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# BACHELOR THESIS

Merger and acquisition: The critical factor of  
post-merger and post-acquisition integration

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## Abstract

Mergers and Acquisitions (M&As) are often used by companies to grow at a remarkable speed. As M&As lead to immediate changes in the companies involved, certain preparation measurements should be enacted before the merger is closed. Numerous papers were written about the influence of post-M&A integration (PMI) on the success of the combined company. The analysis made clear that the anxiety and uncertainty of employees can be highly influenced by the PMI process which thereafter has a positive impact on the outcome of the merger. Several cases of M&As that failed prove that the non-assessment of cultures beforehand the M&A was the reason of failure. Therefore, this thesis decided to focus on the actual planning of the PMI. Furthermore, as cultural integration and communication play a tremendously important role during this stage, this paper conducts a case study analysis of best practices in order to develop an action plan thereafter. The action plan is a construct of the combination of theory and real-world best practices.

This paper is limited to the communication strategy and the integration planning of cultural aspects and parts of HRM. It does however, not include the integration of systems.

Keywords: merger & acquisition, post-merger integration, cultural integration, change management

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## Introduction

A common strategy to expand a business quickly in the tourism sector is the acquisition of existing companies. In the last decades, many hotel chains bought out other brands, as for example when International Hotel Group (IHG) acquired Kimpton Hotels & Restaurants in order to become the market leader in the boutique hotel segment (Kimpton Hotels & Restaurants, 2014). Another recent example is Marriott International announcing its deal with Starwood Hotels & Resorts Worldwide with the aim of becoming the world's largest hotel company with the strongest loyalty program (Marriott International, 2015). But not only the lodging sector was merging and acquiring. Online travel agencies (OTAs) are merging as well, such as Expedia Inc. which acquired Orbitz in order to share knowledge and to become stronger in the market (Dastin, 2015). Last but not least, several airline companies have decided to unite forces, whether it was US Airways merging with American Airlines in order to save it from bankruptcy (Greig, 2013), or the acquisition of Swiss International Air Lines by Lufthansa (Handelsblatt, 2007). These few examples represent only a small part of all the Mergers & Acquisitions (M&As) that have been realised during the past decades.

The above mentioned M&As were rather successful mergers, which means they were able to integrate two organizational cultures (OCs) into one. Of course there are other important factors prior to the decision of actually merging with or acquiring another company, such as its profitability, the added value for the acquiring company and the analysis of the strategic goals, to mention just a few. (Kim & Olsen, 1999; Schein, 2009)

According to a study conducted by KPMG, 83% of the mergers were unsuccessful in regards to increasing shareholders value. The report stresses the fact that the cultural integration and the herewith linked communications to the employees is a key factor. They found out, that less than 10% of the responding companies addressed the selection of the management team, tried to resolve cultural issues, emphasized their communications and carried out an integration project. Only the few ones doing so were creating successful mergers. (Kelly, Cook, Spitzer, & Prouty, 1999)

The above mentioned research shows the importance of Human resources management (HRM) during a merger, which will be the focus of this paper.

## 1 Research question

As I was finding myself in the situation that the company I was doing my internship at was acquiring another company, I felt an insecurity arising inside of me and I saw one developing within my colleagues. Even though it was “our company” buying another company, questions arose. What will happen to our brand? Will they change the culture of the company? How will they integrate the “competitor” that was about to become part of the organisation? To what extent will restructuration be happening? How will the acquisition affect us? Why are they still calling it a merger when it actually is an acquisition? And many more.

The company I was working for was an international hotel chain, one of the largest actually. The other company was also a leading hotel chain, but was looking to be bought as they will never become the market leader by standing alone, they decided to join forces with a stronger company.

When I started my internship, the company just announced the deal, but it was not until several months later that the authorities were acknowledging the deal after thorough consideration of the antitrust laws. The time between the announcement and the official merger was the inspiration for this bachelor thesis. Even though I was only interning, I was asking myself what would happen after the closing of the deal. Furthermore, I was constantly wondering when they would start informing us about the important changes that were about to happen.

Before the official stock-closing of the acquired company, not a lot of information came through, which was due to the sensitivity of the information and the unknown decision of the antitrust committees. However, personally I experienced how fast you feel excluded of what is happening and how easily you feel not well informed.

In this paper, the phrase HRM and culture change management are often used in the same sense. I decided to focus only on the HRM, respectively the corporate culture change during the M&A, as the topic itself is very broad. Consequently, the aim of this paper is to answer to questions that are linked to each other.

The first question aims to give a general overview of the topic and a demonstration of the importance of HRM on the success of the merger once the integration is fully completed. The second question is the actual aim of the paper, to develop an action plan with concrete

suggestions. Furthermore it aspires to show the specific impacts it can have on the success of the M&A. The first question of this paper therefore is:

**How important is culture change management during M&As and to what extent has it an impact on the success of a merger or acquisition?**

Once the first question is answered, the paper aims to answer the following question with the design of an action plan with concrete suggestions that are inspired by and based on actual M&A examples and experiences:

**Which actions can be taken to manage culture change during a merger?**

## 2 Methodology

The first part of the paper will focus on the theoretical background of organizational culture and mergers. The paper starts with the analysis of different theories about organizational culture, in order to understand its importance, the diverse angles to review it and to find a definition. A second theoretical part will be written on M&A drivers and aims, key success factors (KSF) and last but not least its risks and opportunities. This part will help understanding the context of the OC during M&As and also to point out the main reasons why M&As are happening.

The second part will consist of the data collection and analysis, which will be based on secondary data only. The aim is to find relevant techniques and strategies for hotel mergers concerning the culture management. In order to do so, cases studies of M&As will be analysed, however, not only focusing on the tourism sector, as each merger or acquisition is different. Therefore, it makes no sense just to focus on one specific industry, which is why this paper will analyse different cases of M&As in order to find common mistakes and best practices.

The last part will consist of recommendations resulting from the analysis of real world case studies. The recommendations will build the base for a culture integration plan during M&As, specifically designed for international hotel chains.

### 3 Limitations

The research of this paper is limited to secondary data analysis only. The initial idea was to analyse the acquisition of the company I worked for with a questionnaire, a theoretical part to give the background and from own experience.

The survey which was designed to analyse the feelings of the employees during the pre-merger stage was stopped from the leaders of my internship. This was due to the fact that it touched a very sensitive topic at that time and would therefore have been too high of a risk to be spread out.

The main fear was that the corporate office would get to know about the survey that was to be sent out to employees of the two companies. In order to conduct the survey officially, the legal department of the company would have had to give its consensus with the spread of the survey. To get one of those, especially in the time of a merger happening, a lot of time would have passed, and most probably it would have gotten rejected. Furthermore, the risk of them making it very complicated was not even considered.

The decision was made not to follow the initial plan and to dedicate the whole bachelor thesis to a secondary data analysis with the aim of developing an action plan for the culture change management during a merger.

This implies, that this paper is solely based on secondary data with a creative part included in the action plan. However, the action plan has never been tested and serves more as a collection of actions that could be taken to tackle the obstacles that arise during a merger or acquisition. The action plan can be seen as a source of inspiration. It offers specific suggestions of what could improve the employees' uncertainties and fears and how culture clashes can be avoided.

Another issue was faced during the data collection. The aim was to find case studies on M&As in the tourism industry. However, only very few case studies with actual best practices exist on M&As in this sector as the main industry focus of such papers lies on automobile, pharma or banking M&As. Therefore, this paper will use case studies from other industries as well.

Besides, as all M&As are different, even within the same industry sector, the conclusion was made that also examples of other types of M&As should be considered in order to cover all the issues that can be faced during the integration process. Culture clashes are as much of a risk in the financial industry as they are in the tourism sector. Of course, the international culture can clash as well, but the action plan will be developed on the assumption of an international merger anyways.

The action plan that was created has several limitations itself. Its main focus lies on the cultural integration of two companies. Therefore, it also touches the planning of communication. However, it does not include any guidelines on how to integrate two different systems. It mentions the topic, but it does not give in-depth advice on what to focus with the integration of the salary systems, the benefits or similar.

## 4 Theory

This part of the paper conducts a literature review on the general theory of organizational culture and mergers. It aims to create an overview of the two topics in order to link them afterwards. As organizational culture is an intangible element, two very well-known and ground-breaking theories will be analysed in order to point out the main characteristics of each in form of a summary.

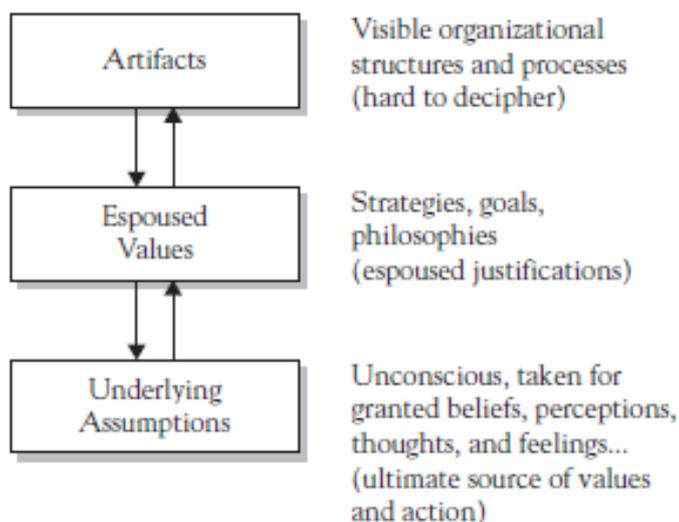
### 4.1 Organizational culture

#### 4.1.1 Schein

In order to define culture, Schein points out that trying to grasp culture as such cannot be done without analysing and understanding its depth. He therefore defines three different levels of culture.

