcher use more than one data collection technique. Furthermore Saunders, Lewis and Thornhill (2009) differentiate the multiple methods into two various methods, the multi-method and the mixed-method. The multi-method is after Saunders, Lewis and Thornhill (2009, p. 152) “… those combinations where more than one data collection technique is used with associated analysis techniques, but this is restricted within either a quantitative or qualitative world view”. Therefore the mixed-methods refer to research that use both quantitative and qualitative data collection techniques. A good overview of the different methods is offered by figure 2.

This research will use in-depth interviews with qualitative data analysis because the subject is complex and cannot be answered with questionnaires. In-depth interviews are the right choice to collect data and interpret them. Then, mono method is the right research choice.
4. Research time horizons

The time horizon is an important factor for the research. The research could be just a snapshot and or over a period of time. Saunders, Lewis and Thornhill (2009) define the snapshot as cross-sectional and the longer period longitudinal. Furthermore Saunders, Lewis and Thornhill (2009) state that the choice of the research strategy and method is completely independent to the time horizons.

4.1 Cross-sectional

Cross-sectional studies in detail are “…the study of a particular phenomenon (or phenomena) at a particular time” (Saunders, Lewis and Thornhill, 2009, p. 155). Cross-sectional studies use often surveys as strategy, however it is also used for qualitative methods like case studies based on interviews.

4.2 Longitudinal

Longitudinal studies on the other hand are over a period of time. For example, observing people over time. The advantage is that the researcher can be sure that the research process itself does not affect his or her variables (Adams and Schvaneveldt, 1991).
To find out whether M&A is value-adding the research uses in-depth interviews as the research tool. Because it is just a snapshot and not an overview over a longer period of time, this research will be cross-sectional and not longitudinal. Thus, Kumar (2011, p. 107) state that cross-sectional “… is best suited to studies aimed at finding out the prevalence of phenomenon, situation, problem, attitude or issue, by taking a cross-section of the population.” In other words, cross-sectional can be seen as an overall picture of the problem/phenomenon.

5. Structure of the research method – Framework

Figure 6: Research framework based on Saunders, Lewis and Thornhill (2009)
6. Data collection and data analysis

If there is little knowledge about the topic to be investigated, one can make an exploratory study in order to get a first impression. Furthermore, exploratory research is very flexible (Ghauri and Gronhaug, 2005). Possible methods could include focus group interviews, expert talks or performing a literature review.

In order to answer the research questions and the objectives of this study, an exploratory study will be the best suitable strategy. It is the best suitable because one cannot define the problem why M&A is not value adding. For this study it is not important how many M&A failed. It is important why and how they failed. To answer to theses questions, as mentioned earlier, this study will use expert talks such as interviews.

6.1 Type of data collecting

In order to answer the research questions, which are mentioned in point 4, this study will use both secondary and primary data.

On the one hand, will this study use primary qualitative data collection. Bodgan and Biklen (1982, p. 145) define qualitative data collections as “working with data, organizing it, breaking it into manageable units, synthesizing it, searching for patterns, discovering what is important and what is to be learned, and deciding what you tell others”. Furthermore, Klenke (2008) states that the human should be seen as the main instrument in this method. The human is the only instrument which after Klenke (2008, p. 136) is “… flexible enough to capture the complexity, subtlety, and constantly changing situation which is the human experience.” Moreover Merriam (1998, p. 7) adds “Certain characteristics differentiate the human researcher from other data collection instruments: the researcher is responsive to the context; he or she can adapt techniques to the circumstances; the total context can be considered; what is known about the situation can be expanded to nonverbal aspects…”.

On the other hand, secondary data will be used to build a grounded theory and the literature review. Kothari (2006, p. 111) defines secondary data as “… data that are already available i.e., they refer to the data which have already been collected and analysed by someone else”.

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Hence, this study has been used different sources to collect secondary data. These sources are books, magazines, newspapers, reports and publications. In detail, the sources can be seen in the bibliography at the end of this dissertation. Additionally, the researcher took care by using secondary data. In fact, just adequate, reliable and suitable secondary data, in the context of this research, has been used.

This study will use the approach of in-depth interviews. Kothari (2006, p. 110) define in-depth interviews as “… those interviews that are designed to discover underlying motives and desires…” Then, in-depth interviews seem to be the most suitable method for this study because the researcher is hoping to get deep knowledge which could not be found in the literature.