Culture is a pattern of shared tacit assumptions that was learned by a group as it solved its problems of external adaptation and internal integration that has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems. (Schein, 2009, p. 27)

Figure 1: The three levels of culture



(Schein, 2009, p. 21)

The first level, which is demonstrated in figure 1 as artefacts, defines the first impression you get from an organizational culture. It is highly linked to your own perception and is

therefore subjectively and emotionally influenced. You can see two cultures with similar ideals and think they highly differ from each other, but this might just be because they show it differently. (Schein, 2009)

The second level requires one to ask questions in order to understand certain functionalities and procedures. The answer to these questions will consist of the values of the culture, that might have been implemented by the CEO of the company who believed in a certain way of working together. Nowadays, big companies tend to promote these values within the company, having leaflets or tiny flyers that consist of the most important ones in order for the employees to fully understand them and integrate them in daily work life. (Schein, 2009)

As questioning will maybe still not erase all the inconsistencies within the culture and the behaviour, one has to understand the company's historical background. If the CEO was the implementer of the culture, his own background surely takes part in his decision on how to run the company. He will implement a culture that consists of what he thinks makes a company successful, whether it is having a strong hierarchical structure or having an open-door policy. Once his idea of culture is implemented and successful, his employees will then start to believe in the same, take it for granted and build tacit assumptions that this is the right way to do things. (Schein, 2009)

These three layers build a stable, broad and deep culture, which cannot be changed easily and without overthinking. This is why Schein thinks it is important to interview members of the culture and in the best case, even to experience the culture by oneself in order to be able to understand and therefore later on also to change a culture. (Schein, 2009)

Another important statement of Schein is that culture and leadership are linked. A culture that promotes strong hierarchical structure might also indicate that the boss makes the decisions without consulting his employees. Dependent on the culture or the leadership style, one can identify whether the company fits his own values or not. This is especially important, if a new leader with a different cultural background enters the company, as he will have to decide how to react to it and to what extent he will adapt. In such a case, decisions should be made carefully, knowing that a company's culture is essential to its employees. Schein limits the options of the new leader to the following ones:

- Destroy the existing culture: Getting rid of cultural leaders and implementing a new one, with the high risk of lowering the employees' commitment to the company resulting in less profit and losing essential employees with great expertise.
- Fight the existing culture: Trying to impose a new culture. This might will go well when looking at the surface, but normally employees will not immediately take over the new culture, especially if the old one was there for a long time. In this case, it might even backlash so that the new leader will leave at one point as his efforts to implement this new culture will continuously fail.
- Give in to the existing culture: Adapting to the new culture can also bear the risk of not actually evaluating it in order to find elements that are unnecessary or outdated.
- Evolve the existing culture: Becoming part of the existent culture, gaining valuable insights and building up trust will help in order to later on adapt the culture to be more effective and updated. (Schein, 2009)

Changing an existing culture is a very complex topic, as the organizational culture itself is built up by many different subcultures. The whole organization might share the same ideas of how to run a business, but as in national cultures, subcultures will evolve, especially when the company is big. This can depend on departments, but also on location or level of employment. This means, that leaders on every level – not just the CEO and his closest partners – have to be aware of the subcultures and be able to manage them in order to create the big picture of the organizational culture. (Schein, 2009)

Especially during M&As, these subcultures have to be handled carefully. In the case of a merger, Schein lists the following options:

- Separation: This enables both companies to retain their organizational culture without interfering with each other. Anyhow, this strategy can only be successful if the linkage is limited, and therefore also leaders from both parties should be assigned to stay responsible for their own part. This solution will not work if the two companies have to work together closely or if they are financially linked. (Schein, 2009)

- **Domination:** Schein stresses, that one culture will always be dominating the other. It might not be visible from the beginning or not openly discussed, but generally, even when a merger is happening, one of the companies will take over the lead and therefore also impact the cultural domination. (Schein, 2009)
- **Blending:** Perceived to be the perfect outcome, Schein disagrees and states that blending is not always possible. Even though merging companies will assign leaders from both companies, one of the cultures will in some way dominate the other. If two company cultures are supposed to be blending, resistance will arise sooner or later due to the fact that not all the critical factors are being evaluated beforehand. Schein explains that two cultures will only blend if the newly merged company is facing a critical situation and the subcultures need to work closely with each other. Only through this interaction, people become aware of the others' ideas and start evolving their own merged culture. (Schein, 2009)
- **Conflict:** In any M&A, conflicts will arise between the businesses. Some managers will likely start fighting against the new construction and even jeopardize their career. They will constantly disagree with other departments and fight over small things. But the small things are often misinterpreted and not being seen as what it actually is – a conflict of two cultures. When they clash, it is mostly due to the different perspectives, not because they are resistant to the merger. There is simply no guarantee that everything will go just as planned and as smoothly. (Schein, 2009)

#### 4.1.2 Hofstede

Geert Hofstede conducted research on culture with publications dating back to 1980. His initial focus was lying on finding the differences and congruencies in different cultures. Based on that, he developed a framework on organisational culture for which he conducted research with primary and experimental data. He is known to be a pioneer in this field of research. His books and theories are cited in relevant literature and scientific research, which makes his model on organisational culture indispensable for this paper.

He defines organizational culture as “the way in which members of an organisation relate to each other, their work and the outside world in comparison to other organisations. It can enable or hinder an organisation's strategy” (The hofstede centre, 2016).

Hofstede strongly believes in corporate cultures, stresses however that culture also depends on location. Furthermore he points out that corporate values, such as integrity and professionalism, sometimes are not exactly lived by the company promoting them. He therefore suggests, that such values can only exist if consistently demonstrated and if sanctions are given to those not following. If this is not found within a company, he defines the values to be hypocrisy and therefore invalid. (Hofstede, Hofstede, & Minkov, 2010)

The Hofstede Multi-Focus Model on Organisational Cultural was designed in order to help organisations to become more effective. It can also be used to analyse two different cultures and to find out where adaption has to take place. Hofstede's Multi-Focus Model consists of six autonomous dimensions or variables and two semi-autonomous dimensions. Semi-autonomous are the level of acceptance of the leadership style and the degree of identification with the organisation. These two dimensions are highly dependent on one of the values reached in one of the autonomous dimensions. (Hofstede et al., 2010)

In order to make the explanations to the six autonomous dimensions a bit more realistic, a paragraph defines what this means in general for the hotel industry in order to give an example. In each autonomous dimension there is a table that shows the different levels of the dimension. The size of the columns is specifically different from dimension to dimension as the model of Hofstede also has different levels from one extreme to the other within the dimension.

#### *4.1.2.1 Means-oriented vs. goal-oriented*

This dimension reveals whether an organisational culture is orienting on the way work is done or on the outcome of their work. In a means-oriented culture employees focus on the way their work needs to be done. This means that companies that are very means-oriented have a quite standardised work day and avoid risks. Contrarily, in a goal-oriented company culture people focus on the outcome of their work and are driven by results. This culture involves more risk but is more efficient. It is to mention that certain businesses simply do not require to take risks. One example could be governmental institutions, which are proceeding paper work and similar tasks. (Hofstede et al., 2010)

In order to understand better the different levels of the extreme, table 1 was designed.

Table 1: Dimension 1, Organizational effectiveness

<b>D1 Organisational Effectiveness</b>			
<i>Means-oriented</i>			<i>Goal-oriented</i>
<ul style="list-style-type: none"> <li>- Only do what told to do</li> <li>- Low trust</li> <li>- Promises mostly broken</li> </ul>	<ul style="list-style-type: none"> <li>- High amount of rules</li> <li>- Repetitive work</li> <li>- No risks</li> <li>- Strong monitoring</li> <li>- Preventive maintenance</li> </ul>	<ul style="list-style-type: none"> <li>- High amount of rules</li> <li>- Repetitive work</li> <li>- No risks</li> </ul>	<ul style="list-style-type: none"> <li>- Pioneer spirit</li> <li>- Space for creativity</li> <li>- Productive</li> <li>- High level of trust</li> <li>- Inspirational leadership</li> <li>- Challenges &amp; surprises welcome</li> </ul>

(Own design, adapted (The hofstede centre, 2016))

The hotel industry is quite results driven. Generally, things need to go fast and the budget is raised every year, which drives the culture towards being goal-oriented. Furthermore, innovation is gaining a lot of importance lately, as the age of technology allows changes that are demanded by the public as well.

#### 4.1.2.2 Internally driven vs. externally driven

The second dimension clarifies whether a company cares about the external or the internal stakeholders. An internally driven culture is only driven by its monopolistic power or by knowing what their exact job is and what is best for the client. A rather internally driven culture can be found in a police department. Their jobs are clearly defined and are therefore internally driven. In an externally driven culture the importance lies on meeting stakeholders' goals or requirements. This could either mean to drive profit for its shareholders or to meet customer's expectations. Clearly, both of these two external factors are linked nowadays, as shareholders long-term goals can only be met by driving customer's satisfaction. (Hofstede et al., 2010)

The hotel sector is generally a good example for the externally driven corporate culture, as it is working closely with customers and mostly also with shareholders. Furthermore, in the age of TripAdvisor and other online rating platforms, the satisfaction of customers is even more crucial. As visible in table 2, these are the attributes of an externally-driven company culture.

Table 2: Dimension 2, Customer Orientation

<b>D2 Customer Orientation</b>			
<i>Internally driven</i>			<i>Externally driven</i>
<ul style="list-style-type: none"> <li>- Procedures first</li> <li>- We are ethical</li> <li>- We know best what is good for the customer</li> </ul>	<ul style="list-style-type: none"> <li>- High ethics and honesty level</li> <li>- No empty promises</li> <li>- Strict procedure, exception in extreme cases</li> <li>- Accept scope for improvement</li> </ul>	<ul style="list-style-type: none"> <li>- moderate-high level of ethics &amp; honesty</li> <li>- Low level of empowerment</li> <li>- client comes first as long as ethics not comprised</li> <li>- Space for improvement</li> </ul>	<ul style="list-style-type: none"> <li>- very low level of ethics and honesty</li> <li>- extremely realistic</li> <li>- Creativity is pushed</li> <li>- Always doing what client wants, not thinking of long-term issues</li> </ul>

(Own design, adapted (The hofstede centre, 2016))

#### 4.1.2.3 Easy-going work discipline vs. strict work discipline

This dimension analyses the level on which the work is structured and controlled. Easy-going cultures tend to be given in research laboratories, where the employees are self-driven and autonomous in a certain way. Another rather easy-going culture can be found at the police, as the officers cannot predict nor control how the workday is going to look like. Strict work discipline is given at mass production plants or at workplaces with high security measures. (Hofstede et al., 2010)

Table 3: Dimension 3, Control

<b>D3 Control</b>			
<i>Easy-going</i>			<i>Strict work discipline</i>
<ul style="list-style-type: none"> <li>- Informal</li> <li>- Unpredictable</li> <li>- Few standards</li> </ul>	<ul style="list-style-type: none"> <li>- Relaxed &amp; Informal</li> <li>- Inventive</li> <li>- Low level of admin tasks</li> <li>- Costs do not matter</li> </ul>	Unclear picture	<ul style="list-style-type: none"> <li>- Careful</li> <li>- On time &amp; cost-conscious</li> <li>- Thoughtful</li> <li>- High level of planning</li> </ul>

(Own design, adapted (The hofstede centre, 2016))

For the hospitality industry, this dimension is highly dependent on the level of customer interaction, meaning that departments with high customer interaction have a more easy-going work discipline than for example an accountant that works behind closed doors and has a scheduled daily routine with only few exceptional days. Overall, the sector can be defined as slightly stricter than easy-going, as visible in table 3, the whole processes are planned carefully and most hotel chains are also operating very cost-consciously.

#### 4.1.2.4 Local vs. professional

In a local company, employees identify strongly with the unit they work in. If too strong, this can be dysfunctional in the way that a critical attitude is entirely rejected and new ideas are condemned. However, if it is not too strongly locally oriented, a powerful loyalty amongst the team can be the result. Contrarily, in a very professional culture mistakes are made to learn from them, critical voices are heard and accepted. Nevertheless, a very professional organisation does not make sense for all companies, as it may hinder daily routines as everything will be questioned. (Hofstede et al., 2010)

Table 4: Dimension 4, Focus

D4 Focus				
Local				Professional
<ul style="list-style-type: none"> <li>- Short-term oriented</li> <li>- Inward focus</li> <li>- No criticism allowed</li> <li>- Internal mistrust &amp; competition</li> <li>- Outside world poses threat</li> </ul>	<p>This level can be functional (same as local) or dysfunctional:</p> <ul style="list-style-type: none"> <li>- Managers require subordinates to be loyal to them</li> <li>- Critical attitude perceived as rejection</li> <li>- Subordinates cannot be critical</li> </ul>	Unclear picture	<ul style="list-style-type: none"> <li>- Diversity is okay</li> <li>- Critical attitude allowed</li> <li>- Competition is watched</li> <li>- Outward looking</li> <li>- Rather long-term oriented</li> <li>- Mistakes allowed</li> </ul>	<ul style="list-style-type: none"> <li>- Short- &amp; long-term orientation</li> <li>- Interested in outside world</li> <li>- Critical attitude wished</li> <li>- Diversity is okay</li> <li>- Mistakes allowed</li> </ul>

(Own design, adapted (The hofstede centre, 2016))

As hotel companies consist of different departments, of which some are highly dependent on routines and others are not, it is impossible to say whether such company culture should be local or professional. Generally, in all departments of a hotel there are many procedure standards, which leave it with a tendency towards a local culture, as can be seen in table 4.

#### 4.1.2.5 Open system vs. closed system

A closed system as such is quite hard to find, as its name already discloses. Examples for such systems could be sects or criminal organisations, as information is treated very carefully and is not meant to be revealed to the outside. Furthermore, newcomers tend to feel not welcome and have to prove themselves first. Looking at the contrary, the open system, almost anyone would feel comfortable and the information flow tends to be very revealing. In extreme cases, this could mean that confidential information may not be safe. (Hofstede et al., 2010)

Table 5: Dimension 5, Approachability

D5 Approachability			
Open system			Closed system
<ul style="list-style-type: none"> <li>- Benefit of doubt</li> <li>- High info flow</li> <li>- Boss is open for feedback, even criticism</li> <li>- Newcomers welcome</li> <li>- Anything can be discussed or asked</li> </ul>	<ul style="list-style-type: none"> <li>- Benefit of doubt</li> <li>- High info flow</li> <li>- Boss is open for feedback, even criticism</li> <li>- Newcomers welcome</li> <li>- Anything can be discussed or asked</li> <li>- Information can be easily acquired</li> </ul>	<ul style="list-style-type: none"> <li>- Newcomers less welcome</li> <li>- Guilty until proven differently</li> <li>- Information cannot be acquired easily, unless part of the long-term employees</li> <li>- Boss is not given feedback</li> <li>- Secrets are kept</li> </ul>	<ul style="list-style-type: none"> <li>- Newcomers not welcome</li> <li>- Newcomers have to prove themselves</li> <li>- Secretive atmosphere</li> <li>- Boss is not given feedback</li> <li>- Mistakes make you guilty</li> </ul>

(Own design, adapted (The Hofstede Centre, 2016))

As for several reasons such as not to reveal any important data to competition, the hotel industry clearly is an open system with limits, therefore, it would probably be in the second range of table 5. This means, that generally they are an open system, but keep some information in a closed system, so that confidential information is safe.

#### 4.1.2.6 Employee-oriented vs. work-oriented

The sixth dimension of Hofstede's Multi-Focus-Model considers the management philosophy. It analyses whether the company has its focus on the employees, meaning it has an understanding of the employees' feelings and tries to understand even underperformance or if the company is very result-driven and puts a lot of pressure on its employees. Both extremes are normally not the best solution for a company. If a company is putting too much pressure on the employees the danger of burnout and dissatisfaction will rise. However, a firm that allows its employees too many mistakes will lose its credibility to those who are performing well. Of course, this dimension is highly dependent on the employees' own importance, as some people need to be pressured to feel well, but this is not the majority of people. (Hofstede et al., 2010)

Table 6: Dimension 6, Management Philosophy

<b>D6 Management Philosophy</b>			
<i>Employee-oriented</i>			<i>Work-oriented</i>
<ul style="list-style-type: none"> <li>- High info flow</li> <li>- Employees' welfare highly considered</li> <li>- Employees are fired seldom</li> </ul>	Unclear picture	<ul style="list-style-type: none"> <li>- Responsible for own welfare</li> <li>- If you are not busy, something is wrong</li> <li>- Personal problems are not considered</li> <li>- Welfare not really considered</li> </ul>	<ul style="list-style-type: none"> <li>- Responsible for own welfare</li> <li>- Management only cares about results</li> <li>- High pressure for no reason</li> <li>- Employees stay only if no other jobs available elsewhere</li> </ul>

(Own design, adapted (The hofstede centre, 2016))

For the hotel industry, there is no general way of doing things, so this dimension is highly linked to the company itself that is being discussed. As mentioned above, either one of the extremes should be the case. However, for example the Marriott International slogan is “putting people first”, which would make it an employee-oriented workspace, as visible in table 6.

#### 4.1.2.7 Degree of acceptance of leadership style

This dimension is somewhat linked to the first dimension which is means- or goal-oriented. This dimension is rather subjectively perceived by each individual. Even if the manager treats everyone the same way, people with different backgrounds, preferences and especially duties will perceive the leadership style in a different way. But as culture measures tendencies and not individual perceptions, this dimension can only discuss general trends. (Hofstede et al., 2010)

#### 4.1.2.8 Degree of identification with your organisation

The last dimension is linked to the second one, which measures whether people are externally or internally driven. Of course, if people are driven externally, the organisation itself will mostly not be of high importance to them. (Hofstede et al., 2010)

#### 4.1.3 Importance of organizational culture

Organizational culture is key to whether an employee wants to work for an organization or not. Moreover, it guides the employee in knowing how to behave in different situations. Employees are mostly fully committed to the company if they agree with the way things are done. These loyal employees are key to a successful organization. If the employees do not feel

comfortable, it will show in how they work and with what passion. This is why organizational culture is so important. (Schein, 2009)

In mature organizations – the ones that have a long history and are internationally spread – culture is what keeps the organization together. Wherever the employees of this specific organisation transfer to, they will know how to approach their bosses and how to deal with colleagues. Of course, such organisations also end up having several subcultures, but these will most likely not cause clashes as the main identity is given. (Schein, 2009)

In a study on organizational culture and effectiveness of companies, Denison and Mishra have found it to be highly linked, meaning that the results of a company are linked to how well the organizational culture functions (1995, p. 220). However, they point out, that the study is unable to prove that this link is only made one way and not vice versa (Denison & Mishra, 1995). Nonetheless, their theory and results are supported by a study of Harter, Hayes and Schmidt in the Journal of Applied Psychology in 2002 saying “generalizable relationships large enough to have substantial practical value were found between unit-level employee satisfaction-engagement and these business-unit outcomes” (Harter, Schmidt, & Hayes, 2002, p. 268). It is clear that employees are not satisfied respectively engaged with the company if the culture they are working in is not up to their own beliefs. Therefore, company culture is highly valuable and important for the profitability of the company itself.

#### 4.1.4 Cultural change

If suddenly, the organization tries to change its main culture, the employees will become distressed. The risk of leaving them unsatisfied or unable to adapt to the change is quite high. If this happens, because the change management is not properly conducted or because some employees even work for the organization just because of the culture, people will start leaving and the company will lose valuable employees. (Schein, 2009)

Hofstede criticises that those making the decision of mergers only focus on strategic details, and mostly forget that operational issues will arise from cultural change respectively the clashes of the cultures. Furthermore, he mentions that the cost and time consumption of the culture integration is mostly underestimated. (Hofstede et al., 2010)

The underestimation of the effort to change a culture is easily to understand when considering what culture is. Everyone comes from a certain culture, where the values and the

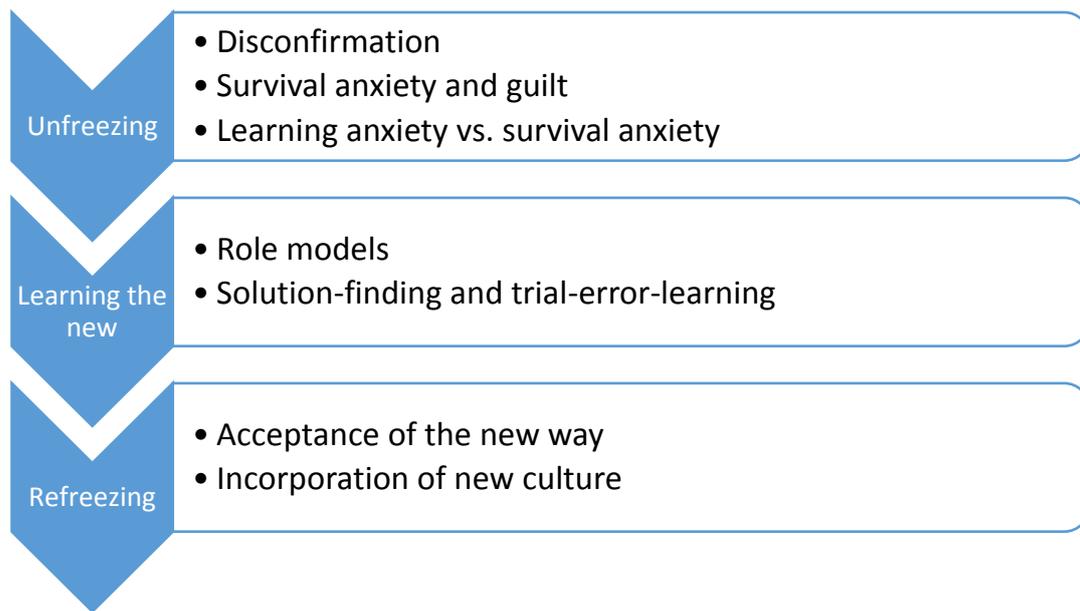
most natural instincts are part of our logical thinking. If we would not be aware that there are other cultures, we would consider our way of thinking is the right way and possibly believe that everyone thinks the same way. Looking at a leader of an organization, it is clear that he believes in the company's values and feels that this is the right and only way to do things. Most likely, this leader will not have culture as his educational background if he is working in finances, strategies or similar. Therefore, his basic assumption is that the other company will find it easy to adapt to the change that will be suggested by the acquiring company. This is why there are experts on this topic and human resources management that are trained in managing cultural change. (Hofstede et al., 2010; Schein, 2009)