6.2 Data analysis

Qualitative data mainly has the problem that the collected data are generally words and not numbers like quantitative data (Miles and Huberman, 1994). Miles stated the following in 1979 (Miles and Huberman, 1994, p. 2): “The most serious and central difficulty in the use of qualitative data is that methods of analysis are not well formulated. For quantitative data, there are clear conventions the researcher can use. But the analyst faced with a bank of qualitative data has very few guidelines for protection against self-delusion, let alone the presentation of unreliable or invalid conclusions to scientific or policy-making audiences. How can we be sure that an “earthy”, “undeniable”, “serendipitous” finding is not, in fact, wrong?” However, since 1979 a lot has been changed. Nowadays one can find methods that are credible, dependable and replicable (Miles and Huberman, 1994). In fact, while one is analysing data he or she should draw conclusions very carefully.

It can be said that, the researcher has to handle primary data which has been investigated through in-depth interviews very carefully. Conclusion should be drawn very carefully because the personal interpretation of the researcher could affect the data.
6.3 Population and Sample

Klenke (2008, p. 10) states, “In qualitative research, sample size does matter but does not on the same importance as in quantitative research where large sample size are the drivers of many statistical analyses…”. As mentioned before this study is qualitative, therefore it is not a random choice like in quantitative research. Instead the researcher selects the participants intentionally (Klenke, 2008).

This study used two cases. In fact, one case was with chief executives from a bank and the other one was with a highly professional M&A advisor. This will bring two valuable interviews from different viewpoints.

6.4 Ethical Issues

“Ethical issues in qualitative research are often less visible and more of an issue than in survey or experimental research. These issues are related to the characteristics of qualitative methodologies, which usually include long-term and close personal involvement, interviewing, and/or participant observation” (Morse, 1994, p. 333). Furthermore, Saunders, Lewis and Thornhill (2009, p. 160) state, “The general ethical issue here is that the research design should not subject those you are researching to embarrassment, harm or any other material disadvantage”.

Then, this study will take care of ethical issues which will arise through the research. Through the fact that the study will use in-depth interviews there could arise problem because this comes along with highly personal information. This could include information about colleagues, the company itself or maybe illegal information (Gubrium and Holstein, 2001). To counter this, the study will consider carefully how deep the interviews are. Additionally, this study will protect its subjects, for example through keeping the anonymity, as well as report the truth.

6.5 Limitations to the research

First of all, in-depth interviews have the great advantage that they help to answer to complex problems. Plooy (1997, p. 114) “In-depth interviews provide a wealth of detail. When we
compare this type of interview with more traditional survey methods, in-depth interviews provide more accurate responses on sensitive issues”.

However, according to Hollowa (2005) qualitative in-depth interviews have various limitations. First of all, four interviews are time consuming. This means not just the interviewing process itself, the analysis of four interviews will take a considerable amount of time. Second, the interview format will, through the fact that the study will use two different cases, vary. Furthermore Bellenger, Bernhardt and Goldstucker (2011, p. 47) states “The interviewer/moderator’s also creates limitations. Because he is responsible for gathering relevant data as well as analysing and interpreting it, the interviewer must be highly trained.” Another limitation after Plooy (1997, p. 114) is that through a choice of non-random samples, generalizability could be an issue. Plooy (1997, p. 114) also state that interview partners are not willing to share all information they have. Especially when the researcher will ask why a specific M&A transaction failed, the participant often try to avoid these questions. Therefore, the researcher tries to get to this information through various questions which will not directly ask about the failure. This technique is in the literature known as hidden issue questioning. Nykiel (2007, p. 41) define hidden issue questioning as “… a technique used by in-depth interviewers in which they concentrate on deeply felt personal concerns and pet peeves”.

6.6 Personal biases

“Two important threats to the validity of qualitative conclusions are the selection of data that fit the researcher’s existing theory or preconceptions and the selection of data that “stand out” to the researcher” (Maxwell, 2005). In other words, that means the subjectivity of the researcher. It is necessary for the researcher to be as objective as possible. This means in detail that the researcher needs to understand his or her expectations influence the study. However, it is nearly impossible to eliminate all expectations and values of the researcher to the research (Maxwell, 2005). A method to avoid the personal interpretation after Morrison, Haley, Sheehan and Taylor (2002, p. 26) “Keeping track of your own personal biases, prejudices, and opinions before and during the research process helps to guard against their overly influencing your interpretation of the data”.
Chapter 4 - Research Findings and Data analysis

In this chapter, the data that was obtained through in depth interviews will be analysed. In fact, this chapter is divided into four sections, in order to answer to each research question.