#### *4.1.4.1 Change Management*

As per Edgar Schein, organizational culture change requires the employees to unlearn their habits. This is one of the main reasons for resistance, as the cultural assumptions are deeply branded into employee behaviour and thinking. Furthermore, with a mature stage of a company, the employees that work for it are most likely comfortable with the culture and believe in it. So if one decides now, for whatever reason, to change the culture, the employees lose a certain stability and security and will be resistant to adapt immediately. (Schein, 2009)

The theory about culture change of Edgar Schein is split into three steps which follow below in figure 2 as well as in a further description. The first step, unfreezing, describes the way people are motivated to change their culture. Only after that, people are open to learn new concepts, meanings and standards. (Schein, 2009)

Figure 2: Culture change model



(Own design, adapted (Schein, 2009))

The first step of unfreezing is the most difficult part as it touches the most sensitive part of the humans – safety. As people hold on to their culture, the first step to make them change it is to disconfirm them. Disconfirmation is an input creating a feeling that something bad will happen if you do not adapt or even a feeling of guilt that arises because you are scared to not achieve the long-term goals if you do not adapt. Disconfirmation can result from an external threat, such as the economic situation, but the strongest one is the internal discomfort, which makes one feel like he will not achieve his own ideals. The internal discomfort therefore is the only one that creates motivation to change that comes from within. (Schein, 2009)

The moment after the feeling of disconfirmation makes an employee accept the fact that he needs to change, another anxiety will evolve – the learning anxiety. This anxiety results from the uncertainty that is experienced at this very moment in combination with the fear of failing to adapt. This is the moment an employee decides whether he wants to stay with the company or leave. (Schein, 2009)

There are different reasons for people to feel this anxiety and they all result from general fears (Schein, 2009):

- Fear of loss of personal identity: If one identifies himself strongly with the core values of the organization he works for, it can happen that the demand of change

requires him to lose his personal identity that he created around his company. In some cases, the pure imagination of having to become a different kind of employee results in resignation.

- Fear of loss of power or position: This is a very common fear which appears for example when a new boss is assigned and the employees fear that restructuration leads to lower positions.
- Fear of loss of group membership: The position that an employee has in the group is strongly defined by the culture. If new behaviour becomes essential, some people will have difficulties to adapt, and will lose their membership in the group. This fear is difficult to overcome as the whole group needs to change.
- Fear of temporary incompetence: When culture change is in process, so is the employee. The employee will at one point have to let go of old ways of doing things and will have to learn the new way. There will be a moment where the employee will be just in the middle of both and therefore feel incompetent. This is the result of that he had to let go the old way and does not know yet how to do it the new way.
- Fear of punishment for incompetence: If the momentum between the unlearning and relearning of culture lasts too long, employees will fear punishment for their inability to efficiently adapt to the new thinking and acting. It gets even worse if the employees' fear is big enough that he wants to stay productive so badly that he misses the chance to learn the new culture and adapt while he still can.

These anxieties can be so strong that the initial process of change is delayed as follows (Schein, 2009):

- Denial phase: The employee tells himself that the disconfirmation is not true, valid or only temporary.
- Dodging phase: The employee focuses on the fact that other departments or simply other employees need to change before he will start changing too.
- Bargaining phase: The employee tries to find the motivation of why he should change. This could be a specific benefit he has in mind or simply the fact that others have to change, too.

In order to overcome the obstacle, the learning anxiety needs to be reduced in order for the survival anxiety or the guilt to outweigh. It is very essential not to raise the survival anxiety or the guilt, as this will result in more uncertainty and fear and therefore in more defensive reactions. The only proper approach to this sensitive topic is to create safety by reassuring the employee that the effort, time and adaptation will be supported and that no punishments are foreseen for those who take longer. Schein lists eight key conditions that have to be met and introduced (Schein, 2009):

1. A compelling positive vision: The employees must be able to see the benefit of adapting to a new culture. Therefore, the new vision including a clear statement of what the new culture will be like should be strongly communicated throughout the process by the management.
2. Formal training: In order to allow the employees to grow continuously within the process of change, trainings should be conducted in order to learn the new skills and behaviours.
3. Involvement of the learner: To be successful even after trainings have taken place, different types of learners should be given the opportunity to go on learning in their own way, as there are highly individual styles of learning.
4. Informal training of relevant “family” groups and teams: As departments and other groups often tend to resist change together, informal group trainings should be implemented in order to allow the members to not feel alone with the change that is happening.
5. Practice fields, coaches and feedback: These three tools are essential for one to know if he is going into the right direction. Practice fields can help implementing the newly learnt behavioural skills and allow the employee to make mistakes without penance.
6. Positive role models: In order for people to understand what the “new way” looks like, they need role models and leaders that demonstrate in real life how it works.
7. Support groups: As frustration will arise at a certain point, focus groups should be implemented in order to see where the difficulties come from so that people can support each other during the learning process.
8. Systems and structures consistent with the desired changes: Depending on the outcome that is desired, behaviours that are contrary to it should be punished, whereas behaviours that promote and support the desired outcome and help the

learning process should be rewarded. This is an essential factor, as many change programs failed because of not supporting its own desired outcome. (Schein, 2009)

In general, a change program as mentioned with the eight points above is very difficult to implement. According to Edgar Schein it is possible to meet all eight conditions if the will to change is fundamental. (Schein, 2009)

#### *4.1.4.2 M&A culture change*

A lot of M&As have failed due to the non-assessment of the other culture before closing the deal, critics say. Edgar Schein acknowledges this idea, but points out that it is impossible to gain the insights because of several factors (Schein, 2009). His statement is supported by Kim and Olsen:

Surprisingly, this study found strategic fit as only a moderately important factor in the pre-acquisition management stage. More importantly, this study identified that the cultural fit between two firms was the second least important factor [...] in the pre-acquisition process. (1999, p. 298)

The first main reason is, that before the deal is officially announced, the two cultures could not be cross-assessed as the pre deal discussions are highly confidential. Secondly, if the two companies would do a self-assessment, the data would be biased. Lastly, even if both cultures would be assessed, the culture clashes would not be predictable – they only happen once the two cultures are supposed to mix. (Schein, 2009)

However, he proposes that once the deal is made official, cultural assessment should immediately start with task forces of equal size. These teams have the goal to analyse the artefacts, espoused values and the shared tacit assumptions with a focus on specific areas such as reward systems, mission and goal. The results of the assessments will either lead to a merging idea of the best of both cultures, or to the decision that only one way will be kept. However, the assessment of the cultures is not proofing that there will not be any culture clashes once the pre-merger phase starts. (Schein, 2009)

Of course, a merger and an acquisition have different ways of dealing with this. In an acquisition process it is obvious that, most of the time, the acquiring company will impose its

own culture, regardless the risks. But when an actual acquisition is treated like a merger or if a merger is happening, the aim will be to have cultures merged or co-existing. Whichever of both it is, the risk of cultural clash is high, as even co-existing companies have to work together to some extent. Therefore, a vision must be put in place before creating an integration plan. The vision will outline the desired shared culture that will be adopted once both companies are fully merged. In order for this to happen successfully, the communication flow should be adapted in order to prevent a communication vacuum that allows fantasies to take place in the mind-set of the employees. Uncertainty and lack of communication lead to gossip and as people are already in an uncertainty mode, this will lead to more fears. (Knillans, 2009)

#### 4.1.5 Important findings

Hofstede and Schein both define organizational culture as an intangible respectively soft characteristic of a company with hard impacts on the organization itself. They mention the differences in corporate culture within different departments, hierarchy levels and regions that can occur.

Similar to the regional/national cultures that help us to decide where we want to live and where not to, the organisational culture helps us to identify ourselves with the company we work for. If we do not like the corporate culture of a company, we will most likely not stay there for long.

As the base of these cultures, most companies define corporate values. Hofstede stresses that corporate values should be lived in the way that they are promoted and distributed. If there are no sanctions given to those not following it, Hofstede declares them as hypocrisy. (Hofstede et al., 2010)

It is clear with the analysis of these two theories that the cultural change has to be managed very carefully, as many obstacles can occur during the process. In order to ensure a smooth transition, the company has to face those difficulties and tackle them directly. Many of these are linked to fear and anxieties that are evolving from the employees.

Generally, both agree that cultural assessment needs to take place prior the post-M&A phase in order to be able to implement the integration plan from day one. However, Schein makes a very interesting point at raising awareness of the pre-merger cultural assessment problem. He states that it is not of great value to assess the cultures before the official

announcement of a merger or acquisition has been made, as the companies would not be able to assess the cultures or have a non-biased outcome.

Once the deal is officially announced, Hofstede's model can be used as one of several tools to assess respectively define the two cultures. Nevertheless, also Schein's techniques should be used to measure the cultures, as Hofstede's model is more useful on a higher hierarchy level and to have a picture of what the corporate offices think their culture is.

## 4.2 Mergers

### 4.2.1 Driver and aim of mergers

As per Schein, mergers are “driven by shared or compatible technologies, shared business goals, financial compatibility, common markets, and product synergy” (2009, p.129-130). Kim and Olsen studied acquisitions in the American lodging industry and found the main objectives to be those in figure 3:

Figure 3: Main objectives of M&A

Variable	Rank	Mean	SD
Accelerate growth of the acquiring company	1	3.86	0.48
Acquire accretively to enhance stockholders' value	2	3.69	0.60
Expand capacity at less cost than constructing new hotel properties	3	3.57	0.68
Capture scale economies to save costs through combining two firms within an industry	4	3.14	0.65
Utilize synergistic attributes of the acquired company with reference to the acquiring company	5	2.95	0.80
Broaden the acquiring company's customer base by extending products and services (i.e., application of portfolio management, globalization)	6	2.95	0.86
Improve credit capacity of resultant company	7	2.65	0.79
Achieve the personal goals, vision, and particular objectives of the acquiring company's chief executive	8	2.43	0.93

(Kim & Olsen, 1999, p. 292)

The study was conducted in form of a Delphi panel which consisted of three rounds and the smallest number of participants per round was 14 hoteliers and seven non-hoteliers. All participants were in senior positions that reported to the CEO of the company, consultants of big accounting firms working for the hospitality department or hotel industry experts from investment banks. (Kim & Olsen, 1999)

The acceleration of growth is clearly one of the main reasons companies merge with others or acquire those (Economist Intelligence Unit, 2003; Kelly et al., 1999; Kim & Olsen, 1999; Napier, 1989; Nikolaou, Vakola, & Bourantas, 2011). It is to mention that, compared to

internal growth, the costs in the first place might look smaller, as in most cases “only” a premium needs to be paid. However, and that accounts for both types of growth, the upcoming costs are not able to be foreseen (Gaughan, 2005, p. 105-106). However, it gives the acquiring company the security of not oversaturating an existing market (Martorell Cunill, 2006). This is of course highly dependent on whether the targeted company has been entirely honest with the numbers.

Accretive acquisitions are favourable for the company’s market price, as the price paid by the acquiring company is supposedly lower than the increase the new acquisition is generating to the acquirers earnings per share (EPS) (Dumon, n.d.). This is nowadays a major motivation to merge, as the value for the shareholders is expected to increase continuously.

To expand capacity, or in the hotel industry often also the portfolio of hotels, is a major driver. It is highly linked to the sixth rank in Kim and Olsen’s study. This results from the fact that the more diversified brands they offer, the more market share they will gain. It also includes the market share on the local markets, meaning that a chain might not even had one hotel in a certain destination and with a merger or an acquisition now suddenly owns one or more hotels in this destination. It is a very fast growth at a lower price than to build new hotels, and that is why it is so tempting for many hotel chains. This driver bears the risk of rejection due to antitrust laws which do not allow one company to maintain a monopoly (Langer, 1999).

Another major driver was detected to be the scale economies (Kim & Olsen, 1999). This is supported by Gaughan (2005, p. 106), who differentiates between two types of synergies: revenue-enhancing synergies and operating synergies. The operating synergy seems to be the more common one, as it focuses on cost-reduction in the production or generally lower average costs. The revenue-enhancing synergy is basically achieving greater revenue together than the two firms would generate by standing alone and is at the same time the more complex type of synergy (Gaughan, 2005). However, critical voices say that synergy as a driver is often cited, but most of the companies never realise all the synergy potential they thought of when they decided to merge with or acquire another company (Langer, 1999).

The eighth KSF mentioned by Kim and Olsen actually suits well with the reason why Marriott International bought Starwood Hotels & Resorts. Their vision statement was “to become the #1 hospitality company in the world” (Marriott International, n.d.). With the

acquisition of Starwood Hotels & Resorts, the company comes very close to this goal by creating the largest hotel chain worldwide.

4.2.2 Key Success factors

This chapter discusses a non-exhaustive amount of key success factors of M&As. In order to provide a short overview, they are listed below, sorted by pre-M&A and post-M&A. It is clear from table 7, that there is a clear shift of priorities from pre to post stage. The main focus before the M&As is on all the reasons why the companies decided to join forces as without these, the M&As would not make sense. However, after the closure of the deal, the focus shifts on the human capital and the company culture. This implies that even a very promising deal can still go wrong if the culture integration is not well-planned or even considered. (Kim & Olsen, 1999; Langer, 1999)

Table 7: Key Success Factors pre- and post-M&A

	Pre-M&A	Post-M&A
Financial	Discounted cash flow (DCF) Synergy potential/scale economies Earnings per share (EPS) Due diligence	<i>Post-M&amp;A, the financial factor will only be measured after the two companies are fully integrated to the wished extent, therefore, these factors become key performance indicators (KPI)</i>
Market coverage	Location	
Human resources management		Integration plan Degree of integration Employee retention Culture management

(Own design)

4.2.2.1 Pre-M&A

In their study, Kim and Olsen state that the discounted cash flow (DCF) model is a very popular method to find out the value of a business (Kim & Olsen, 1999). As per Copeland et al., the discounted cash flow (DCF) model is the future estimated cash flow minus a certain rate that represents the risk of this cash flow (as cited in Kim & Olsen, 1999). Cash flow is such an important evaluation tool because it demonstrates the ability of a business to cover its

debts, says Rappaport (as cited in Kim & Olsen, 1999). This statement was proven by the study they conducted, as the number one critical success factor in the pre-M&A state was found to be to identify the trend of the target's cash flow from operations (Kim & Olsen, 1999).

The second most important factor was found to be the analysis of the synergy potential, which could be the cost-saving or scale economies that would result from the merger or the acquisition (Bartels, Douwes, De Jong, & Pruyn, 2006; Brahma, 2011; Kim & Olsen, 1999). As Brush already discovered, synergy is a key reason for M&As and is also a post-M&A evaluation tool (as cited in Kim & Olsen, 1999).

According to the study results, accretion and dilution analysis is also a major key success factor in the pre-M&A phase (Kim & Olsen, 1999). This does not only count for specific industries but for all industries, as the analysis helps determining whether the EPS will increase or decrease after the merger or acquisition (Dumon, n.d.).

Another important factor, specifically in the hotel industry, was found to be the locations of the outlets (Kim & Olsen, 1999). Of course the market served also plays an important role, as hotel chains try to cover several markets with several brands. But the locations of these outlets play an important role. It would not make sense for a chain with existent five star properties in a specific destination to acquire a brand that covers the exact same segment in the same location. However, it would make sense to acquire a brand that offers similar properties in a location where the acquiring company does not have any properties yet.

The fifth most important KSF was identified to be due diligence. It is the assessment of procedures, accounting details, legal issues and business matters that could be of importance. It is very important that the acquired company is fully honest about its past and its future transactions. As mentioned in a journal article by Conway and Rouse, the company PublicComp acquired another company to learn just a few weeks later that the acquired company was "cooking" their numbers (Conway & Rouse, 2002). But this is not the only case where M&As failed due to inconsistency in the due diligence process. As Kim and Olsen state in their study, also the company of Cendant was failing in this process and shareholders had to pay for it when the market value dropped by 43% after the announcement of the fabricated results (1999, p. 297).

These were found to be the five main pre-M&A KSF out of 25. The aspect of the cultural match was ranked at 24 only. In their study, Kim and Olsen speculated due to the outcome that cultural fit is too broad to conceptualize compared to the other KSFs and too intangible (1999, p. 298). This supports the idea of Schein, who clearly advocates that culture cannot be measured, especially not in the pre-M&A phase where the assessment of the two culture is impossible to conduct (Schein, 2009).

#### 4.2.2.2 *Post-M&A*

As Ashkenas, DeMonaco and Francis argued, the integration process of two companies should start even before the deal is closed (Ashkenas, DeMonaco, & Francis, 1998). It should be a working process that starts with the initial decision of considering the merger (Ashkenas et al., 1998). This is supported by the study results of Kim and Olsen, which ranked the establishment of a post-acquisition strategy that should be developed in an early stage as number one of the post-M&A KSFs (1999, p. 300). The integration itself has seven key success factors (Knillans, 2009):

- Integration teams: building bridges between the companies
- Speed: the integration should have a certain urgency
- Leadership: leaders or experts should take part in the process
- Communication: should be consistent, internally and externally
- Retention of valuable employees
- Culture: second most important factor after results
- Results: the values that are to be reached by the end of the process should be a key driver and under constant observation

Surprisingly, also the second ranked factor by the study of Kim and Olsen is connected to culture respectively employees. It is about key employees that need to be kept after a deal is closed. For certain companies, it is of high importance who their CEO is. Especially for organizations with a founder as a CEO, it makes sense to retain this person as it is a leader from day one. This means that all measures must be taken in order to keep this person in the corresponding position. Of course this accounts also for managers and other important employees. (Kim & Olsen, 1999)

The degree of integration ranks third of the post-M&A KSFs in the study of Kim and Olsen in 1999. Pablo (1994) divided the degree of integration in three levels (Pablo, 2016, p. 807):

- Low integration: The two organisations share the financial risk and resources. Furthermore they standardize systems to the extent that communication is possible through all channels.
- Moderate: Changes and adaptations are made in the value chain in order to share and exchange experience and expertise. An additional change might happen in the decision making processes, which requires a certain amount of reorganization.
- High: All sorts of resources are shared and the acquiring company's systems are adapted to the acquired company, as well as the culture that is being imposed on the acquired firm.

Of course, the higher the level of integration, the more careful the approach needs to be planned and conducted, as more people will be involved that have to adapt to the change.

Another KSF of the post-acquisition integration phase is the integration plan. The plan should be jointly formulated by both businesses and should also include a strong communication strategy in order to be successfully implemented. (Kim & Olsen, 1999)

The most important general integration process steps are according to Knilans the following ones (Knilans, 2009):

1. Develop the integration plan: build a task force that is in charge of delegating it to the lower levelled employees.
2. HR due diligence: create a profile of the target company in order to find the strong and weaker points. This helps the leaders to move forward without having surprises on the way.
3. Comparison: Compare the cultures and HR in order to find congruence or differences in value systems, compensations and benefits.
4. Strategy: After the comparison comes the merge – the two systems are now strategically connected.
5. Vision: A goal is defined in order for the integration team to determine the leaders for the combined company.

6. Releasing employees: If companies are of a similar industry, they will most likely have a similar organisational form. Therefore, duplicate positions need to be assessed and unpleasant decisions of whom to release and whom to keep have to be made if there is no possibility of a transfer.
7. Communication strategy: Based on the vision, communication tools are chosen in order to guide the employees through the integration process.
8. Measurement of success: in order to be able to measure the success of the integration throughout the process, measurements need to be defined.
9. Employee-retention: As mentioned earlier, key employees should be retained. Generally, a rise in employee turnover can be expected. The company can counteract this problem by developing actions and procedures that allow the employees to stay motivated to stick to the company.

A survey conducted by Towers Perrin in 2004 with organizations that accomplished at least one merger or acquisition found that culture was the most challenging “peoples” problem. This was followed by effective leadership, a well-organized and implemented communication, integration of beneficiary and salary systems and the correct selection of the top leaders. (Able, 2007)

However, the study also found that leadership is one of the main drivers for employee engagement, as during change, employees tend to watch their leaders carefully in order to find motivation. If a leader does not promote and stand in for the change happening, the employees will also give up on the conversion happening. Therefore, leaders should show that they care about the wellbeing of their employees, and the motivation and support of the employees will be granted. (Able, 2007)

The motivation of the employees is linked to the success of the merger or acquisition. The employees will be the ones transmitting the message to shareholders, customers and the community in the end. (Able, 2007)

#### 4.2.3 Risks

The strategies of the two partnering firms are a guideline for both companies’ goals. If these two do not fit, which can already be based on the tools they want to use to achieve their goals, the companies will face problems in the integration process and most possibly the

acquisition will pose difficulties. Of course it is possible to target these specific issues beforehand, but this paper will not further develop the measures to be taken. (Langer, 1999)

Organizations are run differently, and it can bear major risks if the companies are not compatible in their way of organizing themselves. The differences of two organizations are a result of their development process and can be clustered into different dimensions beforehand in order to see if there is any divergence. This can happen with the help of several different frameworks. One of them is Hofstede's Multi-Focus Model which was mentioned earlier in the paper. (Langer, 1999)

During the acquisition process, employees are facing fears and insecurities (Schein, 2009). If they are not supported and guided through this process, this can lead to quitting, whether it is officially as per ending the employment contract or "only" in the mind-set of the employee, it is a critical factor (Langer, 1999). Special attention should be given to the acquiring company, which should not position itself as superior to the acquired company as this can result in drastic reactions of the employees (Langer, 1999). Key employees should be treated carefully, as their exit from the company is a significant negative determinant for the success of the acquisition (Gerpott, 1993).