The researcher was able to do two interviews with three different people. All of the interviews were done face to face. The interview partners have kindly allowed recording the interviews. However, the researcher should handle the highly confidential data very carefully.

The first interview was with the CEO Bernhard Slavetinsky (since July 1994 Member of the Board of the PSD Bank Karlsruhe-Neustadt eG, Marketing and Sales) and with the CFO Volker Deck (since April 1997 Member of the Board of PSD Bank Karlsruhe-Neustadt eG, Operations, administration, controlling, accountancy). The PSD Bank Karlsruhe-Neustadt eG is a regionally operating retail bank, where the experience of over 140 years come together with a future-and service-oriented concept around the entire spectrum of financial services. As a member of the nationwide PSD Bank Group, they are a cooperative oriented institute. At the forefront of their actions, it is not achieving high corporate profits, more important is the advice and support of over 80,000 customers and 55,000 members. PSD Bank Karlsruhe Neustadt eG assist their clients in all matters relating to their money and the private provision of their assets as a fair and trustworthy bank in a stable financial partnership, the customer satisfaction is the top priority of their efforts. PSD Bank Karlsruhe Neustadt eG have a balance sheet total of nearly 1.5 billion euros.

The interview was based on the merger between the former PSD Bank Karlsruhe eG and PSD Bank Neustadt in 1999. PSD Bank Karlsruhe had in 1999 40 fulltime and 10 part time employees. PSD Bank Neustadt had in 1999 40 fulltime and 10 part time employees. Now the merged bank has around 110 employees.

The second interview was with Mr Dr. Jörg Kempken. Dr. Jörg Kempken has over 20 years of experience in strategic and operational business planning / controlling, in M&A in industrial companies and as investment banker in a senior position with a leading bank in Germany. Thereafter over 10 years in a global M&A responsibility for Bayer AG in the areas of AgChem, Pharma, Animal Health and Material Science. Furthermore, he has special expertise in business development, M&A process organization, due diligence and financial
valuations. Completed about 100 transactions, mainly acquisitions, divestments and joint ventures. Now he is one of the partner of RK Associates.

RK Associates is a team of experienced individuals founded under the stewardship of Mr. Raj Kaul in mid-2008 to provide Business and M&A advisory services to companies engaged in the area of Life Sciences with a special focus on India / Europe and India / USA. Over the last few years the group has conducted extensive competitive market analyses, developed market entry concepts (including implementation), undertaken in depth financial modeling and advised on several M&A projects. The team’s understanding of the Indian market, its culture and business environment is outstanding. Some of the associates are resident in India and have extensive contacts. Associates have many years of experience at senior levels in large, multinational companies and are willing and available to render the services required. Special industry knowledge exists in the areas of Pharma, AgChem, Seeds, Biotech, Animal Health and Chemicals. In addition to specific industry knowledge the combined experience of the members of the group in the field of M&A is comparable to the best. The group has been involved in more than 250 M&A transactions of different types such as JVs, acquisitions, divestments, partnerships and collaborations and in R&D agreements, license and sales agreements etc.

This interview was based on many M&A deals during his time at Bayer AG as well as investment banker in a leading German bank. Furthermore, M&A deals of his time as partner at RK Associates were also included in the interview.

In the further course, the two board members of the PSD Bank Karlsruhe Neustadt eG are summarized for simplicity as PSD Bank. All three interview partners were asked the same 15 interview questions. Nevertheless, very quickly an interesting discussion developed on the topic of M&A.
1. Findings

**How can a company achieve the discovered synergy potentials?**
This question is dedicated to find out why more than half of the M&A deals could not achieve the desired success. And more important, what the other half did better to achieve the discovered synergy potentials.

and

**How can a company avoid the synergy trap?**

“The synergy trap opens for the eight out of ten companies involved in major acquisitions that do little pre-acquisition planning. But even for the two out of ten that do a plan, performance improvements already required by the pre-acquisition price of the target firm and the certainty of competitor reactions will limit synergies.” (Sirower, 1997, p. 19)

Both bank managers mentioned that it is important to see the fusion as a whole process. This means that every phases in the M&A process is as important as the other. The first mistake a lot of managers according to them do, is that the synergy potentials are set to high. For example, cost synergies are calculated too high. But also the integration phase, both agreed, is very important. In this context, their effort was to included every employee beginning on the top (Board of directors) down to the bottom (Trainees). Thus, the employees have no fear which often occurs during a merger. Especially because one bank was twice as big. Employees were frightened to loose their position and responsibility.