Organizational culture, the main focus of this paper, is clearly one of the main risk factors of M&As and will therefore be further developed in the following subchapters. For international or generally larger organizations, the culture can differ between the countries, but also between the different departments. Nonetheless, when a company is involved in merger or acquisition processes, it is essential to consider the two cultures that are objected to be integrated. This is supported by Clarke, writing that synergy is depending on cultural fit (Clarke, 1987, p. 16). It is also supported by a report of Business International that the greatest difficulties in acquisition was answered by 35% to be the cultural differences between acquiring and acquired company (Business International Corp., 1988, p. 17). In order to give a better overview, the following subchapters will elaborate the risks of the organizational culture perspective below, based on a framework developed by Langer (Langer, 1999).

#### *4.2.3.1 Culture Sensibility*

If culture sensibility does not exist, it means that the merger project is running without any consideration of possible differences in the OCs. The acknowledgement of the differences

is a good starting point. However, if afterwards financial or strategic goals are defined to be more important than the OC discrepancies, the acquiring company makes a mistake, as the ignorance towards these differences can lead to an actual threat of the M&A success if not considered and enacted properly. (Langer, 1999)

#### 4.2.3.2 *Culture Evaluation*

The capture of the OCs can either happen or not. But even if the organisations try to evaluate the difference with the help of experts in this field, the risk is high that they will get results that they will not be able to understand. This is a result of the fact that there are no general rules or frameworks that these experts work with, as the evaluation they create is often merely a gut feeling. As the results of these findings are not based on a value framework that anyone can learn and thereafter have a critical discussion on it, external experts should be included for the long run, meaning that they are hired until the integration is fully completed. (Langer, 1999)

#### 4.2.3.3 *Cultural Fit*

Two OCs equal either a fit or a misfit. If the two companies do not have matching OCs, they should probably not consider to merge. Unfortunately, companies often go through the whole evaluation process to find it being a misfit but then decide to go on with the merger or acquisition because they are ignoring the major risks linked to the misfit or think that they can handle them. Langer says that he has seen several M&As that were for many reasons a misfit, but still pushed forward with their decision to finalize the deal, only to find out a few months later that major losses have incurred. (Langer, 1999)

Furthermore, employees of acquired companies are likely to feel degraded once the post-merger phase starts. This results from the fact that the company has been bought up and, most of the times, the acquiring company tends to impose its own company culture on the company that is supposed to be integrated. If employees of both companies now have to work together, this will cause tensions. (Marks & Mirvis, 2011; Pablo, 1994)

#### 4.2.4 *Important findings*

There are many different reasons why companies decide to merge with or acquire a company. Some of the reasons include saving costs, induce fast growth and to return more value to shareholders. The main reasons for M&As are always linked to the aim of increasing

a certain value. It is mostly a “faster” way than building, expanding and improve the own company, as the resources are already given in an existing company. This is highly important during the pre-M&A stage, where analyses are focused on numbers, potentials and projections.

However, it is a well-known problem that M&As do not succeed if the integration of the two companies is not planned well ahead and in detail. This can only happen after analysing both organizational cultures, in order to find the similarities and discrepancies. As this is not possible before the merger or acquisition is officially announced, or at least not to the extent that is required, it is the very first thing to focus on after the official announcement.

In order to create a successful symbiosis, an integration plan needs to be implemented. Furthermore, a certain sensibility towards the cultures should be developed. This helps respecting the other culture and to make the “weaker” culture a bit

## 5 Data collection

The data collection of the case studies was focusing on M&As in general. Many acquisitions are called merger, which is why there might be the use of both words during the analysis of mergers. As it was found to be rather difficult to find case studies on M&As only within the tourism industry sector, all sectors were taken into consideration.

The main aim of the data collection was to find best practices within the case studies, therefore, the focus was laid on successful M&As that are known to be a role model unlike the many unsuccessful M&As that were created in the past few decades.

M&As are often used in banking and financial industries. Therefore, two case studies were considered in the data collection. In total, five case studies were chosen to be in this paper. They all offer a different set of best practices that focus on different issues that can be faced during a merger or acquisition. An example of the tourism sector was also included as well as one apparel merger and one within the medical industry.

It was important to include different industries, as M&A in any industry can cause cultural clashes and need a proper integration plan in order to succeed.

## 6 Analysis of M&A cases

KLM – Air France:

According to a case study on the KLM and Air France merger, the high levels of uncertainty experienced by employees can be impacted by the behaviour of relevant leaders. Furthermore, the top managers should pay attention to avoid gaps between words and deeds. In order to do so, the two CEO's decided to share formally written guidelines with their managers, which instructed them to lead by example that the merger should be treated in a respectful, trustworthy and fair way. (Melkonian, Monin, & Noorderhaven, 2011)

Another important finding in the case study was supporting the theory of Yu, Engelmann and Van de Ven that post-merger integration failure could be caused by insufficient managerial attention (Yu, Engleman, & Van de Ven, 2005). Specifically mentioned in their study is the justice perception, which means that Human Resources (HR) and top managers should try to avoid injustice towards specific groups of people. Furthermore, they mention the timely information delivery. Employees of all ranks want to get the information directly and not via rumours. (Melkonian et al., 2011)

KLM and Air France had one more tool to make sure the new rules and guidelines were understood and followed. They developed a booklet, almost a code of conduct, which defined how employees should behave in cross-company business. This helped strengthening the justice perceptions as the managers of these meetings were following the rules of the booklet and therefore were good examples of the new rules and procedures. (Melkonian et al., 2011)

In order to measure the perception of the employees during different stages of the merger, KLM and Air France both developed instruments. They conducted surveys in different stages of the merger and after completion even one for the joint company.

Maxwell Shoe – Jones Apparel:

When Maxwell Shoe acquired Jones Apparel, one of the division presidents made the important finding that the story of each company must be told in order for the opposite to know with whom they are dealing in the future and where they come from, as it is the base of each corporate culture. Without the knowledge of the history, the understanding will be very limited and culture clashes are formed more easily. (Knillans, 2009)

#### General Electrics – Marquette Medical Systems:

The CEO of General Electrics spent a lot of time in town hall meetings, interviews and focus groups with employees of the two companies in order to promote the vision of the joint company. The aim was to create a vision that both firms could live with and even be happy with. The leadership team made a great effort to explain the strong control requirements of the company by raising awareness of the great expectations they had for the combined organization. This led to a successful integration as it raised enthusiasm and confidence within the two companies. (Able, 2007)

#### Prudential Financial – CIGNA:

When Prudential Financial acquired CIGNA Corporation's retirement business in 2004, it ended up having 2,600 employees. Leadership was a very important factor to them, therefore they set up a leadership team three months prior to the actual deal. The president of Prudential Financial was head of a "command centre" which consisted of four leaders of each company. They met on a daily basis in order to track the developments and to plan ahead. Their main focus was to build a strong brand with a strong culture. (Able, 2007)

One and a half year after the day 1, the combined firm beat the Morgan Stanley Capital International index by more than 50%. This demonstrates once again the importance of leadership in M&As that guide the culture into the right direction with a positive mind-set. (Able, 2007)

#### J.P. Morgan – Chase Manhattan Bank:

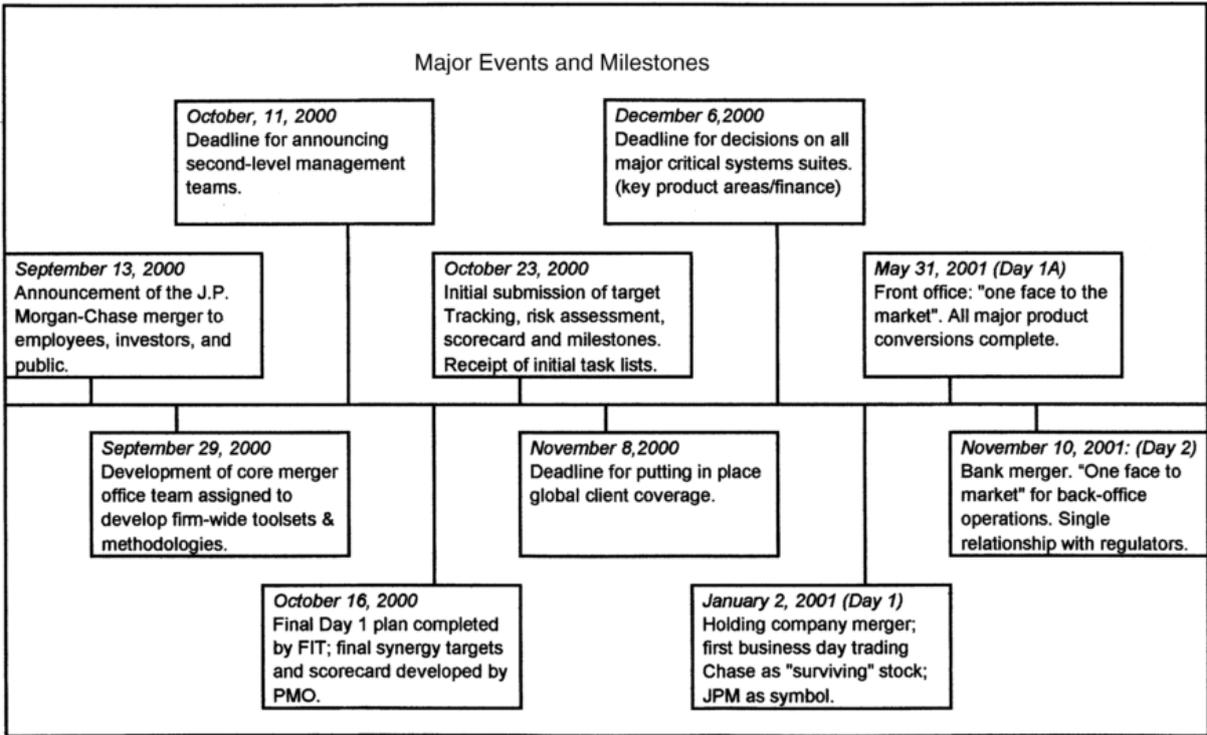
Due to their confidentiality, the merger was planned by a selected amount of top managers in total secrecy, with codenames, other meeting spaces than the own offices and even not their own secretaries were included. (Epstein, 2004)

Once these preparations were in place, the real work began. Sandy Warner of J.P. Morgan became chairman of the board and William Harrison became chief executive. The two were co-heads of the executive committee. However, the position of the chairman was temporary. The management board had a split of 11 to four, with Chase being dominant. Chase also dominated the board with eight compared to five. What they thought to have learnt from a recent Citigroup merger was that co-heads should be limited. Immediately after the

agreement, top management teams were formed and the business model was defined. As fast as that, also the business model was defined in order for it to be clear once the announcement was made. Furthermore, communications were put in place to inform the different involvements. All employees received a letter with all the information on the morning of the merger, as well as the New York Times was headlining the merger. (Epstein, 2004)