Another mistake is to create a wrong company structure. If this happens, the integration will take much more time and the synergies are very hard to achieve. In fact, a merger should be done in three to four years. If mistakes are done at the beginning, the integration of to companies could never be finished and hence the merger is called as failed. Their approach was to say at the beginning, we build something new. We build a new company structure and every employee gets involved.
However, Mr. Deck said that it depends on the question why companies merge. For example if companies merge because they have economically problems, the most important phase is directly after the merger because there, cost synergies will be achieved. The synergies that were discovered before the fusion of the PSD banks were mainly to enter in a the regional market and the other was that the financials rates together were much better. This is especially for a bank important. Another important factor was to recruit professional employees, which is much easier as a big bank.

Dr. Kempken mentioned in this context that first of all the strategic target should be clear. Without a strategic roadmap the merger will fail. Thus, the companies should first of all asked themselves if they can do it with organic growth or external and thus M&A. If the company choose M&A, he agrees with both managers of the PSD Bank that there is no more or less important phase. The whole process should be seen as important. In addition, Dr. Kempken thinks that the high number of failures resulting because too many companies merge without having a clear strategic roadmap. However, in contrast to the literature, he disagrees that especially during boom times more merger fails. He believes that even in boom times (merger waves) M&A can be successful if it fits strategically. But, he said that during boom times, prices can be very high and thus it is more difficult to achieve more value for the shareholders.

Another factor according to Dr. Kempken why so many deals are considered as failed, is that the synergies are calculated too high in advance. Thus he thinks that the due diligence phase is very important. Both managers of the PSD Bank agreed with that and stated in addition that “it is more easy to get the yes from shareholder and the board of directors if the synergies looks amazing, however after the deal, everybody recognized that they will never achieve the synergies and thus the merger must be seen as failed. But if the synergies were calculated more realistic, many of them would not be seen as failed”. In this context the bank managers also stated that advisories/consultancies or investment banks often calculate synergies too high because it looks more attractive to the shareholders and the board of directors.
Which impact has the integration process on the success of the M&A deal?

Described in the literature as the most important part in the M&A process, however, is not entirely clear what influence the integration has on the M&A deal. This question is also connected to the two questions above. Is a good integration process the winning formula to avoid the synergy trap?

As mentioned above, both interview partners disagreed that there is one phase more important than the other. However, during the interview they often stated how important the factor employees and their integration is. Furthermore, Dr. Kempken stated that the cultural fit is very important to achieve a successful integration.

Both managers of the PSD Bank disagree what the researcher read in the literature that the first 90 days are the most important to don’t fail. It depends on each merger how long it will take. In contrast, Dr. Kempken stated that the first 90 days can be seen as very important because there, the plan should be drawn and communicated to the employees. He thinks that a successful integration will be much more difficult to achieve, if the plan is not clear for every employee who is affected.

Interestingly, both managers of the PSD Bank always stated that the integration is very important to achieve long term success. They believe that involving every employee in the integration process is one of the success keys. Another important factor during the integration phase is to build project teams involving employees of every hierarchy level. Thus, according to them, you will keep the productivity of the employees because they feel integrated in the whole process of a merger.

An interesting point, where both interview partners had different approaches, was at the question if it is better to create a new culture that is different from the old ones or to take one culture – mostly of the larger company – and impose the culture on the smaller company. PSD Banks approach was to create a new culture that was different to the old ones. They have chosen this approach because they wanted to build something new. The CFO stated that “As a service provider it is important to fit the corporate culture to the regional culture of the customers. It is impossible to change people or their culture”. Hence, combining the best factors of both cultures was the key to success.

Whereas Dr. Kempken stated that at his time at Bayer AG the acquired company had to take the corporate culture of Bayer AG. This approach was important because Bayer is a
multinational company, which is represented in many different countries with a lot of subsidiaries. It is almost impossible for such a big multinational company to build every time a new culture. However, the cultural differences of each country must be considered. In fact, he stated that especially at cross-border M&A deals, integration is important because the corporate culture must be explained to the acquired company. It can be very difficult to combine regional cultures with corporate cultures.

To summarize, both agree that it depends on the size of the M&A deal. If it is a smaller deal or a merger of equals, the companies can combine the best parts of each culture and thus create a new one. But if a very big company acquire a smaller one, it is senseless to create a new culture. It is more efficient to impose the culture to the acquired company.

**Under which conditions can M&A create value for the company?**

After avoiding the synergy trap and achieving the synergy potentials, it is also important to create value for stakeholders. The success of companies or shareholders is often controversial in the literature. Many agree that M&A destroys value rather than create it. Interesting would be, why and under which conditions M&A create value.

and

**How can both parties of an M&A deal achieve long term value?**

If the M&A deal creates value, it is usually only in one company. Furthermore, it is important to ensure this value in the long term for both companies. In this context the study will investigate the culture of both companies. Some people talk about merging or combining cultures, while others seek to create a new culture that is separate from those of the legacy companies.

Both interview partners agreed that creating long term value for the company and the shareholder, the M&A must be successful. This means that each process should be seen as important as the other. A good due diligence is as important as the post merger integration. Furthermore, to achieve long-term success, it is important to monitor the transaction all time. This should also be a factor during the post merger integration. PSD Bank approach to achieve long-term value was to integrate the employees in the process as well as the board of
directors. Even now, 10 years after the merger, they review the transaction and adjust if necessary view things. “A M&A transaction is a complex process where long term value can only be achieved if you spend enough time and labor” (PSD Bank, 2013).
Chapter 5 - Conclusion and Recommendations

The high rate of failure justifies the need to address the issue of integration of mergers and acquisitions in the post-merger management. The single consideration of individual areas is not useful, since problems, which arise in M&A transactions, are in an overall context. Therefore, only a holistic approach can be considered as useful.

Scientific models were analysed, challenged and verified by practical experience. This began with a broad study of the scientific literature in the areas of mergers and acquisitions and post-merger integration. As research method, the author chose the form of qualitative, in depth interviews, which were conducted with individuals from companies with M&A and integration experience. In addition, the author gained further important practical experience during his internship at an investment bank in the field of M&A.

The consideration in this study had the objective to achieve synergies through a merger or acquisition. This means that the whole is supposed be more than the sum of its parts. These anticipated synergies usually appear as cost reduction or productivity improvement. Achieving synergies will be facilitated by the integration. Therefore, important key points of the integration phase will be explained in more detail hereinafter. This can be seen as recommendations to achieve success and therefore the synergies. However, as explained above, every M&A transaction is different, and therefore also each integration. So that these recommendations have to be adjusted for every single M&A transaction. But they can help to create an idea to avoid general traps, which occur during M&A.

1. Implementation of an integration management

The relevance of a structured and early merger and integration planning was seen in both, the literature and during the interviews as a very important factor for a successful integration. Another success factor and premise for a successful merger is the subject of corporate culture. Already during the pre merger phase, corporate culture should become into focus and not when the integration is already well underway and first noticeable conflicts become apparent. The author recommends that fateful foundations for the success or failure of mergers should
be done in the first weeks of a M&A transaction. Even if the interviewers had different opinions about the time, both thinks that a clear structure is essential. Monnery and Peck (2000, p. 8) support this and state that “make these design decisions before the organisation begins making them for you”. Furthermore think Monnery and Peck (2000, p. 8) that integration teams should be integrated in the merger process as soon as possible. This ensures, in my opinion that it will not come later in the integration to any problems. This became even very clear during the interviews, especially in the merger of PSD Bank. Their approach for the successful merger was a clear and structured plan at the beginning of the process.

2. Integration speed

Whether or not the speed of integration is a success factor could not be answered either by literature or through interviews. The authors opinion is that due to the increased expectation change and readiness to change at the beginning of the integration phase, changes in the company are implemented more effectively and lead to a faster achievement of synergies. Several colleagues of the author at his work confirmed this. Therefore, the primary task of the integration management should be, keeping the disturbances as low as possible in order to minimize the economic damage and hence making the company as quickly as possible working on their daily business. Therefore, the author recommends a structured integration plan, with clear responsibilities and priorities. It is important to quickly ensure clear conditions to accelerate the return to the operating business. Hence, the main tasks of the company should be analysed accurately and based on that, priorities should be set, which does not paralyze the operating work and thus the company will be much more productively, even during a merger or acquisition.