The integration process at J.P. Morgan Chase (JPMC) was very well-prepared, as the company had learned from its previous merger and experience of over ten years. Therefore, the post-merger integration was designed around predefined guidelines and a system of priorities, all wrapped around the major focus of over-communication, the goal of a fast conduct of the merger and an ambitious timeline. All of this was set in place in order to build momentum, enable decisions early and to obtain buy-in from different constituencies later on during the integration process. As visible below, in figure 4, the schedule of the integration plan was very intense. (Epstein, 2004)

Figure 4: Major events and milestones



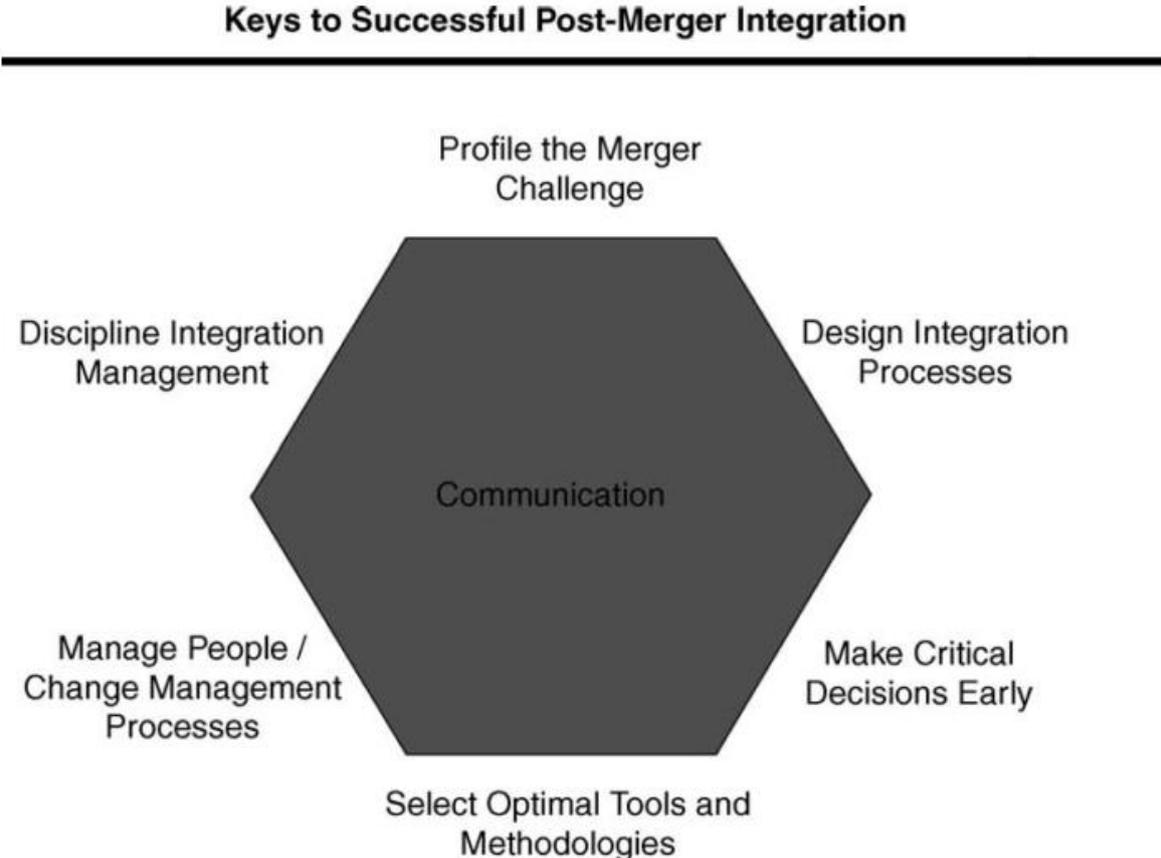
(Epstein, 2004, p. 182)

Within 8-12 weeks after the announcement, decisions on branding strategy and other key factors were made. Additionally, guidelines on candidate selection were distributed even beforehand as well as information on benefits and compensation. (Epstein, 2004)

The integration teams were ready within four weeks of the announcement and also second-level management decisions were completed soon after. The integration team was given scorecards, targets and milestones in order to use it for the integration. The whole merger took no longer than four months, which is an extremely tight time frame. Therefore, one of the keys to success to be found was speed of integration. (Epstein, 2004)

The post-merger integration (PMI) process was based upon a hexagon that portrays six KSFs. Each of these has of course sub actions and considerations, but all rely on the communication practice that they are built up around. The hexagon is visible below in figure 5, to give an overview of the KSF of the merger. (Epstein, 2004)

Figure 5: Keys to successful post-merger integration



(Epstein, 2004, p. 183)

The whole process was designed to suit both firms and was based on the principle to tackle the greatest risks. This was reflected in the application of the hexagon and the fact that JPMC was aiming to choose one company’s solution and not a combined version of both. (Epstein, 2004)

Chase was already successful with these practices when the chemical-chase merger happened, and the company even learned from that experience. JPMC was experienced in the way that they were aware of the best practices, but also considerate on the interrelation of those. (Epstein, 2004)

The whole integration team was decentralized, and had high levels of empowerment. The merger office held weekly meetings to evaluate the overall situation of the merger. They focused on the predefined milestones, whether they were achieved or not. The scorecard, which was firm-wide, was used to deliver a summary of the information on the milestones. (Epstein, 2004)

JPMC over communicated as promised and used all available mediums in order to achieve continuous and congruent information flow towards the employees. They used meetings, presentations, phone calls, e-mails, the company website, letters and so on. The communications included an update on the current state and events of the merger and also the impact it would have on clients as well as employees. The over-communication was seen as a best practice and was used to create confidence and decrease uncertainty. In case the employees still had questions, JPMC provided an e-mail box for questions. (Epstein, 2004)

In order to keep control over the situation, surveys were created to evaluate the satisfaction concerning the merger, which were not only given to employees but also to clients. (Epstein, 2004)

## 7 Recommendations

### 7.1 Concrete Suggestions

It is clear, that the communication flow during M&As needs to be continuous and distributed to all levels. Based on the research conducted, there are several tools that can be used to ensure this which will be developed in the action plan.

As Schein mentions, cultural assessment can happen through interviewing members, and in the best case, to even experience the culture of interest. Therefore, employees of the target company are crucial to keep, as they can serve as informants thanks to their first-hand experience and insider knowledge in the culture. (Schein, 2009)

In order to avoid a blaming culture and a strong domination of one of the firms, the creation of “togetherness” plays an important role. By inducing a feeling of that the synergy allows both companies to be better together than standing alone, one can limit the anxiety and uncertainty of the employees.

Several authors stress the importance of a continuous and clear communication towards the employees as communication is a very essential part in the integration of two firms. Some studies show that with increased quantity and quality of communication, the commitment of the employees increases as well (Brahma, 2011; Kim & Olsen, 1999; Schweiger & Denisi, 1991).

In the analysis of the case studies, evidence was found to prove the KSF that were defined by Knilans in 2009. Table 8 shows the concrete suggestions that can be extracted from the case study analysis.

Table 8: Comparison of KSF and best practices

<b>Integration KSF (Knilians, 2009)</b>	<b>Case study proof</b>
Integration teams	Maxwell Shoe – Jones Apparel: Cultural history links the two companies JP Morgan – Chase Manhattan Bank: the team was a mix of both companies
Speed	JP Morgan – Chase Manhattan Bank: they were really fast in the whole integration process as they recognized it as one key success factor
Leadership	KLM-Air France: Behaviour of leaders improves employee perception, guidelines help the employees General Electrics – Marquette Medical Systems: Vision was communicated thoroughly Prudential Financial – CIGNA: Leaders were assigned early in the process JP Morgan – Chase Manhattan Bank: a team of leaders was extracted of the two companies in order for them to be the main focus
Communication	KLM-Air France: information should be communicated directly JP Morgan – Chase Manhattan Bank: over-communication was a goal of them
Retention of valuable employees	JP Morgan – Chase Manhattan Bank: they tried to keep as many of them as possible
Culture	JP Morgan – Chase Manhattan Bank: they focused on one culture due to previous merger experiences and to make the process clearer to their employees
Results	KLM-Air France: Surveys were conducted in order to check success of integration throughout the process Prudential Financial – CIGNA: Assessed progress almost daily

(Own design)

## 7.2 Action plan

As mentioned earlier, it does not make sense to evaluate another company's culture before the announcement of the merger (Schein, 2009). Therefore, this action plan will not include the pre-announcement stage but only the pre-merger stage and the post-merger stage.

The pre-merger stage is the stage where the companies have officially announced their decision to merge, but are still waiting for the approval, which could come from the anti-competition regulators of the different regions that are touched by the merger. The post-merger phase starts with the official acceptance of all regulatory entities and the closing of the stock market shares of one company, if applicable.

Furthermore, the action plan will mainly focus on the cultural integration, communication and human resources management. The action plan will not include the integration of systems.

### 7.2.1 Post announcement, pre-merger

Once the merger is officially announced but not yet accepted by all authorities, a new chapter of work for the two companies starts. Before the merger will be completed on the paper, an integration plan needs to be set up in order for it to be ready to be implemented once the merger is official (Kim & Olsen, 1999). This requires the two companies to come together for a first time in operational reasons, and is therefore also a very intense phase.

In order to develop an integration plan, the two companies' CEOs will come together with their advisors and discuss the two OCs. In such cases, external help, for example in form of consulting companies with focus on organizational culture integration, is required in order to guide the process (Economist Intelligence Unit, 2003).

The company heads and the consultants will define both company cultures in order to see where the differences are. As mentioned before, this is most of the time not a frameworked, but rather a gut instinct definition (Langer, 1999).

The first definition of the culture is mainly based on artefacts and a very clean point of view of the leaders of the company, as they preach the philosophy and the values over years. However, these values might not be lived just as strongly as the head of the company assumes and most of the time adapted to the location, department and hierarchy level (Schein, 2009).

In order to find the key differences and similarities, a framework as the one of Hofstede could help, as it gives a good overview of the two cultures and helps as a base of analysis.

Once the corporate culture definition of the leaders is given, task forces should be implemented with the aim to assess the culture in the different regions, departments and hierarchy levels (Schein, 2009). Here it is important that both assessments are run on the same foundation in order to have a more accurate comparison afterwards.

The task forces of both companies will try to evaluate their own company culture on predefined points of interest. Such points could include: leadership style, freedom of speech, open-door policy, empowerment, tacit assumptions and other values.