3. Corporate Cultures

In the literature review the researcher investigated what the literature wrote about cultures in an M&A process. The approaches taken in the literature often pursue the goal of bringing together the best factors of both cultures. The researcher thinks, however, that this compromise can quickly lead to problems. Hence, in the opinion of the author it is not important to search for theses factors and then combine the cultures. Rather, it is more
important to create a new culture during the integration phase. The positive effect is that the employees feel integrated in the new culture because they worked actively on it. This means that not the combining of different cultures lead to success, but the working with these cultures is the actual success of integration. This approach was taken by the PSD Bank and they were very successful with this approach.

Another point where the author disagree with the literature is that cultural fit is according to most of the authors crucial to the success. I think the cultural differences may be more likely an advantage. Of course, companies should see this advantage and make use of it, and that requires again a good integration.

Summarized it can be said that the researcher believe that the active work on a new culture during the integration has a positive effect on the success of the M&A transaction and therefore, it will definitively help to achieve the synergies.

4. Communication

Change processes directly affect the company because they can transform the feeling of employees in uncertainties. With the size of uncertainty, the importance of information and communication increases. Through information and communication, sympathy increases and thus the important trust for the on-going integration process. Whereas, if members of the organization will be informed insufficient, late or not at all, this can be the basis of speculation and rumours, which have a negative impact on the integration process. A successful integration is therefore only possible if the top management communicates openly and intensively. This approach has also been done by the PSD Bank, where the chief executives have formed working groups and thus each employee involved in the merger and integration process. During the interview they often pointed out that this was a key to success and that the communication and information is too often neglected by most of the managers. Because intensive communication provides guidance, avoids concerns, creates sympathy and builds trust.

Thus we see the importance of communication with employees. But employees are not the only group that should be included in the communication. The focus of the communication should include customers, employees, executives and board members. Especially external communication to customers and competitors can create a decisive competitive advantage.
Customers may not be able to identify with the new culture, so an early external communication is needed.

Hence, the author believes that the best method is to inform the employees in the first step about the new situation and changes that could occur. Advantages of the merger for the company as well as their employees should be communicated understandable. If the changes are clear to every employee, it will be easier to create the new culture.

Therefore, the top management is primarily required. They should show presence during the integration and make the strategy and goals of the newly formed company understandable. For example, PSD Bank as well as Bayer AG approach was to build working group or task forces – how do you call it, does not matter – and employees events. But employees should not only receive information, but rather a sharing should occur. A good way to communicate is for example, a weekly newsletter, which inform about the merger process.

5. Overall Conclusion

The attainment of the objective which has already been defined in the introduction, namely, how to avoid the synergy trap and thus create long term value, should have been achieved with the above explained key factors. They are designed to achieve a successful integration and therefore minimize the risks and errors of M&A transactions. However, this should not obscure the fact that in mergers always problems and difficulties will occur. This has to do to with the fact that every M&A deal is different and there is no general solution. Furthermore, since always humans are involved in integration processes, problems and failures will occur. Nevertheless, there are some important things to note (see above). This enables the integration and the entire transaction to be simplified.

6. Limitation and Suggestions for Further Research

Even if the objectives of this dissertation have been achieved through the collection of primary data with in-depth interviews and the review of relevant literature, this information was not easy to collect for the researcher. In fact, the researcher tried to interview a minimum of 4 different people. After getting just declines from managers or companies or even no
answers, the researcher was able to do two interviews. Furthermore, it was impossible to interview people who have actively work on a merger that failed. This was very unsatisfactory for the researcher, because he always had the feeling to get no valid information to answer adequately to this interesting topic. However, the researcher had two interesting interviews and studied a lot literature, which was already done to this topic. Thus, the researcher believe to deliver an adequately study with some restrictions.

In addition, the researcher highly recommends investigating M&A transaction that clearly failed, and to compare these failures with successful M&A transactions. This would deliver additional needed information to solve the problem of high failures.
Chapter 6 - Self-Reflection on own learning

In this last chapter, the researcher shows what he learned during the master course and also during his research. Furthermore it will show, which skills the researcher achieved during the whole MBA. In fact, it will show the development he had either professional or personal. Summarized, this chapter is divided into two parts. The first part is about learning styles in a personal manner and the second part is about the skills and knowledge the researcher gained through his dissertation and the Master of Business Administration Program.

1. Learning styles

Generally, learning means to gain new knowledge. There are a lot of definitions about learning. However, Kolb is probably one of the most famous authors in the field of learning styles. According to Kolb, “Learning is the process whereby knowledge is created through the transformation of experiences” (Kolb, 1984, p. 38). Another suitable definition delivers Bevis (1989, p. 78) “Learning is a change in behaviour, perception, insights, attitude, or a combination of these that can be repeated when the need is aroused”. So that learning can be seen as changes, which occur through events everyday.

In the 1970s the concept of learning styles was created. This concept assumes that most people prefer a few custom methods to deal with information. Under otherwise identical conditions of learning, learners often achieve therefore varying degrees of success according to this concept, because their preferred learning method is not offered.

Kolb (1984) developed a learning style concept that is very often used, even today. He name four different types of learner. How the work together, is shown in the figure below.
**Converger (doing and thinking)**

“People with a Converging learning style can solve problems and will use their learning to find solutions to practical issues. They prefer technical tasks, and are less concerned with people and interpersonal aspects. People with a Converging learning style are best at finding practical uses for ideas and theories. They can solve problems and make decisions by finding solutions to questions and problems. People with a Converging learning style are more attracted to technical tasks and problems than social or interpersonal issues. A Converging learning style enables specialist and technology abilities. People with a Converging style like to experiment with new ideas, to simulate, and to work with practical applications” (Kolb learning styles, no date).
Diverger (feeling and watching)

“These people are able to look at things from different perspectives. They are sensitive. They prefer to watch rather than do, tending to gather information and use imagination to solve problems. They are best at viewing concrete situations several different viewpoints. Kolb called this style 'Diverging' because these people perform better in situations that require ideas-generation, for example, brainstorming. People with a Diverging learning style have broad cultural interests and like to gather information. They are interested in people, tend to be imaginative and emotional, and tend to be strong in the arts. People with the Diverging style prefer to work in groups, to listen with an open mind and to receive personal feedback” (Kolb learning styles, no date).

Assimilator

“The Assimilating learning preference is for a concise, logical approach. Ideas and concepts are more important than people. These people require good clear explanation rather than practical opportunity. They excel at understanding wide-ranging information and organising it a clear logical format. People with an Assimilating learning style are less focused on people and more interested in ideas and abstract concepts. People with this style are more attracted to logically sound theories than approaches based on practical value. These learning style people is important for effectiveness in information and science careers. In formal learning situations, people with this style prefer readings, lectures, exploring analytical models, and having time to think things through” (Kolb learning styles, no date).

Accommodator

“The Accommodating learning style is 'hands-on', and relies on intuition rather than logic. These people use other people's analysis, and prefer to take a practical, experiential approach. They are attracted to new challenges and experiences, and to carrying out plans. They commonly act on 'gut' instinct rather than logical analysis. People with an Accommodating learning style will tend to rely on others for information than carry out their own analysis. This learning style is prevalent and useful in roles requiring action and initiative. People with an Accommodating learning style prefer to work in teams to complete tasks. They set targets and actively work in the field trying different ways to achieve an objective” (Kolb learning styles, no date).
Another approach is from Honey and Mumford in 1986. They also named four different types of learning that are based on Kolb’s work. This four learning styles are explained according to Pont (2003, p. 86) as the following:

**Activists**

“Activists learn best from activities in which they encounter new experiences/problems/opportunities. They enjoy the here-and-now and often thrive in short-term crisis situations. Change, a fast pace, and a range of diverse activities to tackle, provide and essential stimulus. They are usually extrovert individuals who enjoy a high-profile position and the stimulus of challenge. Being thrown in at the deep end with a difficult task is viewed as a challenge, not a daunting or overwhelming hurdle. They love to “have a go”. Routine and longer-term consolidation have little appeal” (Pont, 2003, p. 86).

The activist has very many similarities to Kolb’s accommodator.

**Reflectors**

“The preference here is for a more back-seat role. Reflectors like to stand back on the edge of activity and observe what is going on from different perspectives. They are usually good at data collection and make a thorough analysis in their own time before coming to conclusions. They like to consider the situation from all angles before acting, and so usually they are cautious. Pressure and tight deadlines are not welcomed” (Pont, 2003, p. 86).

The reflector is very similar to Kolb’s diverger.

**Theorists**

“Theorists like concepts, model, theory, systems, and the opportunity to explore interrelationships and associations. They like to be stretched intellectually, and because they prize logic and rationality, they tend to have analytical minds. Such an analytical preference may mean that they prefer to work on the edge of things – ie from a detached position – rather than be involved from within the situation” (Pont, 2003, p. 86).

The theorist is close to Kolb’s assimilator.