The task forces, which always include experts on the topic of the integration, should build several focus groups during the assessment process with employees of different levels in order to understand the subcultures that are within the companies. As at this stage employees start building uncertainty, their involvement in the evaluation process can have a positive impact on their perception of the merger. The more the employees feel involved, the less scary the whole process will be for them. (Schein, 2009)

Furthermore, the focus groups and interviews lead to the evaluation of deeper laying assumptions that are essential to gather in order to be able to establish a definition of the corporate culture. Another important factor is that the employees will give their own impression of the culture, which means, they are not biased.

Once the data is collected, both leadership teams come together again in order to evaluate the results of the OC assessments. On this base, the level of integration must be discussed with the help of experts (Kim & Olsen, 1999).

Furthermore, the values of the newly joint company should be defined in order to start communicating it once the merger is officially acknowledged. The new values will be the guide of the new company culture.

Of course, dependent on the merger, the level of integration could be quite low. However, these steps are important no matter the degree of integration. In the case that the two companies decide to co-exist, there still will be need for communication in order for the employees to know at what extent the cooperation is happening.

During the whole pre-merger, post announcement stage a code of conduct should be implemented in order for the two partnering firms to know at what point they will start communicating together. This is a very important factor as confidential information should not yet be shared before all authorities accepted the deal. Furthermore, no misinformation should be given to clients, shareholders or similar about the companies' future. Therefore, a code of conduct, which is shared on a regular basis in case of updates, should be implemented as a guidance for the employees.

Furthermore, a strong communication strategy should be run in order to raise awareness and decrease uncertainty. The employees of the two firms need a clear and continuous flow of information. In order to increase their motivation and openness towards the merger or acquisition, the objectives and benefits of the combination should be communicated. Additionally, and this is even more important, the employees need to gain awareness of the process and the time frames. (Kim & Olsen, 1999)

Over-communication has, as shown by the successful merger of JPMC, a positive effect on employee behaviour. Their support rises with the awareness and the information flow and their uncertainty and fears become secondary relevant. As each and every employee has his own perception of how much information is enough, the over-communication will surely be enough for those in need of more.

In this first part, a survey should be conducted at an early stage in order to find out the emotions, uncertainties, expectations and fears of the employees. A survey on the satisfaction level could be of use as well, as this could be tested throughout the whole process in order to analyse the progress and the perception of the employees.

### 7.2.2 Post-Merger

After the official closing of the deal, the integration plan can finally be implemented. The integration plan can be of different duration; depending on the level of integration, complexity of cultures and size of company, companies take longer or shorter to be integrated to the extent they are aiming for.

In any case, the corporate offices should start the day of official closure with an official announcement to the employees in combination with an instant implementation of the integration plan. Furthermore, all sorts of communicational tools should be used, ranging

from individual letters, emails, webinars, newspapers, television up to the implementation of a website that includes all information that could be important for the employees.

Everyone that is concerned and involved in the integration planning should be well aware of his tasks and duties and start the processes immediately. Furthermore, parts or the full integration plan should be made available to all employees in order for them to see what is coming next. This again helps reducing the uncertainty of the employees and therefore improves the openness to change.

Role models should be announced in the different outlets of the company so that employees have a contact person for their concerns and questions. In order for these role models not to be overrun with questions, the official announcement should be very clear from the beginning and should answer the most important questions directly. These questions can include (and are non-exhaustive): What will happen with the two companies? When will change happen? Who is going to update the employees? Where/How can employees get more information? Additionally, an email account or some sort of tool should be created where questions can be asked freely by employees.

In corporations where employees tend to be on the computer often, a website platform can be implemented with information on the two companies that could include the cultures, values, background, history and many more topics. This can later on be used to promote new systems, offer trainings and recorded webinars.

If the business is rather operational, information could be passed with regular short meetings prior to work or with small news letters that are handed out at the entrance of the building or via email if wished. Of course, a website offers much more coverage and the fact that it is available at anytime from anywhere, makes it even useful for a more operational company. It is very important that the employees are updated on a regular basis, even if the update says the same thing as the last one. Nonetheless, it gives a certain security and stability to the employees that they are not forgotten in the process.

Employees should be given a feeling of security. With the increase of learning anxiety and uncertainty, the employees need reassurances that they are safe. Therefore, strong leaders at the front should be focusing on positive messages and also allowing mistakes without sanctions during cultural integration processes.

Once these information are passed to all employees and a certain amount of time has passed by, the two companies should start communicating with each other more. Leaders of the different locations or departments should come together with the counterpart in the other company.

Meetings should become regular to them in order to exchange information to the extent that is possible. This is said as a side note, as in certain organizations, such as hotel chains, other influences might be incorporated, such as franchised hotels. In this specific situation, the regularly managed hotels will most probably not exchange much information with the franchised hotels, as the hotel owner might have other interests as well, and therefore stays a competitor. However, in “normal” situations, the companies will start discussions on how to support each other. This also helps the integration process, as the two different cultures will be confronted, and therefore introduced to each other.

Another idea could be to offer cultural trainings. This can help also in low integration cases, as the two businesses will have to work together to a certain extent as well. The aim of a cultural training is to present the culture, assess its values and to discuss the differences of the two OCs.

If the integration process is already at a further stage, role-swapping or shadowing days should be considered for high-level employees. This allows to share knowledge with the new partners and sometimes even creates new value due to other procedures.

Another useful tool that can be used is to offer webinars or in other cases trainings that explain the integration plan and process. Of course, these should be led by an expert on this topic, therefore, webinars are more realistic. However, that depends on the size of the company and its spread across the globe.

### 7.2.3 Post integration

In order to evaluate the success of the merger, surveys should be conducted throughout the whole integration process. The survey should always have the same layout and questions in order to be able to compare the outcome. Of course, an employer can also do punctual interviews with its employees, however, the outcome of those might be biased due to dishonesty in a direct conversation. Therefore, a survey is quite useful and allows the employees to be anonym.

Undoubtedly, these surveys should be distributed to both parts of the companies. No difference should be made between the two surveys, but when analysing the results, the company must be able to see from which of the two parts the answers were generated. It is important that several surveys are conducted throughout the process in order to find the differences. If a survey is only conducted at the end of the integration process, the outcomes will be biased by the current emotions of the employee.

Acknowledging that there are other very important measures as the in-/decrease of EPS or the DCF, it is to mention that these should also be analysed but they are not further discussed in this paper.

In order to provide an overview of the actions that were suggested above, the table below helps to understand the different stages and what should be done accordingly.

Table 9: Action plan

Stage	Phase	Tools	What to consider
Development of Integration plan	Cultural assessment	Definition via CEOs	
		Task forces	
		Focus groups	
		Hofstede model to generate a base	
	Definition of outcome	Values	
		Corporate Culture	
Definition of measures	Define KSF in order to measure success of integration	Assess throughout the process	
Communication	Day 1	Inform on extent of integration	Information via as many outlets as possible
	During integration process	Website platform for associates of both companies	Not all have access to computers
		Newsletter abonnement if wished	
		Daily update, even if it does not say anything	Over-communication is ok Give reassurance in order to promote security
		Guide with rules	Not only behavioural, but also on what can be shared with externals and what not
Integration efforts	Build bridges between two cultures	Meet the other teams	
		Cross-organisational meetings	
		Exchange program (swap roles)	
		Cultural trainings	On goal culture and to understand the other culture
	Guidance	Role models in each location	
		Question and answer sessions	
		Webinars (this is how we do it)	
End of integration	Assessment of outcome	Employee Survey	
		EPS	
		DCF	
		Other measures that were defined pre-M&A	

(Own design)

## 8 Conclusion

Mergers and acquisitions have become a standard in several industries to generate growth in a short time. However, specialists are asking themselves, if these short-term growth gains are as sustainable as if the company was growing naturally.

Furthermore, more and more questions are arising concerning the long-term profitability of such transactions. There is mostly a short term increase in EPS but in the long run, this will relativize as the market stabilizes. Additionally, the fact needs to be considered that two existing companies merge and nothing new is created. Therefore, the market will not be increased for the long run but only for short-term experience a raise due to the attention a transaction of M&A draw after.

This is different in transactions that give added value to the clients, like the recent acquisition by Marriott International buying Starwood Hotels and Resorts. They created the largest hotel chain worldwide. Furthermore, and that is where it gets interesting, they created the greatest hotel loyalty program by merging the two existing ones and offering therefore added value in form of more choice to their clients.

No conclusion could be made on the long-term success of M&As if the PMI plan was accurately planned as there are many different measurement techniques and strategies. However, this paper concludes that the integration of the two companies has a high influence of the long-term success, considering that the companies that are merging are ought to have financial benefits of the merger.

The integration of the combining companies needs to be well planned and structured. The process of integration planning should be started when first talks are initiated. In order to have the PMI plan ready once the deal is officially made, certain procedures and standards should be implemented as mentioned in the action plan, such as cultural assessment, assignment of a leadership team respectively integration team, deciding on the extent of the integration and defining the values of the new company.

The integration team should thoroughly evaluate the differences within the organizational culture itself that can be caused by international locations, different departments or different levels of employment. Therefore, the integration team should

include leaders of both companies in order to allow a thorough examination and a bond of trust.

Another KSF that was found in the paper was the communication. With the rise of learning anxiety within the employees and the uncertainty within personnel, communication becomes extremely important. As the example of JPMC showed, over-communication should be a main focus during the integration phase. All existing tools of communication should be used without the fear of over-communicating. The communications should follow a clear and congruent style and should include motivational messages.

Communication tools as presented in the action plan include letters, webinars, newspapers, emailing and so on. The most useful should be enacted in order to reach the employees at any level. Gaps of communication should be avoided as they trigger uncertainty and lead to information seeking in gossip. Therefore, communication should be available at all times during the PMI.

Once the integration is a bit further in the process, the two companies should start communicating with each other. This will help with the understanding and will allow first experiences with the other culture. This can result in better communication later on when the integration is completed.

In order to gain further insight into the field of PMI, longitudinal experiments should be conducted. This paper can only conclude that there is a strong link between the integration process and the success of the M&As. Additionally, the technique of over-communication was found to be one of the main drivers for successful integration and should therefore also be investigated on real cases in order to prove its importance.

The limits of this thesis are the broadness of the topic, the large amount of research that has been conducted on this topic and the different outcomes they generated. Therefore, an assessment of papers on this topic should be conducted in order to evaluate similarities and contradictions within the theory.

*"I hereby certify that I have written the present Bachelor's thesis on my own, without any help other than listed in the reference section, and that I have not used any sources other than the ones specifically mentioned. I will not give any copies of this report to anyone without the authorisation of both the RF and the supervisor of the Bachelor's thesis. This includes the applied research partner with whom I have worked, but not the persons who have provided me with the key information required for writing this thesis and which are listed hereafter: ....."*

A handwritten signature in black ink, consisting of several overlapping loops and lines, positioned below the text.

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