**Pragmatists**

“A preference here indicates an orientation towards relevance between subject matter and one’s own position. “If it works, it’s good” is the motto, and pragmatists look for the earliest
opportunity to implement what has been offered. They are practical down-to-earth individuals who enjoy problem-solving and making practical decisions. The focus is very strongly on implementation and output” (Pont, 2003, p. 86).

This learning style is close to Kolb’s converger.

Analysing these concepts plus doing a learning style questionnaire helped the researcher to find out that he fits to the concept of both assimilator/theorist and converger/pragmatist. Thus, looking back to the learning cycle of Kolb, the researcher is more a “thinker” rather than “feeling”.

2. Review on learning

In relationship to the above-explained learning styles, the researcher was influenced by these styles during his study. As mentioned earlier, the research is an assimilator/theorist, which means that he is more logical. This was an advantage when he investigated his topic. The ability to research a wide range of information and than put this information into a logical framework, helped the research enormously. Especially because the field of M&A is very broad and the researcher had to pick just the valid information to his topic. Furthermore, this ability helped the research to analyse his data, he gained through interviews, rational. Another advantage is that the researcher was normally very organised.

At the same time, the other concept influenced the research during his study as well. The learning style of a converger/pragmatist helped the researcher to solve problems and to put the theoretical information into practical know how.

As a matter of fact, this two learning styles has also problems in relationship to the study. The researcher is according to the learning styles less concerned with people and their interactions. But during the interviews, the researcher had to deal with this concerns. Thus, he tried to do his very best and to be less logically and pragmatism during the interviews and the data analysis. This is important because an important factor of success in M&A is humans.

However, the researcher knew of these problems and tried to avoid these hinds in the best way. The goal to finish his dissertation and also his MBA Program pushed him to a limit he never knew before.
Summarized it can be said that the learning styles influence work of people. In fact, the advantages helped the researcher a lot but he had also to deal with the disadvantages. It was a great opportunity to get deep insights into the field of M&A and also of himself, which is even more important.

3. Master of Business Administration’s experience and learning

The MBA program at the Dublin Business School was a great experience, which pushed the researcher continuously to his limits. Firstly, the researcher studied for his first time in an English speaking country. This was a big challenge even he had a good foundation in the English language. Another challenge were the different learning methods to his former University. Generally it can be said that the MBA was more general rather than deep into specific fields. This was a great advantage to other Master Programs because the researcher had already a deep knowledge in finance from his former degree in Banking and Finance. Thus, the MBA program provided the researcher with a good knowledge in management and not only in banking and finance. Hence, the researcher has now the ability to look in a wider range over companies. Especially in relationship to his wish to in the field of M&A, this could be an advantage. Another big advantage was the link between practise and theory. The MBA Program included a lot practical exercises, which will help the researcher in his job. This was extended because many people in the MBA course had already practical experience and they gave their knowledge to the course. Very interesting was the fact that the class had people from different branches and countries. This gave the researcher the chance to get an international overview about cultures and their thinking to management and finance. Last but not least, the MBA Program provided the researcher with presentation skills, due to the fact that there were a lot of presentations in class. The international network will help the researcher even after the MBA Program.

4. Conclusion

Overall it can be said that the researcher grows personal as well as professional. His ability to speak English fluently will help the researcher in his professional career. A postgraduate study will also help the researcher to find a job and to get a higher position. The multicultural
experience will help the researcher not only in his job. It is an experience that will help in every step during life. Finally it can be said that, living for one year abroad is the best experience the researcher ever did. He highly recommend to every student to use the chance and go abroad. The personnel and professional skills he required during the year are invaluable.
Appendix

General questions

1. What is your function in the company?

2. What is your professional background?

3. On which M&A transactions have you work in the past and what was the last?

4. How do you define professionalism in the context of post-merger integration?

Research questions

1. What was your position in the last post merger integration?

2. How big was the deal?

3. What were the main issues at the outset of the merger?

4. Were external advisors involved?

5. Which phase of the M&A deal is the most important to achieve the synergies and Why?

6. What synergies have you been discovered before the merge?

7. What synergies could actually be achieved?

8. What specific operations have you done to ensure this?
9. What have your company done to avoid the synergy trap and how important in this context was the PMI?

10. Some people talk about merging or combining cultures, while others seek to create a new culture that is separate from those of the legacy companies. What was your approach?

11. Has the experience taught you things that would be useful in more conventional mergers, or is the approach always dictated by individual circumstance?

12. What was your approach to stakeholders such as customers, communities, and suppliers?
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